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

March 28, 2016

RECEIVED

MAR 31 2016

Public Service
Commission

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

Re: Warren County Water District PSC Application Case No. 2016-00134

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 reamortizing a loan from the Kentucky Rural Water Finance Corporation.

Please be advised that the District is requesting the Commission to expedite this Application and issue the approving Order on or before May 1, 2016 due to the fact that an upward shift in the current interest rate market could negate any interest cost savings to the District.

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

Sincerely,

Rubin & Hays

By 
W. Randall Jones

WRJ:jlm
Enclosures

cc: Mr. Jeff Peeples, Warren County Water District
Ms. Kristen Millard, Raymond James and Associates

RECEIVED

MAR 31 2016

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)
\$2,365,000 FOR THE PURPOSE OF REAMORTIZING) CASE NO. 2016 - 00134
A CERTAIN OUTSTANDING LOAN 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 \$2,365,000 (subject to adjustment of up to 10%), for the purpose of reamortizing a certain outstanding loan 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. John M. Dix, P.E., General Manager
P.O. Box 10180
Bowling Green, Kentucky 42102-4780
Telephone: (270) 842-0052 ext. 514
Fax: (270) 842-8360
Email: johnd@warrenwater.com

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 2015 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 amended assistance agreement (the "KRWFC Loan"), in the estimated principal amount of \$2,365,000 (subject to adjustment of up to 10%) for the purpose of reamortizing an outstanding loan from KRWFC designated as Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2006A, dated April 11, 2006, in the original principal amount of \$3,098,000 (the "Prior Loan"). The Prior Loan is currently held in the open market.

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

7. The KRWFC Loan will provide the District with the funds necessary to (i) reamortize the Prior Loan pursuant to an amended assistance agreement; and (ii) 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 reamortization will result in a net present value cashflow savings of approximately \$119,386.86. 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 Loan being reamortized is set forth in **Exhibit D**.

12. The District represents that the KRWFC Loan is in the public interest and is intended to accomplish the purpose of strengthening the financial condition of the District by producing

substantial debt service savings. This is a lawful object within the corporate purposes of the District's utility operations. The KRWFC Loan is necessary, appropriate for, and consistent with the proper performance by the District of its service to the public and will not impair its ability to perform that service.

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

14. The detailed Statement of Revenues, Expenses and Changes in Net Position, Statement of Net Position and Statement of Cash Flows for the twelve month period ending on December 31, 2014 are attached hereto and incorporated herein by reference as **Exhibit E** respectively.

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

- (i) Section 12(1)(b): Since the District had more than \$5,000,000 in gross annual revenue in the immediate past calendar year, it is required to file information set forth in Section 12(2) covering operations for a twelve month period ending not more than ninety days prior to the date this Application is filed. The District respectfully requests a deviation from the filing requirement of Section 12(1)(b) due to the fact that the reamortization of the Prior Loan will save the District substantial debt service payments and compiling current financial information would place an unreasonable burden on District

employees responsible for generating such information. As stated in paragraph no. 14 of this Application, the District is filing its audited financial statements for the period ending on December 31, 2014. Also, the District hereby states that no material changes to the District's financial condition have occurred since the end of the twelve (12) month period contained in the District's most recent annual report on file with the Commission.

- (ii) Section 12(2)(a), (b) and (c) Stock: The District does not have any authorized, issued or outstanding stock as of the date hereof.
- (iii) Section 12(2)(d) Mortgages: The District does not have any outstanding mortgages as of the date hereof.
- (iv) Section 12(2)(e), (f) and (g) Indebtedness: The information concerning the outstanding indebtedness of the District is contained in the 2015 Annual Report on file with this Commission.
- (v) Section 12(2)(h) Dividends: The District has no outstanding stock and therefore pays no dividends.
- (vi) Section 12(2)(i) Financial Statements: See paragraph #14 above.

16. Pursuant to 807 KAR 5:001, Section 18, the District hereby responds as follows:

- (i) Section 18(1)(a): The District has complied with the requirements of 807 KAR 5:001, Section 14.
- (ii) Section 18(1)(b): A general description of the District's property, its field of operation and a statement of original cost of said property and the cost to the

District is contained in the District's 2015 Annual Report on file with this Commission.

- (iii) Section 18(1)(c): The District is not issuing any stock as part of this financing. The information concerning the proposed KRWFC Loan is contained in this Application. The KRWFC Loan will be secured by and payable from the gross revenues of the District's water system.
- (iv) Section 18(1)(d): The proceeds of the KRWFC Loan are being used to reamortize the outstanding Prior Loan.
- (v) Section 18(1)(e): No property is being acquired with the proceeds of the KRWFC Loan.
- (vi) Section 18(1)(f): The details of the reamortization of the Prior Loan are contained in this Application and the Exhibits hereto.
- (vii) Section 18(1)(g): Written notification of the proposed issuance of the KRWFC Loan is being provided to the State Local Debt Officer.
- (viii) Section 18(2)(a): See paragraph #15 above.
- (ix) Section 18(2)(b): The District does not have any outstanding trust deeds or mortgages.
- (x) Section 18(2)(c): No property is being acquired with the proceeds of the KRWFC Loan.

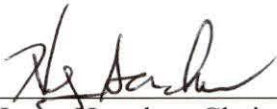
17. No rate adjustment will be necessary.

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


1. Authorize the issuance of the securities requested in the Application;
2. Grant the District a deviation from the filing requirements contained in 807 KAR 5:001, Section 12(1)(b);
3. Due to the volatility of the present bond market and in order to achieve substantial interest cost savings to the District by taking full advantage of current low interest rates, the District requests that the Commission issued its Order on or before **May 1, 2016**; and
4. 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
Fax: (270) 842-8360
Email: johnd@warrenwater.com

Rubin & Hays

By 
W. Randall Jones
Kentucky Home Trust Building
450 South Third Street
Louisville, Kentucky 40202
Phone: (502) 569-7525
Fax: (502) 569-7555
Counsel for Warren County Water District
wjones@rubinhays.com

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 22nd day of March, 2016.



Henry Honaker, Chairman

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by Henry Honaker, Chairman of the Warren County Water District, on this the 22nd day of March, 2016.

My Commission expires: 2-2-2020.



NOTARY PUBLIC #549821



Preliminary

\$2,365,000

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
03/30/2016	-	-	-	-	-
08/01/2016	-	-	25,090.69	25,090.69	-
12/31/2016	-	-	-	-	25,090.69
02/01/2017	135,000.00	2.350%	37,325.00	172,325.00	-
08/01/2017	-	-	35,738.75	35,738.75	-
12/31/2017	-	-	-	-	208,063.75
02/01/2018	145,000.00	2.250%	35,738.75	180,738.75	-
08/01/2018	-	-	34,107.50	34,107.50	-
12/31/2018	-	-	-	-	214,846.25
02/01/2019	140,000.00	2.600%	34,107.50	174,107.50	-
08/01/2019	-	-	32,287.50	32,287.50	-
12/31/2019	-	-	-	-	206,395.00
02/01/2020	155,000.00	2.700%	32,287.50	187,287.50	-
08/01/2020	-	-	30,195.00	30,195.00	-
12/31/2020	-	-	-	-	217,482.50
02/01/2021	150,000.00	2.650%	30,195.00	180,195.00	-
08/01/2021	-	-	28,207.50	28,207.50	-
12/31/2021	-	-	-	-	208,402.50
02/01/2022	160,000.00	2.850%	28,207.50	188,207.50	-
08/01/2022	-	-	25,927.50	25,927.50	-
12/31/2022	-	-	-	-	214,135.00
02/01/2023	165,000.00	3.600%	25,927.50	190,927.50	-
08/01/2023	-	-	22,957.50	22,957.50	-
12/31/2023	-	-	-	-	213,885.00
02/01/2024	170,000.00	3.600%	22,957.50	192,957.50	-
08/01/2024	-	-	19,897.50	19,897.50	-
12/31/2024	-	-	-	-	212,855.00
02/01/2025	175,000.00	3.500%	19,897.50	194,897.50	-
08/01/2025	-	-	16,835.00	16,835.00	-
12/31/2025	-	-	-	-	211,732.50
02/01/2026	180,000.00	3.400%	16,835.00	196,835.00	-
08/01/2026	-	-	13,775.00	13,775.00	-
12/31/2026	-	-	-	-	210,610.00
02/01/2027	190,000.00	3.500%	13,775.00	203,775.00	-
08/01/2027	-	-	10,450.00	10,450.00	-
12/31/2027	-	-	-	-	214,225.00
02/01/2028	195,000.00	3.500%	10,450.00	205,450.00	-
08/01/2028	-	-	7,037.50	7,037.50	-
12/31/2028	-	-	-	-	212,487.50
02/01/2029	200,000.00	3.450%	7,037.50	207,037.50	-
08/01/2029	-	-	3,587.50	3,587.50	-
12/31/2029	-	-	-	-	210,625.00
02/01/2030	205,000.00	3.500%	3,587.50	208,587.50	-
12/31/2030	-	-	-	-	208,587.50
Total	\$2,365,000.00	-	\$624,423.19	\$2,989,423.19	-

Yield Statistics

Bond Year Dollars	\$18,577.40
Average Life	7.855 Years
Average Coupon	3.3611975%
Net Interest Cost (NIC)	3.1911637%
True Interest Cost (TIC)	3.1510207%
Bond Yield for Arbitrage Purposes	2.8450302%
All Inclusive Cost (AIC)	3.3898224%
IRS Form 8038	
Net Interest Cost	2.9146905%
Weighted Average Maturity	7.842 Years

Raymond James

Public Finance

Preliminary

\$2,365,000

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

Sources & Uses

Dated 03/30/2016 | Delivered 03/30/2016

Sources Of Funds

Par Amount of Bonds	\$2,365,000.00
Reoffering Premium	68,245.35
Transfers from Prior Issue Debt Service Funds	18,268.37

Total Sources **\$2,451,513.72**

Uses Of Funds

Total Underwriter's Discount (1.550%)	36,657.50
Costs of Issuance	37,975.00
Deposit to Current Refunding Fund	2,374,110.25
Rounding Amount	2,770.97

Total Uses **\$2,451,513.72**

Preliminary

\$2,365,000

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
12/31/2016	25,090.69	25,090.69	49,110.25	24,019.56
12/31/2017	208,063.75	208,063.75	216,800.50	8,736.75
12/31/2018	214,846.25	214,846.25	223,654.00	8,807.75
12/31/2019	206,395.00	206,395.00	216,225.63	9,830.63
12/31/2020	217,482.50	217,482.50	224,533.13	7,050.63
12/31/2021	208,402.50	208,402.50	218,497.50	10,095.00
12/31/2022	214,135.00	214,135.00	222,197.50	8,062.50
12/31/2023	213,885.00	213,885.00	224,457.50	10,572.50
12/31/2024	212,855.00	212,855.00	220,423.75	7,568.75
12/31/2025	211,732.50	211,732.50	218,220.00	6,487.50
12/31/2026	210,610.00	210,610.00	220,697.50	10,087.50
12/31/2027	214,225.00	214,225.00	220,745.00	6,520.00
12/31/2028	212,487.50	212,487.50	222,360.00	9,872.50
12/31/2029	210,625.00	210,625.00	218,652.50	8,027.50
12/31/2030	208,587.50	208,587.50	219,622.50	11,035.00
Total	\$2,989,423.19	\$2,989,423.19	\$3,136,197.26	\$146,774.07

PV Analysis Summary (Net to Net)

Net FV Cashflow Savings	146,774.07
Gross PV Debt Service Savings	119,386.86
Net PV Cashflow Savings @ 3.390%(AIC)	119,386.86
Transfers from Prior Issue Debt Service Fund	(18,268.37)
Contingency or Rounding Amount	2,770.97
Net Present Value Benefit	\$103,889.46
Net PV Benefit / \$2,325,000 Refunded Principal	4.468%
Net Future Value Benefit	\$131,276.67
Net PV Benefit / \$2,365,000 Refunding Principal	4.393%
Average Annual Cash Flow Savings	10,483.86

Refunding Bond Information

Refunding Dated Date	3/30/2016
Refunding Delivery Date	3/30/2016

Raymond James

Public Finance

Preliminary

\$3,098,000

Warren County Water District
Kentucky Rural Water Finance Corporation
Flexible Term Program, Series 2006 A

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/31/2016	-	-	49,110.25	49,110.25
12/31/2017	121,000.00	-	95,800.50	216,800.50
12/31/2018	133,000.00	-	90,654.00	223,654.00
12/31/2019	131,000.00	-	85,225.63	216,225.63
12/31/2020	145,000.00	-	79,533.13	224,533.13
12/31/2021	145,000.00	-	73,497.50	218,497.50
12/31/2022	155,000.00	-	67,197.50	222,197.50
12/31/2023	164,000.00	-	60,457.50	224,457.50
12/31/2024	167,000.00	-	53,423.75	220,423.75
12/31/2025	172,000.00	-	46,220.00	218,220.00
12/31/2026	182,000.00	-	38,697.50	220,697.50
12/31/2027	190,000.00	-	30,745.00	220,745.00
12/31/2028	200,000.00	-	22,360.00	222,360.00
12/31/2029	205,000.00	-	13,652.50	218,652.50
12/31/2030	215,000.00	4.300%	4,622.50	219,622.50
Total	\$2,325,000.00	-	\$811,197.26	\$3,136,197.26

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	3/30/2016
Average Life	8.022 Years
Average Coupon	4.2630518%
Weighted Average Maturity (Par Basis)	8.022 Years
Weighted Average Maturity (Original Price Basis)	7.993 Years

Refunding Bond Information

Refunding Dated Date	3/30/2016
Refunding Delivery Date	3/30/2016

WARREN COUNTY WATER DISTRICT
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Metered sales	\$ 12,846,745	\$ 11,785,396
Miscellaneous service revenue	<u>267,686</u>	<u>237,925</u>
TOTAL OPERATING REVENUES	13,114,431	12,023,321
OPERATING EXPENSES		
Source of supply	5,040,387	4,604,792
Pumping plant	701,297	618,886
Water treatment	42	252
Transmission and distribution	1,022,960	1,031,583
Customer accounts	1,413,254	1,319,793
Administrative and general	836,378	803,229
Depreciation	<u>2,965,480</u>	<u>2,814,146</u>
TOTAL OPERATING EXPENSES	<u>11,979,798</u>	<u>11,192,681</u>
OPERATING INCOME	1,134,633	830,640
NONOPERATING REVENUES (EXPENSES)		
Interest income	64,864	100,235
Rental revenue	134,022	131,781
Non-utility income	115,921	107,141
Gain on disposal of assets	42,170	3,425
Amortization of debt expense	(9,269)	(44,672)
Interest expense	(383,593)	(410,890)
Legal settlement	<u>-</u>	<u>28,020</u>
NET NONOPERATING REVENUES (EXPENSES)	<u>(35,885)</u>	<u>(84,960)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	1,098,748	745,680
CAPITAL CONTRIBUTIONS	<u>4,342,915</u>	<u>744,265</u>
INCREASE IN NET POSITION	5,441,663	1,489,945
NET POSITION, BEGINNING OF YEAR	<u>82,729,770</u>	<u>81,239,825</u>
NET POSITION, END OF YEAR	<u>\$ 88,171,433</u>	<u>\$ 82,729,770</u>

WARREN COUNTY WATER DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
UTILITY PLANT (at cost)		
Utility plant in service	\$ 142,839,679	\$ 137,216,407
Less accumulated depreciation	<u>(41,321,219)</u>	<u>(38,541,507)</u>
	101,518,460	98,674,900
Utility plant construction in progress	<u>3,146,488</u>	<u>3,005,335</u>
NET UTILITY PLANT	104,664,948	101,680,235
NONOPERATING PROPERTY, net of \$85,836		
accumulated depreciation	165,856	165,856
RESTRICTED ASSETS		
Bond and interest sinking funds	616,629	744,936
Debt service reserve for bond funds	318,800	318,800
Customer deposits	1,138,705	1,060,595
Construction funds	5,193,291	6,607,331
Depreciation funds	<u>4,031,082</u>	<u>3,947,595</u>
TOTAL RESTRICTED ASSETS	11,298,507	12,679,257
CURRENT ASSETS		
Cash and cash equivalents	1,677,131	998,886
Accounts receivable		
User charges, net of allowance for doubtful	544,450	571,435
accounts: 2014-\$9,453 and 2013-\$9,453		
Contractor receivable	826,458	3,065
Butler County Water System, Inc.	129,482	72,766
Simpson County Water District	71,664	41,597
Miscellaneous	14,221	12,653
Special deposits and transfers	1,630	1,630
Materials and supplies inventory	452,674	421,884
Prepaid expenses	96,572	86,489
Other receivables	<u>9,212</u>	<u>21,168</u>
TOTAL CURRENT ASSETS	3,823,494	2,231,573
OTHER ASSETS		
Miscellaneous	84,736	58,590
Unamortized debt premium/discount	77,654	86,923
Unamortized retirement costs and other expenses	<u>203,643</u>	<u>180,985</u>
TOTAL OTHER ASSETS	<u>366,033</u>	<u>326,498</u>
TOTAL ASSETS	<u>\$ 120,318,838</u>	<u>\$ 117,083,419</u>

WARREN COUNTY WATER DISTRICT
 STATEMENTS OF NET POSITION
 DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
NET POSITION		
Invested in capital assets, net of related debt	\$ 75,538,253	\$ 70,060,856
Restricted	10,159,802	11,618,662
Unrestricted	<u>2,473,378</u>	<u>1,050,252</u>
TOTAL NET POSITION	88,171,433	82,729,770
LONG-TERM DEBT		
Bonds and loans payable	2,936,500	3,061,500
Notes payable	7,257,799	7,782,917
Less - Current portion of long-term debt	<u>(528,517)</u>	<u>(650,118)</u>
TOTAL LONG-TERM DEBT	9,665,782	10,194,299
CURRENT LIABILITIES		
Accounts payable	777,989	482,794
Butler County Water System, Inc.	55,220	46,003
Simpson County Water District	44,291	39,246
Accrued expenses	808,371	870,708
Current portion of long-term debt	<u>528,517</u>	<u>650,118</u>
TOTAL CURRENT LIABILITIES	2,214,388	2,088,869
OTHER LIABILITIES		
Customer meter deposits	1,098,028	1,059,121
Contractor advances for construction	19,098,252	20,940,818
Unearned revenue for cellular leases	<u>70,955</u>	<u>70,542</u>
TOTAL OTHER LIABILITIES	<u>20,267,235</u>	<u>22,070,481</u>
TOTAL LIABILITIES	<u>32,147,405</u>	<u>34,353,649</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 120,318,838</u>	<u>\$ 117,083,419</u>

WARREN COUNTY WATER DISTRICT
 STATEMENTS OF CASH FLOW
 FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 12,241,628	\$ 12,099,982
Payments to suppliers	(7,088,216)	(6,361,375)
Payments to employees	<u>(1,703,193)</u>	<u>(1,646,846)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,450,219	4,091,761
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from notes	-	1,999,469
Principal paid on bonds and notes	(650,117)	(2,519,336)
Interest paid	(391,864)	(435,168)
Proceeds from disposal of capital assets	53,883	-
Acquisition and construction of capital assets	<u>(3,409,991)</u>	<u>(3,695,869)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(4,398,089)	(4,650,904)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income	76,820	98,357
Purchase of investments in certificates of deposits	-	(677,745)
Proceeds from sale of investments in certificates of deposit	1,375,747	-
Proceeds from miscellaneous income	<u>249,943</u>	<u>238,922</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>1,702,510</u>	<u>(340,466)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	754,640	(899,609)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,449,889</u>	<u>3,349,498</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,204,529</u>	<u>\$ 2,449,889</u>

See Note B for reconciliation to balance sheet.

	<u>2014</u>	<u>2013</u>
Reconciliation of operating income to net cash provided in operating activities:		
Operating income	\$ 1,134,633	\$ 830,640
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,965,480	2,814,146
Decrease (increase) in:		
Accounts receivable	(884,759)	77,979
Special Deposits and transfers	-	560
Prepaid insurance and pension contributions	(10,083)	(8,705)
Materials and supplies inventory	(30,790)	(10,666)
Other receivables	11,956	(1,878)
Deferred charges	(22,658)	22,791
Increase (decrease) in:		
Accounts payable and accrued liabilities	247,120	312,104
Deposits	38,907	47,548
Deferred revenues	413	7,242
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 3,450,219</u>	<u>\$ 4,091,761</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Private developers contributed constructed water and sewer lines at cost	<u>\$ 4,342,915</u>	<u>\$ 744,265</u>
TOTAL NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	<u>\$ 4,342,915</u>	<u>\$ 744,265</u>