

Rubin & Hays

ATTORNEYS AT LAW

Kentucky Home Trust Building, 450 South Third Street, Louisville, Kentucky 40202-1410
Telephone (502) 569-7525 Telefax (502) 569-7555 Email: rh@rubinhays.com

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

PARALEGAL
MARY M. EMBRY

March 26, 2004

Mr. Thomas Dorman, Executive Director
Public Service Commission
P.O. Box 615
Frankfort, Kentucky 40602

Case 2004-00108

RECEIVED

MAR 26 2004

PUBLIC SERVICE
COMMISSION

Re: Wood Creek Water District PSC Application

Dear Mr. Dorman:

Enclosed please find the original and ten (10) copies of the Application of the Wood Creek Water District for an Order authorizing the issuance of 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 this refunding is interest rate sensitive, we request that the Commission process the Application in an expedited manner and issue an Order on or before April 27, 2004 (the date set for closing the securities).**

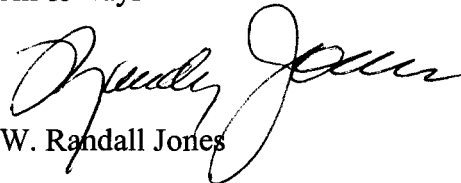
Thank you for your assistance and if you need any additional information or documentation, please let us know.

Sincerely,

Rubin & Hays

By

W. Randall Jones



WRJ:jl
Enclosures

cc: Ms. Eula Dalton, Wood Creek Water District
Ms. Kristen Curtis, Morgan Keegan

RECEIVED

COMMONWEALTH OF KENTUCKY

MAR 26 2004

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE APPLICATION OF WOOD CREEK WATER)
DISTRICT TO ISSUE SECURITIES IN THE)
APPROXIMATE PRINCIPAL AMOUNT OF)
\$1,318,000 FOR THE PURPOSE OF REFUNDING) CASE NO. 2004-00108
CERTAIN OUTSTANDING REVENUE BONDS OF)
THE DISTRICT PURSUANT TO THE PROVISIONS)
OF KRS 278.300 AND 807 KAR 5:001)

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

APPLICATION

The Applicant, Wood Creek Water District (the "District"), files this Application pursuant to KRS 278.300, 807 KAR 5:001, and all other applicable laws and regulations, and requests that the Kentucky Public Service Commission (the "Commission") enter an Order authorizing the District to issue certain securities in the approximate principal sum \$1,318,000 (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 Laurel County, which Order is on file in the County Court Order Books in the office of the Clerk of Laurel 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:

Wood Creek Water District
c/o Mr. Glenn Williams, Chairman
P.O. Box 726
London, Kentucky 40743
Telephone: (606) 878-9420

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 2002 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 "2004 Loan"), in the estimated principal amount of \$1,318,000 (subject to adjustment of up to 10%) for the purpose of refunding the outstanding revenue bonds designated as Wood Creek Water District Waterworks Revenue Bonds of 1989, dated August 14, 1991, in the original authorized principal amount of \$1,456,000 (the "Prior Bonds"). Said Prior Bonds are currently held by the U.S. Department of Agriculture, acting through Rural Development ("RD") and bear interest at the rate of 5.00% per annum.

6. The estimated debt service for the 2004 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

2004 Loan may vary from the present assumptions based upon market conditions and other business judgment factors.

7. The 2004 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 2004 Loan.

8. The Sources and Uses of Funds to be obtained from the issuance of the 2004 Loan are detailed as **Exhibit B**, which is attached hereto and incorporated herein by reference.

9. It is anticipated that the proposed refinancing will result in total gross savings of approximately \$145,679.91, which represents a net present value savings of \$51,663.32. These savings are shown on the Debt Service Comparison Report, which is attached hereto and incorporated herein by reference as **Exhibit C**.

10. The final principal amount of the 2004 Loan will be adjusted, based upon final interest rates which will be known on or about March 24, 2004, in order to provide funds sufficient to redeem, in full, the Prior Bonds. Final financial figures will be submitted to the Commission in a timely manner. The District will not issue the securities if interest rates in the bond market shift to a point where the District will not achieve any savings.

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

12. The District represents that the 2004 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 2004 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 2004 Loan, file with the Commission a statement setting forth the date of issuance of the 2004 Loan, the price paid, the fees and expenses incurred in the issuance of the 2004 Loan, and the terms and interest rates of the 2004 Loan.

14. The detailed Statement of Revenue and Expenses, Balance Sheet and Statement of Cash Flows for the twelve month period ending on December 31, 2002 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 2001 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 2004 Loan will be secured by a pledge of the revenues of the District's System.
- (c) Section 11(2)(b): The District does not have any trust deeds in effect as of the date hereof.
- (d) Section 11(2)(c): No property is being acquired as the proceeds of the securities are being used for the refunding of the Prior Bonds.

17. The District hereby requests and moves for a deviation, pursuant to 807 KAR 5:001, Section 14, from the requirements of 807 KAR 5:001, Section 6, which requires that the financial data filed with the Application be for a twelve (12) month period ending within

ninety (90) days of the filing of the application. The District states that there has been no change that is material in nature in the financial condition or operation of the District since December 31, 2002. The financial data filed with this Application is for the twelve (12) month period ending December 31, 2002. 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 2004 Loan while more current financial data is compiled. Also, the refunding of the Prior Bonds will save the District significant revenues thus improving the District's financial position.

18. No rate adjustment will be necessary.

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

1. Authorize the issuance of the securities requested in the Application prior to the closing date of April 27, 2004;

2. Grant the District a deviation, to the extent necessary, from 807 KAR 5:001, Section 6 to allow the submission of the District's 2002 Annual Report in lieu of more recent financial data, there being no material change in the data in 2002 and due to the volatility of the present bond market; and

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

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

RUBIN & HAYS

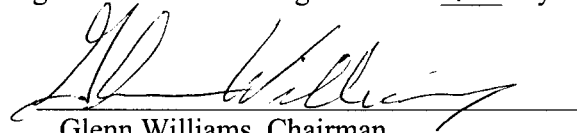
By 

W. Randall Jones
Kentucky Home Trust Building
450 South Third Street
Louisville, Kentucky 40202
Phone: (502) 569-7525
Fax: (502) 569-7555
Counsel for Wood Creek
Water District

STATE OF KENTUCKY)
) SS
COUNTY OF LAUREL)

The affiant, Glenn Williams, being first duly sworn, states: That he is the Chairman of the Wood Creek 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 23 day of March, 2004.



Glenn Williams, Chairman

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by Glenn Williams, Chairman of the Wood Creek Water District, on this the 23 day of March, 2004.

My Commission expires: 10-20-2007.



NOTARY PUBLIC

\$1,318,000

Wood Creek Water District
Refunding of Series 1989
Kentucky Rural Water Finance Corporation

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I
12/30/2004	-	-	17,327.10	17,327.10
12/30/2005	32,000.00	2.280%	51,616.50	83,616.50
12/30/2006	32,000.00	2.400%	50,867.70	82,867.70
12/30/2007	34,000.00	2.405%	50,074.85	84,074.85
12/30/2008	34,000.00	2.530%	49,235.90	83,235.90
12/30/2009	36,000.00	2.780%	48,305.40	84,305.40
12/30/2010	38,000.00	3.155%	47,205.55	85,205.55
12/30/2011	40,000.00	3.330%	45,940.10	85,940.10
12/30/2012	42,000.00	3.530%	44,532.80	86,532.80
12/30/2013	44,000.00	4.030%	42,904.90	86,904.90
12/30/2014	46,000.00	4.030%	41,091.40	87,091.40
12/30/2015	48,000.00	4.030%	39,197.30	87,197.30
12/30/2016	50,000.00	4.030%	37,222.60	87,222.60
12/30/2017	52,000.00	4.030%	35,167.30	87,167.30
12/30/2018	56,000.00	4.030%	32,991.10	88,991.10
12/30/2019	58,000.00	4.155%	30,657.75	88,657.75
12/30/2020	62,000.00	4.155%	28,164.75	90,164.75
12/30/2021	66,000.00	4.280%	25,464.30	91,464.30
12/30/2022	70,000.00	4.280%	22,553.90	92,553.90
12/30/2023	72,000.00	4.405%	19,470.10	91,470.10
12/30/2024	76,000.00	4.405%	16,210.40	92,210.40
12/30/2025	76,000.00	4.405%	12,862.60	88,862.60
12/30/2026	78,000.00	4.405%	9,470.75	87,470.75
12/30/2027	58,000.00	4.405%	6,475.35	64,475.35
12/30/2028	56,000.00	4.405%	3,964.50	59,964.50
12/30/2029	62,000.00	4.405%	1,365.55	63,365.55
Total	\$1,318,000.00	-	\$810,340.45	\$2,128,340.45

Yield Statistics

Accrued Interest from 04/01/2004 to 04/27/2004	3,754.21
Bond Year Dollars	\$19,254.33
Average Life	14.609 Years
Average Coupon	4.2086134%
Net Interest Cost (NIC)	4.3194742%
True Interest Cost (TIC)	4.3364205%
Bond Yield for Arbitrage Purposes	4.2670154%
All Inclusive Cost (AIC)	4.6134205%

IRS Form 8038

Net Interest Cost	4.3634112%
Weighted Average Maturity	14.370 Years

\$1,318,000

Wood Creek Water District
Refunding of Series 1989
Kentucky Rural Water Finance Corporation

Sources & Uses

Dated 04/01/2004 | Delivered 04/27/2004

SOURCES OF FUNDS

Par Amount of Bonds	\$1,318,000.00
Accrued Interest from 04/01/2004 to 04/27/2004	3,725.76
Transfers from Prior Issue Debt Service Funds	21,322.59

TOTAL SOURCES **\$1,343,048.35**

USES OF FUNDS

Original Issue Discount (OID)	12,220.66
Total Underwriter's Discount (0.695%)	9,344.40
Costs of Issuance	23,303.91
Gross Bond Insurance Premium (29.0 bp)	6,155.44
Deposit to Debt Service Fund	3,725.76
Deposit to Current Refunding Fund	1,286,870.58
Rounding Amount	1,427.60

TOTAL USES **\$1,343,048.35**

\$1,318,000

Wood Creek Water District
Refunding of Series 1989
Kentucky Rural Water Finance Corporation

Debt Service Comparison

Part 1 of 2

Date	Total P+I	Expenses	Net New D/S	Old Net D/S	Savings
12/30/2004	17,327.10	-	17,327.10	31,661.68	14,334.58
12/30/2005	83,616.50	450.00	84,066.50	84,741.18	674.68
12/30/2006	82,867.70	450.00	83,317.70	84,942.50	1,624.80
12/30/2007	84,074.85	450.00	84,524.85	85,240.00	715.15
12/30/2008	83,235.90	450.00	83,685.90	85,462.50	1,776.60
12/30/2009	84,305.40	450.00	84,755.40	85,902.50	1,147.10
12/30/2010	85,205.55	450.00	85,655.55	86,155.00	499.45
12/30/2011	85,940.10	450.00	86,390.10	86,517.50	127.40
12/30/2012	86,532.80	450.00	86,982.80	86,980.00	(2.80)
12/30/2013	86,904.90	450.00	87,354.90	87,337.50	(17.40)
12/30/2014	87,091.40	450.00	87,541.40	87,785.00	243.60
12/30/2015	87,197.30	450.00	87,647.30	88,215.00	567.70
12/30/2016	87,222.60	450.00	87,672.60	88,720.00	1,047.40
12/30/2017	87,167.30	450.00	87,617.30	89,290.00	1,672.70
12/30/2018	88,991.10	450.00	89,441.10	89,817.50	376.40
12/30/2019	88,657.75	450.00	89,107.75	90,395.00	1,287.25
12/30/2020	90,164.75	450.00	90,614.75	91,012.50	397.75
12/30/2021	91,464.30	450.00	91,914.30	91,757.50	(156.80)
12/30/2022	92,553.90	450.00	93,003.90	92,420.00	(583.90)
12/30/2023	91,470.10	450.00	91,920.10	93,190.00	1,269.90
12/30/2024	92,210.40	450.00	92,660.40	93,955.00	1,294.60
12/30/2025	88,862.60	450.00	89,312.60	94,900.00	5,587.40
12/30/2026	87,470.75	450.00	87,920.75	95,712.50	7,791.75
12/30/2027	64,475.35	450.00	64,925.35	96,777.50	31,852.15
12/30/2028	59,964.50	450.00	60,414.50	97,777.50	37,363.00
12/30/2029	63,365.55	450.00	63,815.55	98,605.00	34,789.45
Total	\$2,128,340.45	\$11,250.00	\$2,139,590.45	\$2,285,270.36	\$145,679.91

\$1,318,000

Wood Creek Water District
Refunding of Series 1989
Kentucky Rural Water Finance Corporation

Debt Service Comparison

Part 2 of 2

PV Analysis Summary (Net to Net)

Gross Service Savings	145,679.91
Accrued Interest Credit to Debt Service Fund	3,725.76
Transfers from Prior Issue Debt Service Fund	(21,322.59)
Contingency or Rounding Amount	1,427.60
Net Benefit	\$129,510.68
Net Present Value Benefit	\$51,663.32
Net PV Benefit / \$1,266,467 Refunded Principal	4.079%
Net PV Benefit / \$1,318,000 Refunding Principal	3.920%

Refunding Bond Information

Refunding Dated Date	4/01/2004
Refunding Delivery Date	4/27/2004

\$1,266,400
Wood Creek Water District
Series 1989

PRIOR ORIGINAL DEBT SERVICE

Date	Principal	Coupon	Interest	Total P+I
12/30/2003	-	-	-	-
12/30/2004	-	-	63,320.00	63,320.00
12/30/2005	21,900.00	-	62,772.50	84,672.50
12/30/2006	23,300.00	-	61,642.50	84,942.50
12/30/2007	24,800.00	-	60,440.00	85,240.00
12/30/2008	26,300.00	-	59,162.50	85,462.50
12/30/2009	28,100.00	-	57,802.50	85,902.50
12/30/2010	29,800.00	-	56,355.00	86,155.00
12/30/2011	31,700.00	-	54,817.50	86,517.50
12/30/2012	33,800.00	-	53,180.00	86,980.00
12/30/2013	35,900.00	-	51,437.50	87,337.50
12/30/2014	38,200.00	-	49,585.00	87,785.00
12/30/2015	40,600.00	-	47,615.00	88,215.00
12/30/2016	43,200.00	-	45,520.00	88,720.00
12/30/2017	46,000.00	-	43,290.00	89,290.00
12/30/2018	48,900.00	-	40,917.50	89,817.50
12/30/2019	52,000.00	-	38,395.00	90,395.00
12/30/2020	55,300.00	-	35,712.50	91,012.50
12/30/2021	58,900.00	-	32,857.50	91,757.50
12/30/2022	62,600.00	-	29,820.00	92,420.00
12/30/2023	66,600.00	-	26,590.00	93,190.00
12/30/2024	70,800.00	-	23,155.00	93,955.00
12/30/2025	75,400.00	-	19,500.00	94,900.00
12/30/2026	80,100.00	-	15,612.50	95,712.50
12/30/2027	85,300.00	-	11,477.50	96,777.50
12/30/2028	90,700.00	-	7,077.50	97,777.50
12/30/2029	96,200.00	-	2,405.00	98,605.00
Total	1,266,400.00	-	1,050,460.00	2,316,860.00

YIELD STATISTICS

Average Life.....	15.840 Years
Weighted Average Maturity (Par Basis).....	15.767 Years
Average Coupon.....	5.0789156%

REFUNDING BOND INFORMATION

Refunding Dated Date.....	4/01/2004
Refunding Delivery Date.....	4/27/2004

WOOD CREEK WATER DISTRICT
London, Kentucky

BALANCE SHEETS
December 31,

ASSETS

	<u>2002</u>	<u>2001</u>
UTILITY PLANT (Notes 1 and 3)		
Intangible plant		
Source of supply plant	\$ 21,836	\$ 21,836
Pumping plant	1,089,518	1,089,519
Water treatment plant	691,163	691,163
Transmission and distribution plant	3,936,225	3,936,225
General plant	9,148,983	8,474,341
Land and structures – wastewater	1,618,726	1,395,659
Collection plant – wastewater	9,000	9,000
Pumping plant – wastewater	1,768,221	1,624,664
General plant – wastewater	880,058	698,534
Construction in progress (Note 4)	16,356	16,356
Total utility plant	<u>179,294</u>	<u>35,934</u>
Less: Accumulated provision for depreciation	19,359,380	17,993,231
Net utility plant	<u>5,711,122</u>	<u>5,071,896</u>
	<u>13,648,258</u>	<u>12,921,335</u>
CURRENT ASSETS		
Cash and temporary cash investments (Note 2)		
Accounts receivable (less provision for doubtful accounts of \$5,508 in 2002 and \$5,508 in 2001) (Note 1)	2,315,501	2,046,793
Accounts receivable – related parties (Note 5)	107,495	107,032
Accounts receivable – other (Note 4)	179,738	148,370
Grant receivable	0	112,367
Materials and supplies (Note 1)	0	13,600
Other current assets	122,418	255,297
Total current assets	<u>28,415</u>	<u>301,439</u>
	<u>2,753,567</u>	<u>2,713,898</u>
DEFERRED DEBITS		
Unamortized debt discount and expense	23,535	28,177
TOTAL ASSETS	<u>\$16,425,360</u>	<u>\$15,663,410</u>

The accompanying notes are an integral part of these financial statements
Page 2

WOOD CREEK WATER DISTRICT
London, Kentucky

BALANCE SHEETS
December 31,

EQUITIES AND LIABILITIES

	<u>2002</u>	<u>2001</u>
EQUITIES		
Federal grants (Note 4)	\$ 3,963,545	\$ 3,718,713
Customer tap-on fees	2,140,757	1,882,324
Contributions in aid of construction - other (Note 8)	3,068,352	2,669,914
Retained earnings	<u>1,400,503</u>	<u>1,627,324</u>
Total equities	<u>10,573,157</u>	<u>9,898,275</u>
LONG-TERM DEBT (Note 6)		
Rural Development bonds payable	<u>5,261,600</u>	<u>5,418,300</u>
CURRENT LIABILITIES		
Current maturities of long-term debt (Note 6)	156,700	147,400
Accounts payable	319,841	103,939
Accounts payable - related parties (Note 5)	-	-
Retainage payable	-	67,625
Advances for construction (Note 4)	84,491	-
Customer deposits	6,811	5,071
Accrued taxes	8,179	7,822
Other current liabilities	<u>14,578</u>	<u>14,978</u>
Total current liabilities	<u>590,600</u>	<u>346,835</u>
TOTAL EQUITIES AND LIABILITIES	<u>\$16,425,360</u>	<u>\$15,663,410</u>

WOOD CREEK WATER DISTRICT
London, Kentucky

STATEMENTS OF INCOME
Years Ended December 31,

	<u>2002</u>		<u>2001</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
OPERATING REVENUES	\$ <u>2,386,279</u>	<u>100.0</u>	\$ <u>2,207,559</u>	<u>100.0</u>
OPERATING EXPENSES				
Purchased power	180,444	7.6	176,546	8.0
Materials and supplies	387,568	16.2	296,721	13.5
Salaries and wages	1,025,779	43.0	911,204	41.3
Chemicals	197,021	8.26	174,803	7.9
Bad debt expense	6,618	.3	7,984	.4
Miscellaneous expense	22,099	.9	20,508	.9
Commissioners' fees	7,560	.3	7,200	.3
Legal and accounting	31,560	1.3	16,457	.7
Engineering	13,920	.6	-	-
Contractual services - other	8,297	.3	5,913	.3
Insurance - vehicle	30,195	1.3	20,793	.9
Insurance - general liability	7,932	.3	9,194	.4
Insurance - workers' compensation	23,552	1.0	16,530	.7
Insurance - other	19,218	.8	14,735	.7
Transportation expense	53,410	2.2	91,600	4.1
Rental of equipment	70,778	3.0	29,939	1.4
Rental of building	4,000	.1	-	-
Taxes other than income	3,578	.2	3,433	.2
Depreciation	<u>669,486</u>	<u>28.1</u>	<u>546,823</u>	<u>24.8</u>
Total operating expenses	<u>2,763,015</u>	<u>115.8</u>	<u>2,350,383</u>	<u>106.5</u>
NET OPERATING INCOME (LOSS)	<u>(376,736)</u>	<u>(15.8)</u>	<u>(142,824)</u>	<u>(6.5)</u>
OTHER INCOME (EXPENSE)				
Net revenues from merchandising, jobbing, and contract work	364,594	15.3	238,315	10.8
Interest income	58,393	2.4	85,483	3.9
Interest on long-term debt	(273,409)	(11.5)	(279,885)	(12.7)
Other interest expense	(124)	-	(123)	-
Amortization of debt discount and expense	(4,642)	(.2)	(5,458)	(.2)
Gain (loss) on sale of fixed assets	<u>5,103</u>	<u>.2</u>	<u>3,592</u>	<u>.1</u>
Total other income (expense)	<u>149,915</u>	<u>6.2</u>	<u>41,924</u>	<u>1.9</u>
NET INCOME (LOSS)	\$ <u>(226,821)</u>	<u>(9.6)</u>	\$ <u>(100,900)</u>	<u>(4.6)</u>

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

WOOD CREEK WATER DISTRICT
London, Kentucky

STATEMENTS OF RETAINED EARNINGS
Years Ended December 31,

	<u>2002</u>	<u>2001</u>
RETAINED EARNINGS, Beginning of year	\$1,627,324	\$1,728,224
Net income (loss)	<u>(226,821)</u>	<u>(100,900)</u>
RETAINED EARNINGS, End of year	<u>\$1,400,503</u>	<u>\$1,627,324</u>

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

WOOD CREEK WATER DISTRICT
 London, Kentucky

STATEMENTS OF CASH FLOWS
 Years Ended December 31,

	<u>2002</u>	<u>2001</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)		
Noncash (income) expenses included in net income:	(226,821)	(100,900)
Depreciation		
(Gain) loss on sales of fixed assets	669,486	546,823
Change in assets and liabilities:	(5,103)	(3,592)
(Increase) decrease in accounts receivable	(463)	(10,197)
(Increase) decrease in accounts receivable – related parties	(31,368)	(1,240)
(Increase) decrease in accounts receivable – other	112,367	(31,529)
(Increase) decrease in grant receivable	13,600	77,105
(Increase) decrease in materials and supplies	132,879	19,424
(Increase) decrease in other current assets	2,024	3,901
Increase (decrease) in accounts payable	215,907	(120,985)
Increase (decrease) in accounts payable – related parties		(17,389)
Increase (decrease) in retainage payable	(67,625)	30,342
Increase (decrease) in customer deposits	1,740	101
Increase (decrease) in accrued taxes	357	(1,839)
Increase (decrease) in advances for construction	84,491	-
Increase (decrease) in other current liabilities	(400)	(639)
Net cash provided by (used in) operating activities	<u>901,073</u>	<u>389,386</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,396,413)	(1,668,498)
Proceeds from sale of property, plant and equipment	5,103	15,756
Net cash provided by (used in) investing activities	<u>(1,391,310)</u>	<u>(1,652,742)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from customer tap-on fees	258,433	77,850
Proceeds from contributions in aid of construction	398,438	406,267
Proceeds from grant	244,832	1,148,949
Principal payments on long-term debt	(147,400)	(136,200)
Amortization of debt discount and expense	4,642	5,458
Net cash provided by (used in) financing activities	<u>758,945</u>	<u>1,502,324</u>
Net change in cash and temporary cash investments	268,708	238,968
Cash and temporary cash investments:		
Beginning	2,046,793	1,807,825
Ending	<u>\$ 2,315,501</u>	<u>\$ 2,046,793</u>
PPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash payments for:		
Interest	<u>273,933</u>	<u>280,308</u>

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