

Rubin & Hays

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

PARALEGAL
MARY M. EMBRY

March 26, 2004

RECEIVED
MAR 26 2004
PUBLIC SERVICE
COMMISSION

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

Case 2004-00109

Re: Christian County Water District PSC Application

Dear Mr. Dorman:

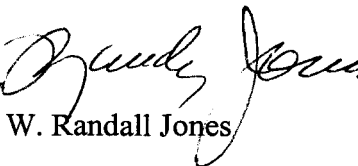
Enclosed please find the original and ten (10) copies of the Application of the Christian County Water District for an Order authorizing the issuance of securities pursuant to KRS 278.300.

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:jlm
Enclosures

cc: Mr. James Owen, Christian County Water District
Ms. Kristen Curtis, Morgan Keegan

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

RECEIVED

MAR 8 6 2004

PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE APPLICATION OF CHRISTIAN COUNTY)
WATER DISTRICT TO ISSUE SECURITIES)
IN THE APPROXIMATE PRINCIPAL AMOUNT)
OF \$2,305,000 FOR THE PURPOSE OF REFUNDING) CASE NO. 2004-00109
CERTAIN OUTSTANDING REVENUE BONDS OF)
THE DISTRICT PURSUANT TO THE PROVISIONS)
OF KRS 278.300 AND 807 KAR 5:001)

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

APPLICATION

The Applicant, Christian 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 sum \$2,305,000 (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 Christian County, which Order is on file in the County Court Order Books in the office of the Clerk of Christian 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:

Christian County Water District
c/o Mr. James Owen, Manager
P.O. Box 7
Hopkinsville, Kentucky 42241-0007
Telephone: (270) 886-3696

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 \$2,305,000 (subject to adjustment of up to 10%) for the purpose of refunding the outstanding revenue bonds designated as the (i) Christian County Water District Waterworks Revenue Bonds of 1989, dated March 28, 1991, in the original principal amount of \$1,348,000 (the "1989 Bonds"); (ii) Christian County Water District Waterworks Revenue Bonds of 1990, dated October 11, 1991, in the original principal amount of \$803,000 (the "1990 Bonds"); (iii) Christian County Water District Waterworks Revenue Bonds of 1991, dated June 30, 1992, in the original principal amount of \$420,200 (the "1991 Bonds") (hereinafter the 1989 Bonds, 1990 Bonds and 1991 Bonds shall be collectively referred to as the "Prior Bonds"). Said Prior Bonds are currently

held by the U.S. Department of Agriculture, acting through Rural Development ("RD") and all 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 \$284,994.59, which represents a net present value savings of \$96,208.78. 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 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 Applicant will not issue the securities if interest rates in the bond market shift to a point where the Applicant will not achieve any savings.

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

12. The District represents that the 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 2002 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 and 2002 Audit in lieu of more recent financial data, there being no material change in the data in 2003 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 Christian County
Water District

STATE OF KENTUCKY)
) SS
 COUNTY OF CHRISTIAN)

The affiant, William Lile, being first duly sworn, states: That he is the Chairman of the Christian 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 23 day of March, 2004.



 William Lile, Chairman

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by William Lile, Chairman of the Christian County Water District, on this the 23 day of March, 2004.

My Commission expires: October 27, 2005.



 NOTARY PUBLIC

\$2,305,000

Christian County Water District
Kentucky Rural Water Finance Corporation

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I
12/30/2004	-	-	30,261.62	30,261.62
12/30/2005	60,000.00	2.280%	90,100.86	150,100.86
12/30/2006	58,000.00	2.400%	88,720.86	146,720.86
12/30/2007	60,000.00	2.405%	87,303.36	147,303.36
12/30/2008	64,000.00	2.530%	85,772.26	149,772.26
12/30/2009	64,000.00	2.780%	84,073.06	148,073.06
12/30/2010	66,000.00	3.155%	82,142.31	148,142.31
12/30/2011	70,000.00	3.330%	79,935.66	149,935.66
12/30/2012	72,000.00	3.530%	77,499.36	149,499.36
12/30/2013	74,000.00	4.030%	74,737.46	148,737.46
12/30/2014	78,000.00	4.030%	71,674.66	149,674.66
12/30/2015	82,000.00	4.030%	68,450.66	150,450.66
12/30/2016	84,000.00	4.030%	65,105.76	149,105.76
12/30/2017	90,000.00	4.030%	61,599.66	151,599.66
12/30/2018	94,000.00	4.030%	57,892.06	151,892.06
12/30/2019	98,000.00	4.155%	53,962.01	151,962.01
12/30/2020	104,000.00	4.155%	49,765.46	153,765.46
12/30/2021	108,000.00	4.280%	45,293.66	153,293.66
12/30/2022	114,000.00	4.280%	40,542.86	154,542.86
12/30/2023	118,000.00	4.405%	35,504.31	153,504.31
12/30/2024	126,000.00	4.405%	30,130.21	156,130.21
12/30/2025	132,000.00	4.405%	24,447.76	156,447.76
12/30/2026	140,000.00	4.405%	18,456.96	158,456.96
12/30/2027	145,000.00	4.405%	12,179.83	157,179.83
12/30/2028	158,000.00	4.405%	5,506.25	163,506.25
12/30/2029	46,000.00	4.405%	1,013.15	47,013.15
Total	\$2,305,000.00	-	\$1,422,072.07	\$3,727,072.07

Yield Statistics

Accrued Interest from 04/01/2004 to 04/27/2004	6,556.68
Bond Year Dollars	\$33,764.83
Average Life	14.649 Years
Average Coupon	4.2116958%
Net Interest Cost (NIC)	4.3270603%
True Interest Cost (TIC)	4.3458415%
Bond Yield for Arbitrage Purposes	4.2670154%
All Inclusive Cost (AIC)	4.5919662%

IRS Form 8038

Net Interest Cost	4.3758650%
Weighted Average Maturity	14.404 Years

\$2,305,000

Christian County Water District
Kentucky Rural Water Finance Corporation

Sources & Uses

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

SOURCES OF FUNDS

Par Amount of Bonds	\$2,305,000.00
Accrued Interest from 04/01/2004 to 04/27/2004	6,506.95
Transfers from Prior Issue Debt Service Funds	38,064.16

TOTAL SOURCES **\$2,349,571.11**

USES OF FUNDS

Original Issue Discount (OID)	22,998.61
Total Underwriter's Discount (0.709%)	16,342.06
Costs of Issuance	38,894.70
Gross Bond Insurance Premium (29.0 bp)	10,779.15
Deposit to Debt Service Fund	6,506.95
Deposit to Current Refunding Fund	2,251,370.68
Rounding Amount	2,678.96

TOTAL USES **\$2,349,571.11**

\$2,305,000

Christian County Water District
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	30,261.62	-	30,261.62	55,391.83	25,130.21
12/30/2005	150,100.86	450.00	150,550.86	151,219.83	668.97
12/30/2006	146,720.86	450.00	147,170.86	149,660.00	2,489.14
12/30/2007	147,303.36	450.00	147,753.36	149,510.00	1,756.64
12/30/2008	149,772.26	450.00	150,222.26	151,210.00	987.74
12/30/2009	148,073.06	450.00	148,523.06	150,760.00	2,236.94
12/30/2010	148,142.31	450.00	148,592.31	151,185.00	2,592.69
12/30/2011	149,935.66	450.00	150,385.66	151,460.00	1,074.34
12/30/2012	149,499.36	450.00	149,949.36	151,585.00	1,635.64
12/30/2013	148,737.46	450.00	149,187.46	151,560.00	2,372.54
12/30/2014	149,674.66	450.00	150,124.66	151,385.00	1,260.34
12/30/2015	150,450.66	450.00	150,900.66	153,010.00	2,109.34
12/30/2016	149,105.76	450.00	149,555.76	151,460.00	1,904.24
12/30/2017	151,599.66	450.00	152,049.66	152,735.00	685.34
12/30/2018	151,892.06	450.00	152,342.06	153,760.00	1,417.94
12/30/2019	151,962.01	450.00	152,412.01	153,560.00	1,147.99
12/30/2020	153,765.46	450.00	154,215.46	155,110.00	894.54
12/30/2021	153,293.66	450.00	153,743.66	155,385.00	1,641.34
12/30/2022	154,542.86	450.00	154,992.86	156,385.00	1,392.14
12/30/2023	153,504.31	450.00	153,954.31	156,110.00	2,155.69
12/30/2024	156,130.21	450.00	156,580.21	157,535.00	954.79
12/30/2025	156,447.76	450.00	156,897.76	158,610.00	1,712.24
12/30/2026	158,456.96	450.00	158,906.96	160,310.00	1,403.04
12/30/2027	157,179.83	450.00	157,629.83	159,660.00	2,030.17
12/30/2028	163,506.25	450.00	163,956.25	162,610.00	(1,346.25)
12/30/2029	47,013.15	450.00	47,463.15	162,135.00	114,671.85
12/30/2030	-	-	-	86,235.00	86,235.00
12/30/2031	-	-	-	23,780.00	23,780.00
Total	\$3,727,072.07	\$10,800.00	\$3,737,872.07	\$4,023,316.66	\$284,994.59

\$2,305,000

Christian County Water District
Kentucky Rural Water Finance Corporation

Debt Service Comparison

Part 2 of 2

PV Analysis Summary (Net to Net)

Gross Debt Service Savings	284,994.59
Accrued Interest Credit to Debt Service Fund	6,506.95
Transfers from Prior Issue Debt Service Fund	(38,064.16)
Contingency or Rounding Amount	2,678.96
Net Benefit	\$256,116.34
Net Present Value Benefit	\$96,208.78
Net PV Benefit / \$2,215,673 Refunded Principal	4.342%
Net PV Benefit / \$2,305,000 Refunding Principal	4.174%

Refunding Bond Information

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

\$1,145,000
Kentucky Rural Water Finance Corporation
Christian County WD 1989 Refunding
Flexible Term Loan Program

PRIOR ORIGINAL DEBT SERVICE

Date	Principal	Coupon	Interest	Total P+I
12/30/2003	-	-	28,625.00	28,625.00
12/30/2004	23,000.00	-	56,675.00	79,675.00
12/30/2005	24,000.00	-	55,500.00	79,500.00
12/30/2006	25,000.00	-	54,275.00	79,275.00
12/30/2007	26,000.00	-	53,000.00	79,000.00
12/30/2008	28,000.00	-	51,650.00	79,650.00
12/30/2009	29,000.00	-	50,225.00	79,225.00
12/30/2010	30,000.00	-	48,750.00	78,750.00
12/30/2011	32,000.00	-	47,200.00	79,200.00
12/30/2012	34,000.00	-	45,550.00	79,550.00
12/30/2013	35,000.00	-	43,825.00	78,825.00
12/30/2014	37,000.00	-	42,025.00	79,025.00
12/30/2015	39,000.00	-	40,125.00	79,125.00
12/30/2016	40,000.00	-	38,150.00	78,150.00
12/30/2017	42,000.00	-	36,100.00	78,100.00
12/30/2018	44,000.00	-	33,950.00	77,950.00
12/30/2019	46,000.00	-	31,700.00	77,700.00
12/30/2020	49,000.00	-	29,325.00	78,325.00
12/30/2021	51,000.00	-	26,825.00	77,825.00
12/30/2022	54,000.00	-	24,200.00	78,200.00
12/30/2023	56,000.00	-	21,450.00	77,450.00
12/30/2024	59,000.00	-	18,575.00	77,575.00
12/30/2025	62,000.00	-	15,550.00	77,550.00
12/30/2026	65,000.00	-	12,375.00	77,375.00
12/30/2027	68,000.00	-	9,050.00	77,050.00
12/30/2028	72,000.00	-	5,550.00	77,550.00
12/30/2029	75,000.00	-	1,875.00	76,875.00
Total	1,145,000.00	-	922,100.00	2,067,100.00

YIELD STATISTICS

Average Life.....	15.166 Years
Weighted Average Maturity (Par Basis).....	15.094 Years
Average Coupon.....	5.0000000%

REFUNDING BOND INFORMATION

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

\$738,000

*Kentucky Rural Water Finance Corporation
Christian County WD 1990 Refunding
Flexible Term Loan Program*

PRIOR ORIGINAL DEBT SERVICE

Date	Principal	Coupon	Interest	Total P+I
12/30/2003	-	-	18,450.00	18,450.00
12/30/2004	9,000.00	-	36,675.00	45,675.00
12/30/2005	10,000.00	-	36,200.00	46,200.00
12/30/2006	10,000.00	-	35,700.00	45,700.00
12/30/2007	11,000.00	-	35,175.00	46,175.00
12/30/2008	12,000.00	-	34,600.00	46,600.00
12/30/2009	13,000.00	-	33,975.00	46,975.00
12/30/2010	14,000.00	-	33,300.00	47,300.00
12/30/2011	15,000.00	-	32,575.00	47,575.00
12/30/2012	16,000.00	-	31,800.00	47,800.00
12/30/2013	17,000.00	-	30,975.00	47,975.00
12/30/2014	18,000.00	-	30,100.00	48,100.00
12/30/2015	20,000.00	-	29,150.00	49,150.00
12/30/2016	21,000.00	-	28,125.00	49,125.00
12/30/2017	23,000.00	-	27,025.00	50,025.00
12/30/2018	25,000.00	-	25,825.00	50,825.00
12/30/2019	27,000.00	-	24,525.00	51,525.00
12/30/2020	29,000.00	-	23,125.00	52,125.00
12/30/2021	31,000.00	-	21,625.00	52,625.00
12/30/2022	34,000.00	-	20,000.00	54,000.00
12/30/2023	36,000.00	-	18,250.00	54,250.00
12/30/2024	39,000.00	-	16,375.00	55,375.00
12/30/2025	42,000.00	-	14,350.00	56,350.00
12/30/2026	46,000.00	-	12,150.00	58,150.00
12/30/2027	49,000.00	-	9,775.00	58,775.00
12/30/2028	53,000.00	-	7,225.00	60,225.00
12/30/2029	57,000.00	-	4,475.00	61,475.00
12/30/2030	61,000.00	-	1,525.00	62,525.00
Total	738,000.00	-	673,050.00	1,411,050.00

YIELD STATISTICS

Average Life.....	17.203 Years
Weighted Average Maturity (Par Basis).....	17.130 Years
Average Coupon.....	5.0000000%

REFUNDING BOND INFORMATION

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

\$370,200
Kentucky Rural Water Finance Corporation
Christian County WD 1991 Refunding
Flexible Term Loan Program
PRIOR ORIGINAL DEBT SERVICE

Date	Principal	Coupon	Interest	Total P+I
12/30/2003	-	-	9,255.00	9,255.00
12/30/2004	6,000.00	-	18,360.00	24,360.00
12/30/2005	7,000.00	-	18,035.00	25,035.00
12/30/2006	7,000.00	-	17,685.00	24,685.00
12/30/2007	7,000.00	-	17,335.00	24,335.00
12/30/2008	8,000.00	-	16,960.00	24,960.00
12/30/2009	8,000.00	-	16,560.00	24,560.00
12/30/2010	9,000.00	-	16,135.00	25,135.00
12/30/2011	9,000.00	-	15,685.00	24,685.00
12/30/2012	9,000.00	-	15,235.00	24,235.00
12/30/2013	10,000.00	-	14,760.00	24,760.00
12/30/2014	10,000.00	-	14,260.00	24,260.00
12/30/2015	11,000.00	-	13,735.00	24,735.00
12/30/2016	11,000.00	-	13,185.00	24,185.00
12/30/2017	12,000.00	-	12,610.00	24,610.00
12/30/2018	13,000.00	-	11,985.00	24,985.00
12/30/2019	13,000.00	-	11,335.00	24,335.00
12/30/2020	14,000.00	-	10,660.00	24,660.00
12/30/2021	15,000.00	-	9,935.00	24,935.00
12/30/2022	15,000.00	-	9,185.00	24,185.00
12/30/2023	16,000.00	-	8,410.00	24,410.00
12/30/2024	17,000.00	-	7,585.00	24,585.00
12/30/2025	18,000.00	-	6,710.00	24,710.00
12/30/2026	19,000.00	-	5,785.00	24,785.00
12/30/2027	19,000.00	-	4,835.00	23,835.00
12/30/2028	21,000.00	-	3,835.00	24,835.00
12/30/2029	21,000.00	-	2,785.00	23,785.00
12/30/2030	22,000.00	-	1,710.00	23,710.00
12/30/2031	23,200.00	-	580.00	23,780.00
Total	370,200.00	-	325,130.00	695,330.00

YIELD STATISTICS

Average Life.....	16.588 Years
Weighted Average Maturity (Par Basis).....	16.516 Years
Average Coupon.....	5.0000000%

REFUNDING BOND INFORMATION

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

**CHRISTIAN COUNTY WATER DISTRICT
BALANCE SHEETS
DECEMBER 31, 2002 AND 2001**

ASSETS	<u>2002</u>	<u>2001</u>
Current assets:		
Cash and cash equivalents	\$ 224,499	\$ 412,360
Accounts receivable and unbilled revenues	283,415	250,479
Allowance for uncollectible accounts	(50,714)	(43,976)
Grant funds receivable	-	19,052
Inventory	101,438	95,216
Prepaid expenses	11,942	11,141
	<u>570,580</u>	<u>744,272</u>
Total current assets		
Restricted assets:		
Cash - customers' deposits	41,625	42,863
Cash - bond and interest redemption account	397,408	209,649
Cash - depreciation reserve account	243,266	420,419
Cash - bond reserve account	397,813	393,836
Bond reserve account (KIA)	78,766	78,766
Investments - depreciation reserve	203,576	-
	<u>1,362,454</u>	<u>1,145,533</u>
Total restricted assets		
Property, plant and equipment:		
Water supply and distribution system	16,472,600	16,176,749
	<u>(3,255,748)</u>	<u>(2,879,979)</u>
Less accumulated depreciation		
	<u>13,216,852</u>	<u>13,296,770</u>
Construction in progress	32,998	26,925
	<u>13,249,850</u>	<u>13,323,695</u>
Total property, plant and equipment		
Other assets:		
Deposits	115	115
Deferred charges:		
Unamortized bond issuance costs	54,321	56,340
Unamortized bond discount	61,745	64,039
	<u>116,066</u>	<u>120,379</u>
Total deferred charges		
Total assets	<u>\$ 15,299,065</u>	<u>\$ 15,333,994</u>

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

**CHRISTIAN COUNTY WATER DISTRICT
BALANCE SHEETS, continued
DECEMBER 31, 2002 AND 2001**

LIABILITIES AND DISTRICT EQUITY

	2002	2001
Current liabilities:		
Accounts payable	\$ 101,270	\$ 90,377
Construction accounts payable	-	23,768
Accrued interest	233,230	97,736
Accrued wages	2,694	1,559
Revenue bonds payable - current	159,184	153,284
Notes payable - current	3,600	18,900
	<hr/>	<hr/>
Total current liabilities	499,978	385,624
	<hr/>	<hr/>
Current liabilities payable from restricted assets:		
Customers' deposits	41,625	42,863
	<hr/>	<hr/>
Noncurrent liabilities:		
Revenue bonds payable	9,756,812	9,841,996
Notes payable	25,189	29,046
	<hr/>	<hr/>
Total noncurrent liabilities	9,782,001	9,871,042
	<hr/>	<hr/>
District equity:		
Contributed capital:		
Construction	578,620	553,865
Grants	2,400,087	2,400,087
Tap-on fees	1,740,342	1,655,842
	<hr/>	<hr/>
Total contributed capital	4,719,049	4,609,794
	<hr/>	<hr/>
Retained earnings:		
Reserved for customers' deposits	41,625	42,863
Reserved for bond reserve	476,579	472,602
Reserved for bond and interest redemption	397,408	209,649
Reserved for depreciation	446,842	420,419
Unreserved	(1,106,042)	(720,862)
	<hr/>	<hr/>
Total retained earnings	256,412	424,671
	<hr/>	<hr/>
Total district equity	4,975,461	5,034,465
	<hr/>	<hr/>
Total liabilities and district equity	\$ 15,299,065	\$ 15,333,994
	<hr/>	<hr/>

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

**CHRISTIAN COUNTY WATER DISTRICT
STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

	<u>2002</u>	<u>(Restated) 2001</u>
Operating revenues:		
Water sales	\$ 1,856,202	\$ 1,782,666
Other revenues	63,193	49,505
	<u>1,919,395</u>	<u>1,832,171</u>
Operating expenses:		
Water purchased	555,463	531,204
Depreciation	375,769	363,315
Salaries	333,859	307,869
Maintenance and repairs	24,648	27,866
Insurance	81,809	63,989
Electricity for pumping	33,673	36,833
Professional services	19,611	26,762
Office supplies and expense	53,419	52,730
Operating materials and supplies	40,917	14,112
Payroll taxes and fringe benefits	45,528	41,456
Transportation expenses	27,800	21,131
	<u>1,592,496</u>	<u>1,487,267</u>
Operating revenue	<u>326,899</u>	<u>344,904</u>
Nonoperating revenue (expense):		
Interest income	30,615	61,183
Gain on disposal of asset	-	2,000
Interest expense	(516,741)	(525,277)
Amortization of debt discount and expense	(4,312)	(4,312)
Unrealized loss on investments	(4,720)	-
	<u>(495,158)</u>	<u>(466,406)</u>
Net income before contributions	<u>(168,259)</u>	<u>(121,502)</u>
Contributions		
Tap-on fees	84,500	79,349
Contributed lines	24,755	29,453
Grant proceeds	-	308,197
	<u>109,255</u>	<u>416,999</u>
Net income	<u>\$ (59,004)</u>	<u>\$ 295,497</u>

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

**CHRISTIAN COUNTY WATER DISTRICT
STATEMENTS OF CHANGES IN DISTRICT EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

	<u>Contributed Capital</u>				<u>Total</u>
	<u>Construction</u>	<u>Grants</u>	<u>Tap-on Fees</u>	<u>Retained Earnings</u>	
Balance, December 31, 2000	524,412	2,091,890	1,576,493	455,823	4,648,618
Contributed capital	29,453	308,197	79,349	-	416,999
Net income	-	-	-	(121,502)	(121,502)
Cumulative effect on prior years of a change in accounting for inventory	-	-	-	90,350	90,350
Balance, December 31, 2001	\$ 553,865	\$ 2,400,087	\$ 1,655,842	\$ 424,671	\$ 5,034,465
Contributed capital	24,755	-	84,500	-	109,255
Net income	-	-	-	(168,259)	(168,259)
Balance, December 31, 2002	\$ 578,620	\$ 2,400,087	\$ 1,740,342	\$ 256,412	\$ 4,975,461

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

**CHRISTIAN COUNTY WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

	<u>2002</u>	<u>2001</u>
Cash flows from operating activities		
Operating revenue	\$ 326,899	\$ 344,904
Adjustment to reconcile revenue to net cash provided by operating activities:		
Depreciation	375,769	363,315
(Increase) decrease in:		
Accounts receivable and unbilled revenues	(26,198)	22,502
Grant funds receivable	19,053	(19,053)
Inventory	(6,222)	(4,866)
Prepaid expenses	(800)	4,696
Increase (decrease) in:		
Accounts payable	(12,875)	(239,022)
Accrued interest	135,494	(1,023)
Accrued wages	1,135	1,559
Customer deposits	(1,238)	(14,775)
	<u>811,017</u>	<u>458,237</u>
 Cash flows from investing activities		
Interest on Investments	30,615	61,183
Purchase of investments	<u>(208,296)</u>	<u>-</u>
	<u>(177,681)</u>	<u>61,183</u>
 Cash flows from capital and related financing activities		
Proceeds from grants	-	308,197
Purchases and construction of property and equipment	(301,925)	(654,684)
Revenue bonds payable	(94,842)	(149,464)
Notes payable	(3,599)	(25,638)
Tap-on fees	84,500	79,350
Contributed lines	24,755	29,454
Proceeds from sale of fixed assets	-	2,000
Interest expense	<u>(516,741)</u>	<u>(525,277)</u>
	<u>(807,852)</u>	<u>(936,062)</u>
 Net increase (decrease) in cash, carried forward	\$ <u>(174,516)</u>	\$ <u>(416,642)</u>

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

CHRISTIAN COUNTY WATER DISTRICT
 STATEMENTS OF CASH FLOWS, continued
 FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	<u>2002</u>	<u>2001</u>
Net increase (decrease) in cash, brought forward	\$ (174,516)	\$ (416,642)
Cash at beginning of year	<u>1,479,127</u>	<u>1,895,769</u>
Cash at end of year	<u>1,304,611</u>	<u>1,479,127</u>
Less restricted cash		
Cash-customer deposits	(41,625)	(42,863)
Cash-bond and interest redemption	(397,408)	(209,649)
Cash-depreciation reserve	(243,266)	(420,419)
Cash-bond reserve	<u>(397,813)</u>	<u>(393,836)</u>
Total restricted cash	<u>(1,080,112)</u>	<u>(1,066,767)</u>
Cash and cash equivalents per balance sheet	<u>\$ 224,499</u>	<u>\$ 412,360</u>
Supplemental disclosures:		
Cash paid for interest during the year (net of amount capitalized, if any)	<u>\$ 381,247</u>	<u>\$ 526,300</u>

Supplemental schedule of noncash investing and financing activities:

For the years ended December 31, 2002 and 2001,
 there were no noncash investing and financing activities.

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