

Rubin & Hays

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CHARLES S. MUSSON
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CHRISTIAN L. JUCKETT

PARALEGAL
MARY M. EMBRY

February 14, 2006

Ms. Beth O'Donnell, Executive Director
Public Service Commission
P.O. Box 615
Frankfort, Kentucky 40602

Case 2006-00070

RECEIVED

FEB 16 2006

PUBLIC SERVICE
COMMISSION

Re: Warren County Water District PSC Application

Dear Ms. O'Donnell:

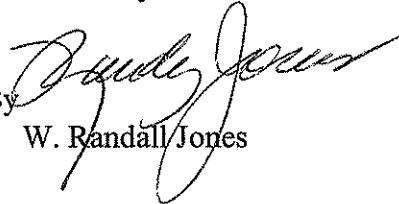
Enclosed please find the original and ten (10) copies of the Application of the Warren County Water District for an Order authorizing the District to issue securities pursuant to KRS 278.300.

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 28, 2006 (the 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

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF:

RECEIVED

FEB 16 2006

PUBLIC SERVICE
COMMISSION

THE APPLICATION OF WARREN COUNTY)
WATER DISTRICT TO ISSUE SECURITIES IN)
THE APPROXIMATE PRINCIPAL AMOUNT OF)
\$3,294,000 FOR THE PURPOSE OF REFUNDING)
CERTAIN OUTSTANDING REVENUE BONDS OF)
THE DISTRICT PURSUANT TO THE PROVISIONS)
OF KRS 278.300 AND 807 KAR 5:001)

CASE NO. 2006-00070

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

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 \$3,294,000 (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. R. Harvey Johnston, III, Chairman
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 2004 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 "2006 Loan"), in the estimated principal amount of \$3,294,000 (subject to adjustment of up to 10%) for the purpose of refunding the outstanding revenue bonds designated as the Warren County Water District Water Revenue Bonds, Series 1999B, dated September 1, 1999, in the original principal amount of \$3,650,000, which bonds have an outstanding principal balance of \$3,290,000 (the "Prior Bonds"). Said Prior Bonds are currently held in the open market.

6. The estimated debt service for the 2006 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

2006 Loan may vary from the present assumptions based upon market conditions and other business judgment factors.

7. The 2006 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 2006 Loan.

8. The Sources and Uses of Funds to be obtained from the issuance of the 2006 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 present value savings of approximately \$360,517.55, which represents a net present value savings of \$103,720.50. These savings are shown on the Gross Debt Service Comparison, which is attached hereto and incorporated herein by reference as **Exhibit "C"**.

10. The final principal amount of the 2006 Loan will be adjusted, based upon final interest rates which will be known on or about March 16, 2006, 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.

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

12. The District represents that the 2006 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 2006 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 2006 Loan, file with the Commission a statement setting forth the date of issuance of the 2006 Loan, the price paid, the fees and expenses incurred in the issuance of the 2006 Loan, and the terms and interest rates of the 2006 Loan.

14. The detailed Statement of Revenues, Statement of Net Assets and Statement of Cash Flows for the twelve month period ending on December 31, 2004 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 2004 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 2006 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, 2004. The financial data filed with this Application is for the twelve (12) month period ending December 31, 2004. 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 2006 Loan while more current financial data is compiled.

18. No rate adjustment will be necessary.

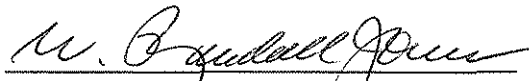
WHEREFORE, the District respectfully requests that the Commission take the following actions:

1. Authorize the issuance of the securities requested in the Application prior to the closing date of March 28, 2006;

2. Grant the District a deviation from 807 KAR 5:001, Section 6 to allow the submission of the District's 2004 Annual Report and 2004 audited financial statements in lieu of more recent financial data, there being no material change in the data in 2005 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.

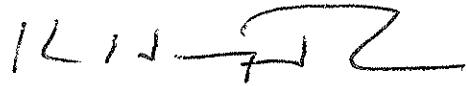
RUBIN & HAYS

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 Warren County
Water District

STATE OF KENTUCKY)
) SS
COUNTY OF WARREN)

The affiant, R. Harvey Johnston, III, 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 13th day of February, 2006.



R. Harvey Johnston, III, Chairman

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by R. Harvey Johnston, III, Chairman of the Warren County Water District, on this the 13th day of February, 2006.

My Commission expires: 1/23/2010



NOTARY PUBLIC

\$3,294,000

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

Debt Service Schedule

Year End	Principal	Coupon	Interest	Total P+I
12/30/2006	-	-	-	-
12/30/2007	47,000.00	3.690%	178,901.87	225,901.87
12/30/2008	87,000.00	3.690%	139,523.35	226,523.35
12/30/2009	90,000.00	3.690%	136,257.70	226,257.70
12/30/2010	93,000.00	3.690%	132,881.35	225,881.35
12/30/2011	97,000.00	3.750%	129,346.75	226,346.75
12/30/2012	100,000.00	3.950%	125,553.00	225,553.00
12/30/2013	105,000.00	4.000%	121,478.00	226,478.00
12/30/2014	109,000.00	4.090%	117,148.95	226,148.95
12/30/2015	113,000.00	4.170%	112,563.85	225,563.85
12/30/2016	118,000.00	4.170%	107,747.50	225,747.50
12/30/2017	123,000.00	4.170%	102,722.65	225,722.65
12/30/2018	129,000.00	4.170%	97,468.45	226,468.45
12/30/2019	134,000.00	4.170%	91,984.90	225,984.90
12/30/2020	140,000.00	4.290%	86,188.00	226,188.00
12/30/2021	146,000.00	4.350%	80,009.50	226,009.50
12/30/2022	153,000.00	4.450%	73,429.75	226,429.75
12/30/2023	160,000.00	4.550%	66,385.50	226,385.50
12/30/2024	167,000.00	4.550%	58,946.25	225,946.25
12/30/2025	175,000.00	4.600%	51,122.00	226,122.00
12/30/2026	183,000.00	4.600%	42,888.00	225,888.00
12/30/2027	192,000.00	4.650%	34,215.00	226,215.00
12/30/2028	201,000.00	4.700%	25,027.50	226,027.50
12/30/2029	211,000.00	4.700%	15,345.50	226,345.50
12/30/2030	221,000.00	4.700%	5,193.50	226,193.50
Total	\$3,294,000.00	-	\$2,132,328.82	\$5,426,328.82

Yield Statistics

Bond Year Dollars.....	\$47,518.95
Average Life.....	14.426 Years
Average Coupon.....	4.4873231%
Net Interest Cost (NIC).....	4.5913027%
True Interest Cost (TIC).....	4.6063479%
Bond Yield for Arbitrage Purposes.....	4.5455883%
All inclusive Cost (AIC).....	4.7905648%
IRS Form 8038	
Net Interest Cost.....	4.5493626%
Weighted Average Maturity.....	14.382 Years

\$3,294,000

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

Sources & Uses

Dated 03/28/2006 | Delivered 03/28/2006

Sources Of Funds

Par Amount of Bonds.....	\$3,294,000.00
Transfers from Prior Issue Debt Service Funds.....	41,096.05
Transfers from Prior Issue DSR Funds.....	216,420.00
Total Sources.....	\$3,551,516.05

Uses Of Funds

Original Issue Discount (OID).....	13,839.23
Total Underwriter's Discount (1.080%).....	35,570.77
Costs of Issuance.....	36,950.00
Gross Bond Insurance Premium (29.0 bp).....	15,736.35
Deposit to Net Cash Escrow Fund.....	3,448,700.70
Rounding Amount.....	719.00
Total Uses.....	\$3,551,516.05

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\$3,294,000

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

Gross Debt Service Comparison

Year End	Principal	Interest	Trustee	New D/S	OLD D/S	Savings
12/30/2006	-	-	-	-	47,192.08	47,911.08
12/30/2007	47,000.00	178,901.87	450.00	226,351.87	244,948.76	18,596.89
12/30/2008	87,000.00	139,523.35	450.00	226,973.35	246,540.01	19,566.66
12/30/2009	90,000.00	136,257.70	450.00	226,707.70	247,778.76	21,071.06
12/30/2010	93,000.00	132,881.35	450.00	226,331.35	243,818.76	17,487.41
12/30/2011	97,000.00	129,346.75	450.00	226,796.75	244,713.76	17,917.01
12/30/2012	100,000.00	125,553.00	450.00	226,003.00	245,338.76	19,335.76
12/30/2013	105,000.00	121,478.00	450.00	226,928.00	245,666.26	18,738.26
12/30/2014	109,000.00	117,148.95	450.00	226,598.95	245,668.76	19,069.81
12/30/2015	113,000.00	112,563.85	450.00	226,013.85	245,271.88	19,258.03
12/30/2016	118,000.00	107,747.50	450.00	226,197.50	244,493.75	18,296.25
12/30/2017	123,000.00	102,722.65	450.00	226,172.65	243,446.88	17,274.23
12/30/2018	129,000.00	97,468.45	450.00	226,918.45	246,996.88	20,078.43
12/30/2019	134,000.00	91,984.90	450.00	226,434.90	245,143.75	18,708.85
12/30/2020	140,000.00	86,188.00	450.00	226,638.00	247,800.00	21,162.00
12/30/2021	146,000.00	80,009.50	450.00	226,459.50	244,962.50	18,503.00
12/30/2022	153,000.00	73,429.75	450.00	226,879.75	246,712.50	19,832.75
12/30/2023	160,000.00	66,385.50	450.00	226,835.50	247,912.50	21,077.00
12/30/2024	167,000.00	58,946.25	450.00	226,396.25	243,700.00	17,303.75
12/30/2025	175,000.00	51,122.00	450.00	226,572.00	244,075.00	17,503.00
12/30/2026	183,000.00	42,888.00	450.00	226,338.00	243,900.00	17,562.00
12/30/2027	192,000.00	34,215.00	450.00	226,665.00	248,037.50	21,372.50
12/30/2028	201,000.00	25,027.50	450.00	226,477.50	246,487.50	20,010.00
12/30/2029	211,000.00	15,345.50	450.00	226,795.50	244,387.50	17,592.00
12/30/2030	221,000.00	5,193.50	450.00	226,643.50	246,600.00	19,956.50
Total	\$3,294,000.00	\$2,132,328.82	\$10,800.00	\$5,437,128.82	\$5,941,594.05	\$505,184.23

PV Analysis Summary

Gross PV Debt Service Savings.....	360,517.55
Transfers from Prior Issue Debt Service Fund.....	(41,096.05)
Transfers from Prior Issue DSR Fund.....	(216,420.00)
Contingency or Rounding Amount.....	719.00
Net Present Value Benefit.....	\$103,720.50
Net PV Benefit / \$3,290,000 Refunded Principal.....	3.153%
Net PV Benefit / \$3,294,000 Refunding Principal.....	3.149%

Gross Analysis Summary

Gross Debt Service Savings.....	505,184.23
Transfers from Prior Issue Debt Service Fund.....	(41,096.05)
Transfers from Prior Issue DSR Fund.....	(216,420.00)
Contingency or Rounding Amount.....	719.00
Net Benefit.....	\$248,387.18

Refunding Bond Information

Refunding Dated Date.....	3/28/2006
Refunding Delivery Date.....	3/28/2006

\$3,650,000

**Warren County Water District
Water Revenue Bonds, Series 1999 B**

Prior Original Debt Service

Part 1 of 2

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
07/01/2006	-	-	88,288.13	88,288.13	-
12/30/2006	-	-	-	-	88,288.13
01/01/2007	70,000.00	4.650%	88,288.13	158,288.13	-
07/01/2007	-	-	86,660.63	86,660.63	-
12/30/2007	-	-	-	-	244,948.76
01/01/2008	75,000.00	4.750%	86,660.63	161,660.63	-
07/01/2008	-	-	84,879.38	84,879.38	-
12/30/2008	-	-	-	-	246,540.01
01/01/2009	80,000.00	4.950%	84,879.38	164,879.38	-
07/01/2009	-	-	82,899.38	82,899.38	-
12/30/2009	-	-	-	-	247,778.76
01/01/2010	80,000.00	4.950%	82,899.38	162,899.38	-
07/01/2010	-	-	80,919.38	80,919.38	-
12/30/2010	-	-	-	-	243,818.76
01/01/2011	85,000.00	5.000%	80,919.38	165,919.38	-
07/01/2011	-	-	78,794.38	78,794.38	-
12/30/2011	-	-	-	-	244,713.76
01/01/2012	90,000.00	5.000%	78,794.38	168,794.38	-
07/01/2012	-	-	76,544.38	76,544.38	-
12/30/2012	-	-	-	-	245,338.76
01/01/2013	95,000.00	5.100%	76,544.38	171,544.38	-
07/01/2013	-	-	74,121.88	74,121.88	-
12/30/2013	-	-	-	-	245,666.26
01/01/2014	100,000.00	5.150%	74,121.88	174,121.88	-
07/01/2014	-	-	71,546.88	71,546.88	-
12/30/2014	-	-	-	-	245,668.76
01/01/2015	105,000.00	5.375%	71,546.88	176,546.88	-
07/01/2015	-	-	68,725.00	68,725.00	-
12/30/2015	-	-	-	-	245,271.88
01/01/2016	110,000.00	5.375%	68,725.00	178,725.00	-
07/01/2016	-	-	65,768.75	65,768.75	-
12/30/2016	-	-	-	-	244,493.75
01/01/2017	115,000.00	5.375%	65,768.75	180,768.75	-
07/01/2017	-	-	62,678.13	62,678.13	-
12/30/2017	-	-	-	-	243,446.88
01/01/2018	125,000.00	5.375%	62,678.13	187,678.13	-
07/01/2018	-	-	59,318.75	59,318.75	-
12/30/2018	-	-	-	-	246,996.88
01/01/2019	130,000.00	5.375%	59,318.75	189,318.75	-
07/01/2019	-	-	55,825.00	55,825.00	-
12/30/2019	-	-	-	-	245,143.75
01/01/2020	140,000.00	5.500%	55,825.00	195,825.00	-
07/01/2020	-	-	51,975.00	51,975.00	-
12/30/2020	-	-	-	-	247,800.00
01/01/2021	145,000.00	5.500%	51,975.00	196,975.00	-

\$3,650,000
Warren County Water District
Water Revenue Bonds, Series 1999 B

Prior Original Debt Service

					Part 2 of 2
Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
07/01/2021	-	-	47,987.50	47,987.50	-
12/30/2021	-	-	-	-	244,962.50
01/01/2022	155,000.00	5.500%	47,987.50	202,987.50	-
07/01/2022	-	-	43,725.00	43,725.00	-
12/30/2022	-	-	-	-	246,712.50
01/01/2023	165,000.00	5.500%	43,725.00	208,725.00	-
07/01/2023	-	-	39,187.50	39,187.50	-
12/30/2023	-	-	-	-	247,912.50
01/01/2024	170,000.00	5.500%	39,187.50	209,187.50	-
07/01/2024	-	-	34,512.50	34,512.50	-
12/30/2024	-	-	-	-	243,700.00
01/01/2025	180,000.00	5.500%	34,512.50	214,512.50	-
07/01/2025	-	-	29,562.50	29,562.50	-
12/30/2025	-	-	-	-	244,075.00
01/01/2026	190,000.00	5.500%	29,562.50	219,562.50	-
07/01/2026	-	-	24,337.50	24,337.50	-
12/30/2026	-	-	-	-	243,900.00
01/01/2027	205,000.00	5.500%	24,337.50	229,337.50	-
07/01/2027	-	-	18,700.00	18,700.00	-
12/30/2027	-	-	-	-	248,037.50
01/01/2028	215,000.00	5.500%	18,700.00	233,700.00	-
07/01/2028	-	-	12,787.50	12,787.50	-
12/30/2028	-	-	-	-	246,487.50
01/01/2029	225,000.00	5.500%	12,787.50	237,787.50	-
07/01/2029	-	-	6,600.00	6,600.00	-
12/30/2029	-	-	-	-	244,387.50
01/01/2030	240,000.00	5.500%	6,600.00	246,600.00	-
12/30/2030	-	-	-	-	246,600.00
Total	\$3,290,000.00	-	\$2,692,690.10	\$5,982,690.10	-

Yield Statistics

Average Life.....	14.767 Years
Weighted Average Maturity (Par Basis).....	14.767 Years
Average Coupon.....	5.4544037%

Refunding Bond Information

Refunding Dated Date.....	3/28/2006
Refunding Delivery Date.....	3/28/2006

WARREN COUNTY WATER DISTRICT
 STATEMENTS OF NET ASSETS
 DECEMBER 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
ASSETS		
UTILITY PLANT (at cost)		
Utility plant in service	\$ 73,341,531	\$ 68,549,994
Less accumulated depreciation	<u>(18,987,642)</u>	<u>(17,505,994)</u>
	54,353,889	51,044,000
Utility plant construction in progress	<u>2,562,829</u>	<u>992,982</u>
	56,916,718	52,036,982
NONOPERATING PROPERTY, net of \$85,836		
accumulated depreciation	165,856	165,856
RESTRICTED ASSETS		
Bond and interest sinking funds	162,329	113,774
Debt service reserve for bond funds	926,714	1,016,146
Rebate fund	24,825	30,073
Customer deposits	651,306	611,418
Construction funds	2,135,318	1,350,000
Depreciation fund:		
Cash in bank	2,393,193	2,321,563
Certificates of deposit/ money market investment	-	16,438
	<u>6,293,685</u>	<u>5,459,412</u>
CURRENT ASSETS		
Cash and cash equivalents	638,054	813,097
Accounts receivable, net of allowance for doubtful accounts: 2004-\$142,961 and 2003-\$131,673	426,074	420,645
Special deposits and transfers	1,330	1,090
Materials and supplies inventory	235,311	221,258
Prepaid insurance	66,959	58,887
Other receivables	<u>51,915</u>	<u>16,657</u>
	1,419,643	1,531,634
OTHER ASSETS		
Deferred charges	249,536	245,837
Unamortized debt expense	559,638	430,681
	<u>809,174</u>	<u>676,518</u>
	<u>\$ 65,605,076</u>	<u>\$ 59,870,402</u>

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

	<u>2004</u>	<u>2003</u>
NET ASSETS AND LIABILITIES		
NET ASSETS		
Invested in capital assets, net of related debt	\$34,437,036	\$31,736,955
Restricted	6,293,685	5,459,412
Unrestricted	940,300	1,046,464
	<u>41,671,021</u>	<u>38,242,831</u>
LONG-TERM DEBT AND DEFERRED CREDITS		
Bonds payable	14,318,400	14,835,600
Notes payable	1,129,132	1,229,561
Deferred credits	7,198,006	4,400,722
	<u>22,645,538</u>	<u>20,465,883</u>
Less - Current portion of long-term debt	(154,900)	(147,118)
	<u>22,490,638</u>	<u>20,318,765</u>
CURRENT LIABILITIES		
Accounts payable and accrued expenses	618,457	546,580
Current portion of long-term debt	154,900	147,118
Deferred revenue	29,331	28,639
	<u>802,688</u>	<u>722,337</u>
OTHER LIABILITIES		
Customers' meter deposits	<u>640,729</u>	<u>586,469</u>
	<u>\$ 65,605,076</u>	<u>\$ 59,870,402</u>

WARREN COUNTY WATER DISTRICT
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
OPERATING REVENUES		
Metered sales	\$ 7,166,182	\$ 6,866,685
Miscellaneous service revenue	<u>201,113</u>	<u>191,186</u>
TOTAL OPERATING REVENUES	7,367,295	7,057,871
OPERATING EXPENSES		
Source of supply	1,956,876	1,875,435
Pumping plant	411,445	361,455
Water treatment	6,789	4,398
Transmission and distribution	651,947	690,219
Customer accounts	812,242	720,420
Administrative and general	560,913	513,729
Depreciation	<u>1,503,576</u>	<u>1,430,840</u>
TOTAL OPERATING EXPENSES	<u>5,903,788</u>	<u>5,596,496</u>
OPERATING INCOME	1,463,507	1,461,375
NONOPERATING REVENUES (EXPENSES)		
Interest income	160,196	146,539
Rental revenue	63,013	64,113
Non-utility income	37,855	38,193
Amortization of debt expense	(78,396)	(67,472)
Interest expense	<u>(755,532)</u>	<u>(803,883)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(572,864)</u>	<u>(622,510)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	890,643	838,865
CAPITAL CONTRIBUTIONS	<u>2,537,547</u>	<u>1,061,991</u>
INCREASE IN NET ASSETS	3,428,190	1,900,856
NET ASSETS, BEGINNING OF YEAR	<u>38,242,831</u>	<u>36,341,975</u>
NET ASSETS, END OF YEAR	<u>\$ 41,671,021</u>	<u>\$ 38,242,831</u>

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

WARREN COUNTY WATER DISTRICT
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$8,809,828	\$8,197,904
Payments to suppliers	(3,605,737)	(2,949,095)
Payments to employees	(2,305,887)	(2,262,945)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,898,204</u>	<u>2,985,864</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bonds and notes	2,025,000	499,600
Principal paid on bonds and notes	(2,642,629)	(568,591)
Interest paid	(755,532)	(803,883)
Acquisition and construction of capital assets	(3,423,978)	(1,917,053)
Capital contributed by subdividers	(132,151)	(94,000)
Contributions in aid of construction	<u>2,530,252</u>	<u>883,135</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(2,399,038)</u>	<u>(2,000,792)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income	160,196	146,539
Proceeds from sale of investment	<u>65,850</u>	<u>887,790</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>226,046</u>	<u>1,034,329</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	725,212	2,019,401
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>4,628,639</u>	<u>2,609,238</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$5,353,851</u>	<u>\$4,628,639</u>
Reconciliation of operating income to net cash used in operating activities:		
Operating income	\$1,463,507	\$1,461,375
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,503,576	1,430,840
Decrease (increase) in:		
Accounts receivable	(5,429)	(108,978)
Special Deposits and transfers	(240)	-
Prepaid insurance	(8,072)	14,381
Materials and supplies inventory	(14,053)	(18,131)
Other receivables	(35,258)	4,706
Deferred charges	(3,699)	(21,818)
Unamortized debt expense	(128,957)	67,472
Increase (decrease) in:		
Accounts payable and accrued liabilities	71,877	110,773
Deposits	54,260	45,244
Deferred revenues	692	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$2,898,204</u>	<u>\$2,985,864</u>

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