



Hardin County Water District No. 2

360 Ring Road • P.O. Box 970 • Elizabethtown, KY 42702

Telephone (270) 737-1056 • Fax (270) 737-2301 • www.hardincountywater2.org

Board of Commissioners: Mike Bell, Cordell Tabb, John Effinger, Morris Miller, Tim Davis

General Manager: James Jeffries

May 5, 2011

Linda Faulkner
Public Service Commission
221 Sower Blvd.
Frankfort, KY 40602-0615

Dear Ms. Faulkner,

In response to your request for an income statement in connection with the Commissions final order in Case No. 2007-00487, please find the enclosed income statement through 2010. This income statement was provided to us by our independent auditor.

If you have any other questions or concerns, please do not hesitate to contact me directly.

Sincerely,

James R. Jeffries
General Manager
270-737-1056 ext 303

Enclosure

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PUBLIC SERVICE
COMMISSION

Your Water Professionals

An Equal Opportunity Provider and Employer

Unrestricted net assets, the portion of net assets that can be used to finance day-to-day operations (without constraints established by debt covenants, enabling legislation or other legal requirements), increased by 11.6% from \$12.9 million to \$14.4 million at December 31, 2010. Restricted net assets decreased \$256 thousand (8.9%). Investment in governmental capital assets, net of related debt increased by \$1.7 million (6.8%).

(Table 2)
Changes in Net Assets
Years Ended December 31, 2010 and 2009

	2010	2009
OPERATING REVENUES:		
Water sales	\$ 8,139,065	\$ 7,535,979
Other operating income	323,644	309,537
Total operating revenues	8,462,709	7,845,516
OPERATING EXPENSES:		
Power purchased	407,418	355,777
Pumping and treatment labor	380,689	413,838
Purification supplies and expense	488,983	429,116
Transmission and distribution labor	1,138,286	1,097,094
Transmission and distribution supplies and expense	242,454	319,188
Transmission and distribution maintenance and repairs	55,323	66,903
Equipment rental	3,397	16,912
Transportation expense	151,316	110,811
Water treatment maintenance and expense	86,870	174,657
General and administrative expenses	1,692,919	1,466,979
Depreciation	1,762,676	1,406,261
Total operating expenses	6,410,331	5,857,536
OPERATING INCOME	2,052,378	1,987,980
NON-OPERATING REVENUES (EXPENSES):		
Investment income	283,473	338,461
Other income	157,063	103,150
Gain (loss) on disposal of assets	(173,259)	14,220
Interest expense on long-term debt	(840,346)	(881,306)
Interest expense on customer deposits	(1,626)	(1,895)
Amortization of bond discount and expense	(227,728)	(112,797)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(802,423)	(540,167)
Capital contributions	1,733,116	1,541,139
Increase in net assets	\$ 2,983,071	\$ 2,988,952

Operating revenue increased 7.8% compared to the prior year. The primary reason for the increase is an increase in customer demand as the area experienced less rainfall than the previous year. Total operating expenses increased by 9.4%, however, depreciation expense increased 25.3% as the District reclassified some capital assets. Interest expense on long-term debt decreased 4.6%. The District continues to receive capital contributions through the State of Kentucky, the Federal government, other governments and individual developers.