



Steven L. Beshear  
Governor

Leonard K. Peters  
Secretary  
Energy and Environment Cabinet

Commonwealth of Kentucky  
**Public Service Commission**

211 Sower Blvd.  
P.O. Box 615  
Frankfort, Kentucky 40602-0615  
Telephone: (502) 564-3940  
Fax: (502) 564-3460  
psc.ky.gov

David L. Armstrong  
Chairman

James Gardner  
Vice Chairman

Charles R. Borders  
Commissioner

April 9, 2010

William Ballard  
General Manager  
East Clark County Water District  
118 Hopkins Lane  
P. O. Box 112  
Winchester, KY 40391

RE: Case No. 2010-00150  
East Clark County Water District  
(Financing)

This letter is to acknowledge receipt of initial application in the above case. The application was date-stamped received April 9, 2010 and has been assigned Case No. 2010-00150. In all future correspondence or filings in connection with this case, please reference the above case number.

If you need further assistance, please contact my staff at (502) 564-3940.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Derouen".

Jeff Derouen  
Executive Director

JD/tw

Steven L. Beshear  
Governor

Leonard K. Peters  
Secretary  
Energy and Environment Cabinet



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Honorable W. Randall Jones  
Attorney at Law  
Rubin & Hays  
Kentucky Home Trust Building  
450 South Third Street  
Louisville, KY 40202

April 9, 2010

RE: Case No. 2010-00150  
East Clark County Water District  
(Financing)

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Jeff Derouen  
Executive Director

JD/tw

# 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 www.rubinhays.com

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

RECEIVED

April 6, 2010

APR 09 2010

PUBLIC SERVICE  
COMMISSION

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

Re: East Clark County Water District PSC Application

Dear Mr. Derouen:

2010-00150

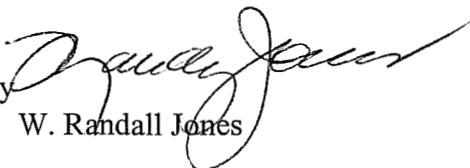
Enclosed please find the original and ten (10) copies of the Application of the East Clark County Water District for an Order authorizing the District to issue securities pursuant to KRS 278.300.

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 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 May 27, 2010 (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. William Ballard, East Clark County Water District  
Ms. Kristen Millard, Morgan Keegan

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF:

RECEIVED

APR 09 2010

PUBLIC SERVICE COMMISSION

THE APPLICATION OF EAST CLARK )
COUNTY WATER DISTRICT TO )
ISSUE SECURITIES IN THE APPROX- )
MATE PRINCIPAL AMOUNT OF \$735,000 )
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. 2010-00150

\*\* \*\*\* \*\*\*\* \*\*\*\*\* \*\*\*\* \*\* \*\*

APPLICATION

The Applicant, East Clark 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 \$735,000 (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 Clark County, which Order is on file in the County Court Order Books in the office of the Clerk of Clark 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:

East Clark County Water District  
c/o Mr. William Ballard, Manager  
P.O. Box 112  
Winchester, Kentucky 40392  
Telephone: (859) 745-1458

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 2009 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 "KRWFC Loan"), in the estimated principal amount of \$735,000 (subject to adjustment of up to 10%) for the purpose of refunding the outstanding revenue bonds designated as East Clark County Water District Waterworks Revenue Bonds, Series 2000, in the original principal amount of \$925,000 (the "Prior Bonds"). Said Prior Bonds are 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) refund the Prior Bonds; and (iii) 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 refinancing will generate a net present value savings of approximately \$109,996.47. 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 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 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 Revenue and Expenses, Balance Sheet and Statement of Cash Flows for the twelve month period ending on December 31, 2009 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 2007 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 KRWFC 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, 2009. The financial data filed with this Application is for the twelve (12) month period ending December 31, 2009. 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 KRWFC 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 estimated closing date of May 27, 2010;**

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 2009 Annual Report and 2009 audit in lieu of more recent financial data, there being no material change in the data in 2010 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 information requests by the Commission's staff.

East Clark County Water District

By *Fred Farris*  
Chairman  
P.O. Box 112  
Winchester, Kentucky 40392  
Phone: (859) 745-1458

Rubin & Hays

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

STATE OF KENTUCKY            )  
  ) SS  
COUNTY OF CLARK            )

The affiant, Fred Farris, being first duly sworn, states: That he is the Chairman of the East Clark 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 1<sup>st</sup> day of April, 2010.

Fred Farris  
Fred Farris, Chairman

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by Fred Farris, Chairman of the East Clark County Water District, on this the 1<sup>st</sup> day of April, 2010.

My Commission expires: 3/21/10.

Carla J. Shemwell  
NOTARY PUBLIC



**\$735,000**

*East Clark County Water District  
Refunding of Waterworks Revenue Bonds, Series 2000  
through the Kentucky Rural Water Finance Corporation*

**Debt Service Schedule**

| Date         | Principal           | Coupon   | Interest            | Total P+I             | Fiscal Total |
|--------------|---------------------|----------|---------------------|-----------------------|--------------|
| 05/13/2010   | -                   | -        | -                   | -                     | -            |
| 08/01/2010   | -                   | -        | 6,005.73            | 6,005.73              | -            |
| 12/30/2010   | -                   | -        | -                   | -                     | 6,005.73     |
| 02/01/2011   | 15,000.00           | 2.250%   | 13,859.38           | 28,859.38             | -            |
| 08/01/2011   | -                   | -        | 13,690.63           | 13,690.63             | -            |
| 12/30/2011   | -                   | -        | -                   | -                     | 42,550.01    |
| 02/01/2012   | 25,000.00           | 2.250%   | 13,690.63           | 38,690.63             | -            |
| 08/01/2012   | -                   | -        | 13,409.38           | 13,409.38             | -            |
| 12/30/2012   | -                   | -        | -                   | -                     | 52,100.01    |
| 02/01/2013   | 30,000.00           | 2.250%   | 13,409.38           | 43,409.38             | -            |
| 08/01/2013   | -                   | -        | 13,071.88           | 13,071.88             | -            |
| 12/30/2013   | -                   | -        | -                   | -                     | 56,481.26    |
| 02/01/2014   | 30,000.00           | 2.250%   | 13,071.88           | 43,071.88             | -            |
| 08/01/2014   | -                   | -        | 12,734.38           | 12,734.38             | -            |
| 12/30/2014   | -                   | -        | -                   | -                     | 55,806.26    |
| 02/01/2015   | 30,000.00           | 2.250%   | 12,734.38           | 42,734.38             | -            |
| 08/01/2015   | -                   | -        | 12,396.88           | 12,396.88             | -            |
| 12/30/2015   | -                   | -        | -                   | -                     | 55,131.26    |
| 02/01/2016   | 35,000.00           | 3.250%   | 12,396.88           | 47,396.88             | -            |
| 08/01/2016   | -                   | -        | 11,828.13           | 11,828.13             | -            |
| 12/30/2016   | -                   | -        | -                   | -                     | 59,225.01    |
| 02/01/2017   | 30,000.00           | 3.250%   | 11,828.13           | 41,828.13             | -            |
| 08/01/2017   | -                   | -        | 11,340.63           | 11,340.63             | -            |
| 12/30/2017   | -                   | -        | -                   | -                     | 53,168.76    |
| 02/01/2018   | 30,000.00           | 3.250%   | 11,340.63           | 41,340.63             | -            |
| 08/01/2018   | -                   | -        | 10,853.13           | 10,853.13             | -            |
| 12/30/2018   | -                   | -        | -                   | -                     | 52,193.76    |
| 02/01/2019   | 35,000.00           | 3.750%   | 10,853.13           | 45,853.13             | -            |
| 08/01/2019   | -                   | -        | 10,196.88           | 10,196.88             | -            |
| 12/30/2019   | -                   | -        | -                   | -                     | 56,050.01    |
| 02/01/2020   | 35,000.00           | 3.750%   | 10,196.88           | 45,196.88             | -            |
| 08/01/2020   | -                   | -        | 9,540.63            | 9,540.63              | -            |
| 12/30/2020   | -                   | -        | -                   | -                     | 54,737.51    |
| 02/01/2021   | 35,000.00           | 4.250%   | 9,540.63            | 44,540.63             | -            |
| 08/01/2021   | -                   | -        | 8,796.88            | 8,796.88              | -            |
| 12/30/2021   | -                   | -        | -                   | -                     | 53,337.51    |
| 02/01/2022   | 40,000.00           | 4.250%   | 8,796.88            | 48,796.88             | -            |
| 08/01/2022   | -                   | -        | 7,946.88            | 7,946.88              | -            |
| 12/30/2022   | -                   | -        | -                   | -                     | 56,743.76    |
| 02/01/2023   | 35,000.00           | 4.250%   | 7,946.88            | 42,946.88             | -            |
| 08/01/2023   | -                   | -        | 7,203.13            | 7,203.13              | -            |
| 12/30/2023   | -                   | -        | -                   | -                     | 50,150.01    |
| 02/01/2024   | 40,000.00           | 4.250%   | 7,203.13            | 47,203.13             | -            |
| 08/01/2024   | -                   | -        | 6,353.13            | 6,353.13              | -            |
| 12/30/2024   | -                   | -        | -                   | -                     | 53,556.26    |
| 02/01/2025   | 45,000.00           | 4.250%   | 6,353.13            | 51,353.13             | -            |
| 08/01/2025   | -                   | -        | 5,396.88            | 5,396.88              | -            |
| 12/30/2025   | -                   | -        | -                   | -                     | 56,750.01    |
| 02/01/2026   | 45,000.00           | 4.250%   | 5,396.88            | 50,396.88             | -            |
| 08/01/2026   | -                   | -        | 4,440.63            | 4,440.63              | -            |
| 12/30/2026   | -                   | -        | -                   | -                     | 54,837.51    |
| 02/01/2027   | 50,000.00           | 4.375%   | 4,440.63            | 54,440.63             | -            |
| 08/01/2027   | -                   | -        | 3,346.88            | 3,346.88              | -            |
| 12/30/2027   | -                   | -        | -                   | -                     | 57,787.51    |
| 02/01/2028   | 45,000.00           | 4.375%   | 3,346.88            | 48,346.88             | -            |
| 08/01/2028   | -                   | -        | 2,362.50            | 2,362.50              | -            |
| 12/30/2028   | -                   | -        | -                   | -                     | 50,709.38    |
| 02/01/2029   | 50,000.00           | 4.500%   | 2,362.50            | 52,362.50             | -            |
| 08/01/2029   | -                   | -        | 1,237.50            | 1,237.50              | -            |
| 12/30/2029   | -                   | -        | -                   | -                     | 53,600.00    |
| 02/01/2030   | 55,000.00           | 4.500%   | 1,237.50            | 56,237.50             | -            |
| 12/30/2030   | -                   | -        | -                   | -                     | 56,237.50    |
| <b>Total</b> | <b>\$735,000.00</b> | <b>-</b> | <b>\$352,159.03</b> | <b>\$1,087,159.03</b> | <b>-</b>     |

**Yield Statistics**

|  |              |
|--|--------------|
| Bond Year Dollars.....                 | \$8,526.75   |
| Average Life.....                      | 11.601 Years |
| Average Coupon.....                    | 4.1300499%   |
| Net Interest Cost (NIC).....           | 4.2399054%   |
| True Interest Cost (TIC).....          | 4.2348117%   |
| Bond Yield for Arbitrage Purposes..... | 3.7057034%   |
| All Inclusive Cost (AIC).....          | 4.6417168%   |

**IRS Form 8038**

|                                |              |
|--------------------------------|--------------|
| Net Interest Cost.....         | 4.0844456%   |
| Weighted Average Maturity..... | 11.559 Years |

5/15/2010 1 4:11 PM



**\$735,000**

*East Clark County Water District  
Refunding of Waterworks Revenue Bonds, Series 2000  
through the Kentucky Rural Water Finance Corporation*

**Sources & Uses**

Dated 05/13/2010 | Delivered 05/13/2010

**Sources Of Funds**

|  |              |
|--|--------------|
| Par Amount of Bonds.....                           | \$735,000.00 |
| Reoffering Premium.....                            | 3,495.40     |
| Transfers from Prior Issue Debt Service Funds..... | 22,189.17    |
| Transfers from Prior Issue DSR Funds.....          | 69,040.00    |

**Total Sources.....** **\$829,724.57**

**Uses Of Funds**

|  |            |
|--|------------|
| Total Underwriter's Discount (1.750%)..... | 12,862.50  |
| Costs of Issuance.....                     | 20,760.00  |
| Deposit to Current Refunding Fund.....     | 794,774.75 |
| Rounding Amount.....                       | 1,327.32   |

**Total Uses.....** **\$829,724.57**



**\$735,000**

*East Clark County Water District  
Refunding of Waterworks Revenue Bonds, Series 2000  
through the Kentucky Rural Water Finance Corporation  
Assumes Debt Service Reserve on 2001 Bonds earns 2.25%*

**Debt Service Comparison**

| Date         | Total P+I             | Expenses          | Net New D/S           | Old Net D/S           | Savings             |
|--------------|-----------------------|-------------------|-----------------------|-----------------------|---------------------|
| 12/30/2010   | 6,005.73              | -                 | 6,005.73              | 22,507.05             | 16,501.32           |
| 12/30/2011   | 42,550.01             | 350.00            | 42,900.01             | 64,439.10             | 21,539.09           |
| 12/30/2012   | 52,100.01             | 350.00            | 52,450.01             | 63,289.10             | 10,839.09           |
| 12/30/2013   | 56,481.26             | 350.00            | 56,831.26             | 66,995.35             | 10,164.09           |
| 12/30/2014   | 55,806.26             | 350.00            | 56,156.26             | 65,557.85             | 9,401.59            |
| 12/30/2015   | 55,131.26             | 350.00            | 55,481.26             | 64,120.35             | 8,639.09            |
| 12/30/2016   | 59,225.01             | 350.00            | 59,575.01             | 67,486.60             | 7,911.59            |
| 12/30/2017   | 53,168.76             | 350.00            | 53,518.76             | 65,656.60             | 12,137.84           |
| 12/30/2018   | 52,193.76             | 350.00            | 52,543.76             | 63,826.60             | 11,282.84           |
| 12/30/2019   | 56,050.01             | 350.00            | 56,400.01             | 66,844.10             | 10,444.09           |
| 12/30/2020   | 54,737.51             | 350.00            | 55,087.51             | 64,709.10             | 9,621.59            |
| 12/30/2021   | 53,337.51             | 350.00            | 53,687.51             | 62,574.10             | 8,886.59            |
| 12/30/2022   | 56,743.76             | 350.00            | 57,093.76             | 65,286.60             | 8,192.84            |
| 12/30/2023   | 50,150.01             | 350.00            | 50,500.01             | 62,846.60             | 12,346.59           |
| 12/30/2024   | 53,556.26             | 350.00            | 53,906.26             | 65,254.10             | 11,347.84           |
| 12/30/2025   | 56,750.01             | 350.00            | 57,100.01             | 67,356.60             | 10,256.59           |
| 12/30/2026   | 54,837.51             | 350.00            | 55,187.51             | 64,306.60             | 9,119.09            |
| 12/30/2027   | 57,787.51             | 350.00            | 58,137.51             | 66,104.10             | 7,966.59            |
| 12/30/2028   | 50,709.38             | 350.00            | 51,059.38             | 62,749.10             | 11,689.72           |
| 12/30/2029   | 53,600.00             | 350.00            | 53,950.00             | 64,241.60             | 10,291.60           |
| 12/30/2030   | 56,237.50             | 350.00            | 56,587.50             | 65,429.10             | 8,841.60            |
| <b>TOTAL</b> | <b>\$1,087,159.03</b> | <b>\$7,000.00</b> | <b>\$1,094,159.03</b> | <b>\$1,321,580.30</b> | <b>\$227,421.27</b> |

|   |              |
|---|--------------|
| Gross FV Debt Service Savings.....                | 227,421.27   |
| Transfers from Prior Issue Debt Service Fund..... | (22,189.17)  |
| Transfers from Prior Issue DSR Fund.....          | (69,040.00)  |
| Contingency or Rounding Amount.....               | 1,327.32     |
| Net Benefit.....                                  | \$137,519.42 |

**PV Analysis Summary (Net to Net)**

|   |              |
|---|--------------|
| Gross PV Debt Service Savings.....                | 183,877.53   |
| Effects of changes in DSR investments.....        | (48,484.04)  |
| Effects of changes in Expenses.....               | (4,535.17)   |
| Net PV Cashflow Savings @ 4.642%(AIC).....        | 130,858.32   |
| Transfers from Prior Issue Debt Service Fund..... | (22,189.17)  |
| Contingency or Rounding Amount.....               | 1,327.32     |
| Net Present Value Benefit.....                    | \$109,996.47 |

**Refunding Bond Information**

|                              |           |
|------------------------------|-----------|
| Refunding Dated Date.....    | 5/13/2010 |
| Refunding Delivery Date..... | 5/13/2010 |







EAST CLARK COUNTY WATER DISTRICT  
 STATEMENTS OF NET ASSETS  
 DECEMBER 31, 2009 AND 2008

**ASSETS**

|  | <u>2009</u>          | <u>2008</u>          |
|--|----------------------|----------------------|
| Current assets:                                    |                      |                      |
| Cash   | \$ 188,959           | \$ 191,673           |
| Investments  | 1,848,468            | 1,708,638            |
| Receivables:                                       |                      |                      |
| Customer accounts                                  | 150,089              | 145,551              |
| Grants   | 66,712               | -                    |
| Accrued interest                                   | 17,841               | 16,177               |
| Inventory, at cost                                 | 18,815               | 21,799               |
| Prepaid expenses                                   | 11,018               | 11,091               |
|  | <u>2,301,902</u>     | <u>2,094,929</u>     |
| <br>Restricted assets:                             |                      |                      |
| Cash   | 333,008              | 359,161              |
| Investments  | 395,361              | 293,021              |
|  | <u>728,369</u>       | <u>652,182</u>       |
| <br>Capital assets:                                |                      |                      |
| Property, plant and equipment, net of depreciation | 7,485,906            | 7,664,346            |
| Land   | 58,044               | 58,044               |
| Construction in progress                           | 431,062              | -                    |
|  | <u>7,975,012</u>     | <u>7,722,390</u>     |
| <br>Deferred debt expenses                         | <u>43,546</u>        | <u>46,766</u>        |
| <br>Total assets                                   | <u>\$ 11,048,829</u> | <u>\$ 10,516,267</u> |

(CONTINUED)

EAST CLARK COUNTY WATER DISTRICT  
 STATEMENTS OF NET ASSETS (CONTINUED)  
 DECEMBER 31, 2009 AND 2008

**LIABILITIES AND NET ASSETS**

|  | <u>2009</u>  | <u>2008</u>  |
|--|--------------|--------------|
| Current liabilities:                                     |              |              |
| Accounts payable, trade                                  | \$ 31,425    | \$ 32,574    |
| Accounts payable from restricted funds                   | 66,712       | -            |
| Accrued compensated absences                             | 15,955       | 15,955       |
| Accrued interest payable                                 | 7,956        | 12,402       |
| Accrued liabilities                                      | 12,111       | 14,789       |
| Lease obligations - current portion                      | 150,000      | 138,000      |
| Refundable customer deposits                             | 33,960       | 21,135       |
| Revenue bonds - current portion                          | 83,000       | 65,000       |
|  | 401,119      | 299,855      |
| Long-term liabilities:                                   |              |              |
| Revenue bonds net of current portion                     | 1,110,000    | 1,181,000    |
| Obligations under long-term lease net of current portion | 1,493,000    | 1,648,000    |
|  | 2,603,000    | 2,829,000    |
| Total long-term liabilities                              | 2,603,000    | 2,829,000    |
|  | 3,004,119    | 3,128,855    |
| Net Assets   |              |              |
| Investment in capital assets, net of related debt        | 4,248,787    | 4,632,346    |
| Restricted net assets:                                   |              |              |
| Reserved for debt retirement                             | 109,849      | 109,849      |
| Reserved for plant renewal and replacement               | 40,800       | 40,800       |
| Unrestricted net assets                                  | 3,645,274    | 2,604,417    |
|  | \$ 8,044,710 | \$ 7,387,412 |

See accompanying notes to the financial statements.

EAST CLARK COUNTY WATER DISTRICT  
STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

|   | <u>2009</u>         | <u>2008</u>         |
|---|---------------------|---------------------|
| Operating revenues                      |                     |                     |
| Water sales                             | \$ 1,334,845        | \$ 1,399,601        |
| Other operating income                  | <u>46,473</u>       | <u>46,116</u>       |
| Total operating revenues                | <u>1,381,318</u>    | <u>1,445,717</u>    |
| Operating expenses                      |                     |                     |
| Transmission, distribution and services | 268,940             | 292,815             |
| Purchased water                         | 284,657             | 295,958             |
| General and administrative              | 285,383             | 303,535             |
| Depreciation                            | <u>269,566</u>      | <u>265,133</u>      |
| Total operating expenses                | <u>1,108,546</u>    | <u>1,157,441</u>    |
| Operating income                        | <u>272,772</u>      | <u>288,276</u>      |
| Non-operating revenues (expenses):      |                     |                     |
| Other revenue                           | 1,910               | 517                 |
| Sales of assets                         | 1,850               | -                   |
| Interest income                         | 72,531              | 88,177              |
| Customer connection fees                | 18,723              | 21,764              |
| State grant                             | 431,062             | 9,932               |
| Interest expense                        | <u>(141,550)</u>    | <u>(159,438)</u>    |
| Total non-operating revenues (expenses) | <u>384,526</u>      | <u>(39,048)</u>     |
| Change in net assets                    | 657,298             | 249,228             |
| Net assets at the beginning of the year | <u>7,387,412</u>    | <u>7,138,184</u>    |
| Net assets at the end of the year       | <u>\$ 8,044,710</u> | <u>\$ 7,387,412</u> |

See accompanying notes to the financial statements.

EAST CLARK COUNTY WATER DISTRICT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

|  | <u>2009</u>       | <u>2008</u>       |
|--|-------------------|-------------------|
| Cash flows from operating activities:                                |                   |                   |
| Cash received from customers   | \$ 1,330,307      | \$ 1,445,717      |
| Cash payments to suppliers for goods and services                    | (509,015)         | (594,992)         |
| Cash payments to employees and professional contractors for services | <u>(274,327)</u>  | <u>(273,060)</u>  |
| Net cash provided by operating activities                            | <u>546,965</u>    | <u>577,665</u>    |
| Cash flows from non-capital financing activities:                    |                   |                   |
| Other revenue  | <u>1,910</u>      | <u>517</u>        |
| Net cash provided by non-capital financing activities                | <u>1,910</u>      | <u>517</u>        |
| Cash flows from capital and related financing activities:            |                   |                   |
| Principal payments on bonds and lease obligations                    | (196,000)         | (203,000)         |
| Interest payments on bonds and lease obligations                     | (141,550)         | (159,438)         |
| Construction of fixed assets   | (364,350)         | -                 |
| Purchase of equipment  | (95,355)          | (101,850)         |
| Sale of surplus equipment  | 1,850             | -                 |
| Scrapped equipment   | 4,229             | 6,920             |
| Capital grants   | 364,350           | 9,932             |
| Contributions in aid of construction                                 | <u>18,723</u>     | <u>21,764</u>     |
| Net cash used by capital and related financing activities            | <u>(408,103)</u>  | <u>(425,672)</u>  |
| Cash flows from investing activities:                                |                   |                   |
| Acquisition of unrestricted investments                              | (139,830)         | (194,377)         |
| Acquisition of restricted investments                                | (102,340)         | (38,696)          |
| Interest received on cash balances and investments                   | <u>72,531</u>     | <u>88,177</u>     |
| Net cash used by investing activities                                | <u>(169,639)</u>  | <u>(144,896)</u>  |
| Increase (decrease) in cash  | (28,867)          | 7,614             |
| Cash at the beginning of the year                                    | <u>550,834</u>    | <u>543,220</u>    |
| Cash at the end of the year  | <u>\$ 521,967</u> | <u>\$ 550,834</u> |

(CONTINUED)

See accompanying notes to the financial statements.

EAST CLARK COUNTY WATER DISTRICT  
STATEMENTS OF CASH FLOWS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

|  | <u>2009</u>       | <u>2008</u>       |
|--|-------------------|-------------------|
| Reconciliation of cash at the end of the year  |                   |                   |
| Unrestricted cash  | \$ 188,959        | \$ 191,673        |
| Restricted cash  | <u>333,008</u>    | <u>359,161</u>    |
| Total cash at the end of the year  | <u>\$ 521,967</u> | <u>\$ 550,834</u> |
| <br>   |                   |                   |
| Reconciliation of income from operations to net cash<br>provided by operating activities   |                   |                   |
| Income from operations   | \$ 272,772        | \$ 288,276        |
| Adjustments to reconcile operating income to net cash<br>provided by operating activities: |                   |                   |
| Depreciation and amortization  | 272,786           | 268,333           |
| (Increase) decrease in:  |                   |                   |
| Customer accounts receivable   | (4,538)           | (6,112)           |
| Grants receivable  | (66,712)          | -                 |
| Interest receivable  | (1,664)           | 6,906             |
| Other receivables  | -                 | 6,212             |
| Inventory  | 2,984             | 2,591             |
| Prepaid expenses   | 73                | (986)             |
| Increase (decrease) in:  |                   |                   |
| Accounts payable, trade accounts   | (1,149)           | 2,004             |
| Accounts payable from restricted funds   | 66,712            | -                 |
| Accrued liabilities  | (2,678)           | 8,531             |
| Accrued compensated absences   | -                 | 72                |
| Accrued interest payable   | (4,446)           | (970)             |
| Customer deposits  | <u>12,825</u>     | <u>2,808</u>      |
| Net cash provided by operating activities  | <u>\$ 546,965</u> | <u>\$ 577,665</u> |

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