

Rubin & Hays

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

February 27, 2012

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

RECEIVED

FEB 29 2012

PUBLIC SERVICE
COMMISSION

Re: Jessamine-South Elkhorn Water District PSC Application

Dear Mr. Derouen:

Enclosed please find the original and ten (10) copies of the Application of the Jessamine-South Elkhorn 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 April 16, 2012 (anticipated 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:jl
Enclosures

cc: Mr. Nick Strong, Jessamine-South Elkhorn Water District
Ms. Kristen Curtis, Morgan Keegan

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

RECEIVED

FEB 29 2012

PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE APPLICATION OF THE JESSAMINE-SOUTH)
 ELKHORN WATER DISTRICT TO)
 ISSUE SECURITIES IN THE APPROX-)
 MATE PRINCIPAL AMOUNT OF \$1,715,000)
 FOR THE PURPOSE OF REFUNDING CERTAIN)
 OUTSTANDING REVENUE BONDS OF THE) Case No. 2012 - _____
 DISTRICT PURSUANT TO THE PROVISIONS)
 OF KRS 278.300 AND 807 KAR 5:001)

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

APPLICATION

The Applicant, Jessamine-South Elkhorn 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 of \$1,715,000 (subject to adjustment of up to 10%), for the purpose of refunding certain outstanding water system 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 Orders of the County Judge/Executives of Fayette and Jessamine Counties, which Orders are on file in the County Court Order Books in the offices of the respective County Clerks. 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:

Jessamine-South Elkhorn Water District
c/o Mr. Nick Strong, Chairman
P.O. Box 721
Nicholasville, Kentucky 40356
Telephone: (859) 881-0589

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 2010 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 \$1,715,000 (subject to adjustment of up to 10%) for the purpose of refunding the outstanding revenue bonds designated as Jessamine-South Elkhorn Water District Water System Revenue Bonds, Series of 2000B, in the original principal amount of \$1,901,000, dated September 1, 2000, bearing interest at the rate of 5.25% per annum (the "Prior Bonds"). Said Prior Bonds are currently held by USDA, Rural Development.

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 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 benefit of approximately \$253,172.18. 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 Revenues, Expenses and Changes in Net Assets, Statement of Net Assets and Statement of Cash Flows for the twelve month period ending on December 31, 2010 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 2010 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 against the water system 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, 2010. The financial data filed with this Application is for the twelve (12) month period ending December 31, 2010. 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 April 11, 2012;**

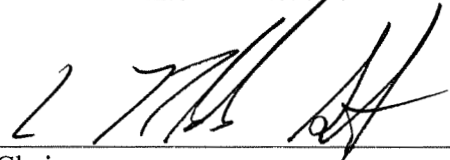
2. Grant the District a deviation, to the extent necessary, from 807 KAR 5:001, Section 6 to allow the submission of the District's 2010 Annual Report and 2010 audit in lieu of more recent financial data, there being no material change in the data in 2011 and 2012 and due to the volatility of the present 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.

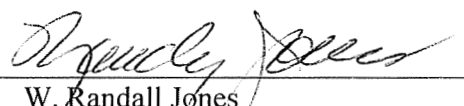
Jessamine-South Elkhorn Water District

By


Chairman
802 South Main Street
Nicholasville, Kentucky 40356
Phone: (859) 881-0589

Rubin & Hays

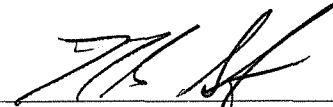
By


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

STATE OF KENTUCKY)
) SS
COUNTY OF JESSAMINE)

The affiant, Nick Strong, being first duly sworn, states: That he is the Chairman of the Jessamine-South Elkhorn 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 20th day of February, 2012.



Nick Strong, Chairman, Jessamine-South Elkhorn Water District

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by Nick Strong, Chairman of the Jessamine-South Elkhorn Water District, on this the 20th day of February, 2012.

My Commission expires: 4-28-12.



NOTARY PUBLIC

Preliminary

\$1,715,000

Potential Refundings through the
 Kentucky Rural Water Finance Corporation
 Jessamine South Elkhorn Water District

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
04/11/2012	-	-	-	-	-
02/01/2013	25,000.00	2.300%	49,017.05	74,017.05	-
08/01/2013	-	-	30,136.88	30,136.88	-
12/30/2013	-	-	-	-	104,153.93
02/01/2014	45,000.00	2.300%	30,136.88	75,136.88	-
08/01/2014	-	-	29,619.38	29,619.38	-
12/30/2014	-	-	-	-	104,756.26
02/01/2015	45,000.00	2.550%	29,619.38	74,619.38	-
08/01/2015	-	-	29,045.63	29,045.63	-
12/30/2015	-	-	-	-	103,665.01
02/01/2016	45,000.00	2.550%	29,045.63	74,045.63	-
08/01/2016	-	-	28,471.88	28,471.88	-
12/30/2016	-	-	-	-	102,517.51
02/01/2017	45,000.00	3.300%	28,471.88	73,471.88	-
08/01/2017	-	-	27,729.38	27,729.38	-
12/30/2017	-	-	-	-	101,201.26
02/01/2018	45,000.00	3.300%	27,729.38	72,729.38	-
08/01/2018	-	-	26,986.88	26,986.88	-
12/30/2018	-	-	-	-	99,716.26
02/01/2019	50,000.00	3.300%	26,986.88	76,986.88	-
08/01/2019	-	-	26,161.88	26,161.88	-
12/30/2019	-	-	-	-	103,148.76
02/01/2020	50,000.00	3.300%	26,161.88	76,161.88	-
08/01/2020	-	-	25,336.88	25,336.88	-
12/30/2020	-	-	-	-	101,498.76
02/01/2021	50,000.00	3.300%	25,336.88	75,336.88	-
08/01/2021	-	-	24,511.88	24,511.88	-
12/30/2021	-	-	-	-	99,848.76
02/01/2022	55,000.00	3.300%	24,511.88	79,511.88	-
08/01/2022	-	-	23,604.38	23,604.38	-
12/30/2022	-	-	-	-	103,116.26
02/01/2023	55,000.00	3.300%	23,604.38	78,604.38	-
08/01/2023	-	-	22,696.88	22,696.88	-
12/30/2023	-	-	-	-	101,301.26
02/01/2024	55,000.00	3.300%	22,696.88	77,696.88	-
08/01/2024	-	-	21,789.38	21,789.38	-
12/30/2024	-	-	-	-	99,486.26
02/01/2025	60,000.00	3.300%	21,789.38	81,789.38	-
08/01/2025	-	-	20,799.38	20,799.38	-
12/30/2025	-	-	-	-	102,588.76
02/01/2026	60,000.00	3.300%	20,799.38	80,799.38	-
08/01/2026	-	-	19,809.38	19,809.38	-
12/30/2026	-	-	-	-	100,608.76
02/01/2027	65,000.00	3.300%	19,809.38	84,809.38	-
08/01/2027	-	-	18,736.88	18,736.88	-
12/30/2027	-	-	-	-	103,546.26
02/01/2028	65,000.00	3.425%	18,736.88	83,736.88	-
08/01/2028	-	-	17,623.75	17,623.75	-
12/30/2028	-	-	-	-	101,360.63
02/01/2029	65,000.00	3.550%	17,623.75	82,623.75	-
08/01/2029	-	-	16,470.00	16,470.00	-
12/30/2029	-	-	-	-	99,093.75
02/01/2030	70,000.00	3.675%	16,470.00	86,470.00	-
08/01/2030	-	-	15,183.75	15,183.75	-
12/30/2030	-	-	-	-	101,653.75
02/01/2031	70,000.00	3.800%	15,183.75	85,183.75	-
08/01/2031	-	-	13,853.75	13,853.75	-
12/30/2031	-	-	-	-	99,037.50
02/01/2032	75,000.00	3.800%	13,853.75	88,853.75	-
08/01/2032	-	-	12,428.75	12,428.75	-
12/30/2032	-	-	-	-	101,282.50
02/01/2033	80,000.00	3.800%	12,428.75	92,428.75	-
08/01/2033	-	-	10,908.75	10,908.75	-
12/30/2033	-	-	-	-	103,337.50
02/01/2034	80,000.00	3.950%	10,908.75	90,908.75	-
08/01/2034	-	-	9,328.75	9,328.75	-
12/30/2034	-	-	-	-	100,237.50
02/01/2035	85,000.00	3.950%	9,328.75	94,328.75	-
08/01/2035	-	-	7,650.00	7,650.00	-
12/30/2035	-	-	-	-	101,978.75
02/01/2036	90,000.00	3.950%	7,650.00	97,650.00	-
08/01/2036	-	-	5,872.50	5,872.50	-
12/30/2036	-	-	-	-	103,522.50
02/01/2037	90,000.00	3.950%	5,872.50	95,872.50	-
08/01/2037	-	-	4,095.00	4,095.00	-
12/30/2037	-	-	-	-	99,967.50
02/01/2038	95,000.00	4.200%	4,095.00	99,095.00	-
08/01/2038	-	-	2,100.00	2,100.00	-
12/30/2038	-	-	-	-	101,195.00
02/01/2039	100,000.00	4.200%	2,100.00	102,100.00	-
12/30/2039	-	-	-	-	102,100.00
Total	\$1,715,000.00	-	\$1,030,920.95	\$2,745,920.95	-

Yield Statistics

Bond Year Dollars	\$27,411.53
Average Life	15.983 Years
Average Coupon	3.7609028%
Net Interest Cost (NIC)	3.8696612%
True Interest Cost (TIC)	3.8788363%
Bond Yield for Arbitrage Purposes	3.3367708%
All Inclusive Cost (AIC)	4.0147508%
IRS Form 8038	
Net Interest Cost	3.8504189%
Weighted Average Maturity	15.711 Years

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Preliminary

\$1,715,000

Potential Refundings through the
Kentucky Rural Water Finance Corporation
Jessamine South Elkhorn Water District

Sources & Uses

Dated 04/11/2012 | Delivered 04/11/2012

Sources Of Funds

Par Amount of Bonds	\$1,715,000.00
Transfers from Prior Issue Debt Service Funds	29,050.63
Total Sources	\$1,744,050.63

Uses Of Funds

Original Issue Discount (OID)	4,087.30
Total Underwriter's Discount (1.500%)	25,725.00
Costs of Issuance	25,725.00
Deposit to Current Refunding Fund	1,685,222.92
Rounding Amount	3,290.41
Total Uses	\$1,744,050.63

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Preliminary

\$1,715,000

Potential Refundings through the
Kentucky Rural Water Finance Corporation
Jessamine South Elkhorn Water District

Debt Service Comparison

Date	Total P+I	Net New D/S	Old Net D/S	Savings
12/30/2012	-	-	43,601.25	43,601.25
12/30/2013	104,153.93	104,153.93	115,441.25	11,287.32
12/30/2014	104,756.26	104,756.26	115,866.25	11,109.99
12/30/2015	103,665.01	103,665.01	115,212.50	11,547.49
12/30/2016	102,517.51	102,517.51	115,480.00	12,962.49
12/30/2017	101,201.26	101,201.26	115,642.50	14,441.24
12/30/2018	99,716.26	99,716.26	115,700.00	15,983.74
12/30/2019	103,148.76	103,148.76	115,652.50	12,503.74
12/30/2020	101,498.76	101,498.76	115,500.00	14,001.24
12/30/2021	99,848.76	99,848.76	115,242.50	15,393.74
12/30/2022	103,116.26	103,116.26	114,880.00	11,763.74
12/30/2023	101,301.26	101,301.26	115,386.25	14,084.99
12/30/2024	99,486.26	99,486.26	114,761.25	15,274.99
12/30/2025	102,588.76	102,588.76	115,005.00	12,416.24
12/30/2026	100,608.76	100,608.76	115,091.25	14,482.49
12/30/2027	103,546.26	103,546.26	115,020.00	11,473.74
12/30/2028	101,360.63	101,360.63	114,791.25	13,430.62
12/30/2029	99,093.75	99,093.75	114,405.00	15,311.25
12/30/2030	101,653.75	101,653.75	114,835.00	13,181.25
12/30/2031	99,037.50	99,037.50	114,081.25	15,043.75
12/30/2032	101,282.50	101,282.50	115,117.50	13,835.00
12/30/2033	103,337.50	103,337.50	113,943.75	10,606.25
12/30/2034	100,237.50	100,237.50	114,560.00	14,322.50
12/30/2035	101,978.75	101,978.75	113,940.00	11,961.25
12/30/2036	103,522.50	103,522.50	114,083.75	10,561.25
12/30/2037	99,967.50	99,967.50	113,965.00	13,997.50
12/30/2038	101,195.00	101,195.00	113,583.75	12,388.75
12/30/2039	102,100.00	102,100.00	113,913.75	11,813.75
Total	\$2,745,920.95	\$2,745,920.95	\$3,144,702.50	\$398,781.55

PV Analysis Summary (Net to Net)

Net FV Cashflow Savings	398,781.55
Gross PV Debt Service Savings	278,932.40
Net PV Cashflow Savings @ 3.337%(Bond Yield)	278,932.40
Transfers from Prior Issue Debt Service Fund	(29,050.63)
Contingency or Rounding Amount	3,290.41
Net Future Value Benefit	\$373,021.33
Net Present Value Benefit	\$253,172.18
Net PV Benefit / \$1,661,000 Refunded Principal	15.242%
Net PV Benefit / \$1,715,000 Refunding Principal	14.762%

Refunding Bond Information

Refunding Dated Date	4/11/2012
Refunding Delivery Date	4/11/2012
2/17/2012 12:31 PM	

Morgan Keegan & Company, Inc.

Preliminary

\$1,901,000

Jessamine South Elkhorn Water District

USDA-RD Loan

Series 2000 B

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/30/2012	-	-	43,601.25	43,601.25
12/30/2013	29,000.00	-	86,441.25	115,441.25
12/30/2014	31,000.00	-	84,866.25	115,866.25
12/30/2015	32,000.00	-	83,212.50	115,212.50
12/30/2016	34,000.00	-	81,480.00	115,480.00
12/30/2017	36,000.00	-	79,642.50	115,642.50
12/30/2018	38,000.00	-	77,700.00	115,700.00
12/30/2019	40,000.00	-	75,652.50	115,652.50
12/30/2020	42,000.00	-	73,500.00	115,500.00
12/30/2021	44,000.00	-	71,242.50	115,242.50
12/30/2022	46,000.00	-	68,880.00	114,880.00
12/30/2023	49,000.00	-	66,386.25	115,386.25
12/30/2024	51,000.00	-	63,761.25	114,761.25
12/30/2025	54,000.00	-	61,005.00	115,005.00
12/30/2026	57,000.00	-	58,091.25	115,091.25
12/30/2027	60,000.00	-	55,020.00	115,020.00
12/30/2028	63,000.00	-	51,791.25	114,791.25
12/30/2029	66,000.00	-	48,405.00	114,405.00
12/30/2030	70,000.00	-	44,835.00	114,835.00
12/30/2031	73,000.00	-	41,081.25	114,081.25
12/30/2032	78,000.00	-	37,117.50	115,117.50
12/30/2033	81,000.00	-	32,943.75	113,943.75
12/30/2034	86,000.00	-	28,560.00	114,560.00
12/30/2035	90,000.00	-	23,940.00	113,940.00
12/30/2036	95,000.00	-	19,083.75	114,083.75
12/30/2037	100,000.00	-	13,965.00	113,965.00
12/30/2038	105,000.00	-	8,583.75	113,583.75
12/30/2039	111,000.00	5.250%	2,913.75	113,913.75
Total	\$1,661,000.00	-	\$1,483,702.50	\$3,144,702.50

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	4/11/2012
Average Life	16.737 Years
Average Coupon	5.2500000%
Weighted Average Maturity (Par Basis)	16.737 Years

Refunding Bond Information

Refunding Dated Date	4/11/2012
Refunding Delivery Date	4/11/2012

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Morgan Keegan & Company, Inc.

JESSAMINE SOUTH ELKHORN WATER DISTRICT
WATER AND SEWER DIVISIONS
Statement of Net Assets
December 31, 2010

	Water Division	Sewer Division	Total Business Activities
<u>Assets</u>			
Cash and current assets			
Cash and cash equivalents unrestricted	\$ 343,269	\$ 45,823	\$ 389,092
Accounts receivable	97,089	34,924	132,013
Prepaid expenses	11,828		11,828
Due to (from) other funds	119,857	(119,857)	0
Cash and cash equivalents, restricted	733,125	219,133	952,258
Total cash and current assets	1,305,168	180,023	1,485,191
<u>Capital Assets</u>			
Land, improvements and construction in process	50,563	0	50,563
Other capital assets, net of depreciation	12,140,824	7,912,796	20,053,620
Total capital assets	12,191,387	7,912,796	20,104,183
Other non-current assets			
Unamortized bond costs	23,108	38,765	61,873
Total Assets	\$ 13,519,663	\$ 8,131,584	\$ 21,651,247
<u>Liabilities</u>			
Current Liabilities			
Accounts payable	\$ 311,081	\$ 24,945	\$ 336,026
Payroll taxes payable	1,172		1,172
Customer deposits	17,365	5,550	22,915
Other current liabilities		31,989	31,989
Interest payable	30,826		30,826
Total current liabilities	360,444	62,484	422,928
<u>Current Portion of Debt</u>			
Current notes payable	126,600		126,600
Current bonds payable	34,000		34,000
Total current portion of long-term debt	160,600	0	160,600
<u>Long-term Debt</u>			
Notes payable	2,284,001		2,284,001
Bonds payable	2,009,500	1,512,000	3,521,500
Total long-term debt	4,293,501	1,512,000	5,805,501
Total Liabilities	4,814,545	1,574,484	6,389,029
<u>Net Assets</u>			
Invested in capital assets, net of related debt	7,737,286	6,400,796	14,138,082
Restricted for			
Debt service	16,556	20,685	37,241
Capital projects	96,369	198,448	294,817
Depreciation reserve	13,679		13,679
Operation and maintenance reserve	260,580		260,580
Unreserved, undesignated reported in:			
Unrestricted net assets	234,054	(62,829)	171,225
Board designated net assets	346,594		346,594
Total Net Assets	\$ 8,705,118	\$ 6,557,100	\$ 15,262,218

See accompanying notes to financial statements

**JESSAMINE SOUTH ELKHORN WATER DISTRICT
WATER AND SEWER DIVISIONS**
Combined Statement of Revenues, Expenditures and Changes in Net Assets
For The Year Ended December 31, 2010

Functions/Programs	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants & Contributions Revenues</u>	<u>Capital Grants & Contributions Revenues</u>	<u>Net (Expense) Revenue</u>
Business-type Activities:					
Water Division					
Operating expense	\$ 1,657,699	\$ 2,069,978	\$	\$ 420,726	\$ 833,005
Interest expense	187,597				(187,597)
Depreciation expense	403,963				(403,963)
Sewer Division					
Operating expenses	359,195	274,507		432,309	347,621
Interest expense	47,478				(47,478)
Depreciation expense	101,482				(101,482)
Total Business Activities	<u>\$ 2,757,414</u>	<u>\$ 2,344,485</u>	<u>\$ 0</u>	<u>\$ 853,035</u>	<u>440,106</u>
Revenues					
Investment income - water					6,338
Investment income - sewer					453
Other revenues					63,046
Gain (loss) on disposal of capital assets					(2,346)
Total General Revenues					<u>67,491</u>
Excess of Revenues Over (Under)					
Change in Net Assets					507,597
Net assets beginning of year - 1/1/10					
Prior period adjustment					<u>1,343,245</u>
Net assets end of year - 12/31/10					<u>\$ 15,262,218</u>

See accompanying notes to financial statements.

**JESSAMINE SOUTH ELKHORN WATER DISTRICT
WATER AND SEWER DIVISIONS
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended December 31, 2010**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 2,244,340
Other operating receipts	62,822
Cash payments for personnel expenses	(353,699)
Cash payments for goods and services	<u>(1,437,878)</u>
Net cash provided by (used in) operating activities	<u>515,585</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital contributions	116,850
Net customer deposits	141,266
Grants received	594,920
Loss on disposal of capital assets	(2,346)
Borrowings under long-term obligations	1,721,902
Purchases of capital assets	(1,208,588)
Principal paid on long-term obligations	(1,409,357)
Interest paid on long-term obligations	<u>(301,981)</u>
Net cash provided by (used in) capital and related financing activities	<u>(347,334)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Income from investments	<u>6,791</u>
Net cash provided by (used in) investing activities	<u>6,791</u>
Net change in cash and cash equivalents	175,042
Cash and equivalents, beginning of year	<u>1,166,308</u>
Cash and equivalents, end of year	<u>\$ 1,341,350</u>

See accompanying notes to financial statements

**JESSAMINE SOUTH ELKHORN WATER DISTRICT
 WATER AND SEWER DIVISIONS
 STATEMENT OF CASH FLOWS (CONTINUED)
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2010**

	<u>Total</u>
Reconciliation of cash and cash equivalents to the proprietary funds statement of net assets:	
Cash and cash equivalents-unrestricted	\$ 389,092
Cash and cash equivalents-restricted	<u>952,258</u>
Total cash and cash equivalents per the proprietary funds statement of net assets	<u><u>1,341,350</u></u>

Reconciliation of income (loss) from operations to net cash flows from operating activities:	
Income (loss) from operations	\$ (114,808)
Depreciation expense	505,445
(Increase) decrease in operating assets:	
Accounts receivable	(100,144)
Other current assets	(226)
Increase (decrease) in operating liabilities:	
Accounts payable and other accrued expenses	186,023
Meter deposits and other liabilities	<u>39,295</u>
Net cash provided by (used in) operating activities	<u><u>\$ 515,585</u></u>

Non-cash investing, capital, and financing activities:	
Capitalized interest included in expense paid	\$ 72,137
Capital assets conveyed by developers	116,850

See accompanying notes to financial statements.