

Rubin & Hays

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

May 2, 2012

RECEIVED

MAY - 7 2012

PUBLIC SERVICE
COMMISSION

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

Re: East Logan Water District PSC Application

Dear Mr. Derouen:

Enclosed please find the original and ten (10) copies of the Application of the East Logan 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.

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: Ms. Sarah Moore, East Logan Water District
Ms. Kristen Millard, Morgan Keegan

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF:

RECEIVED
MAY - 7 2012
PUBLIC SERVICE
COMMISSION

THE APPLICATION OF THE EAST LOGAN)
WATER DISTRICT TO ISSUE SECURITIES IN)
THE APPROXIMATE PRINCIPAL AMOUNT OF)
\$915,000 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. 2012 - _____

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

APPLICATION

The Applicant, East Logan 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 \$915,000 (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 Logan, which Order is on file in the County Court Order Books in the office of the Clerk of Logan, 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 Logan Water District
c/o Mr. C.K. Hanks, Manager
P.O. Box 715
Auburn, Kentucky 42206
Telephone: (270) 542-6894

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 2011 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 \$915,000 (subject to adjustment of up to 10%) for the purpose of refunding the outstanding revenue bonds designated as (i) East Logan Water District Waterworks Revenue Bonds of 1990, dated September 19, 1991, in the original principal amount of \$441,000, bearing interest at the rate of 5.00% per annum (the "1990 Bonds"); and (ii) East Logan Water District Waterworks Revenue Bonds, Series 1995, dated May 24, 1996, in the original principal amount of \$669,000, bearing interest at the rate of 4.875% per annum (the "1995 Bonds") (hereinafter, the 1990 Bonds and the 1995 Bonds shall be collectively referred to as the "Prior

Bonds”). The Prior Bonds are held by the U.S. Department of Agriculture, acting through 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 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 result in a net present value benefit of approximately \$59,004.17. 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 debt service 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 and Expenses and Changes in Net Assets, Statement of Net Assets and Statement of Cash Flows for the twelve month period ending on December 31, 2011 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 2011 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 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, 2011. The financial data filed with this Application is for the twelve (12) month period ending December 31, 2011. 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;
2. Grant the District a deviation from 807 KAR 5:001, Section 6 to allow the submission of the District's 2011 Annual Report and 2011 audited financial statements in lieu of more recent financial data as there has been no change that is material in nature in the financial condition or operation of the District since December 31, 2011, 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 Logan Water District

By  _____
Bill Stokes, Chairman
P.O. Box 715
Auburn, Kentucky 42206
Phone: (270) 542-6894


Rubin & Hays

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

STATE OF KENTUCKY)
) SS
COUNTY OF LOGAN)

The affiant, Bill Stokes, being first duly sworn, states: That he is the Chairman of the East Logan 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 30 day of April, 2012.



Bill Stokes, Chairman

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by Bill Stokes, Chairman of the East Logan Water District, on this the 30 day of April, 2012.

My Commission expires: 5/29/12.



NOTARY PUBLIC

Preliminary

\$915,000

East Logan County Water District
 Kentucky Rural Water Finance Corporation
 Public Projects Refunding Revenue Bonds, Series 2012 D

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
04/25/2012	-	-	-	-	-
02/01/2013	20,000.00	2.350%	24,794.00	44,794.00	-
08/01/2013	-	-	15,935.00	15,935.00	-
12/30/2013	-	-	-	-	60,729.00
02/01/2014	30,000.00	2.350%	15,935.00	45,935.00	-
08/01/2014	-	-	15,582.50	15,582.50	-
12/30/2014	-	-	-	-	61,517.50
02/01/2015	30,000.00	2.400%	15,582.50	45,582.50	-
08/01/2015	-	-	15,222.50	15,222.50	-
12/30/2015	-	-	-	-	60,805.00
02/01/2016	30,000.00	2.550%	15,222.50	45,222.50	-
08/01/2016	-	-	14,840.00	14,840.00	-
12/30/2016	-	-	-	-	60,062.50
02/01/2017	35,000.00	2.550%	14,840.00	49,840.00	-
08/01/2017	-	-	14,393.75	14,393.75	-
12/30/2017	-	-	-	-	64,233.75
02/01/2018	35,000.00	3.450%	14,393.75	49,393.75	-
08/01/2018	-	-	13,790.00	13,790.00	-
12/30/2018	-	-	-	-	63,183.75
02/01/2019	35,000.00	3.450%	13,790.00	48,790.00	-
08/01/2019	-	-	13,186.25	13,186.25	-
12/30/2019	-	-	-	-	61,976.25
02/01/2020	40,000.00	3.450%	13,186.25	53,186.25	-
08/01/2020	-	-	12,496.25	12,496.25	-
12/30/2020	-	-	-	-	65,682.50
02/01/2021	40,000.00	3.450%	12,496.25	52,496.25	-
08/01/2021	-	-	11,806.25	11,806.25	-
12/30/2021	-	-	-	-	64,302.50
02/01/2022	40,000.00	3.450%	11,806.25	51,806.25	-
08/01/2022	-	-	11,116.25	11,116.25	-
12/30/2022	-	-	-	-	62,922.50
02/01/2023	45,000.00	3.450%	11,116.25	56,116.25	-
08/01/2023	-	-	10,340.00	10,340.00	-
12/30/2023	-	-	-	-	66,456.25
02/01/2024	45,000.00	3.450%	10,340.00	55,340.00	-
08/01/2024	-	-	9,563.75	9,563.75	-
12/30/2024	-	-	-	-	64,903.75
02/01/2025	50,000.00	3.450%	9,563.75	59,563.75	-
08/01/2025	-	-	8,701.25	8,701.25	-
12/30/2025	-	-	-	-	68,265.00
02/01/2026	50,000.00	3.600%	8,701.25	58,701.25	-
08/01/2026	-	-	7,801.25	7,801.25	-
12/30/2026	-	-	-	-	66,502.50
02/01/2027	55,000.00	3.700%	7,801.25	62,801.25	-
08/01/2027	-	-	6,783.75	6,783.75	-
12/30/2027	-	-	-	-	69,585.00
02/01/2028	55,000.00	3.850%	6,783.75	61,783.75	-
08/01/2028	-	-	5,725.00	5,725.00	-
12/30/2028	-	-	-	-	67,508.75
02/01/2029	60,000.00	3.950%	5,725.00	65,725.00	-
08/01/2029	-	-	4,540.00	4,540.00	-
12/30/2029	-	-	-	-	70,265.00
02/01/2030	60,000.00	3.950%	4,540.00	64,540.00	-
08/01/2030	-	-	3,355.00	3,355.00	-
12/30/2030	-	-	-	-	67,895.00
02/01/2031	30,000.00	4.150%	3,355.00	33,355.00	-
08/01/2031	-	-	2,732.50	2,732.50	-
12/30/2031	-	-	-	-	36,087.50
02/01/2032	30,000.00	4.150%	2,732.50	32,732.50	-
08/01/2032	-	-	2,110.00	2,110.00	-
12/30/2032	-	-	-	-	34,842.50
02/01/2033	30,000.00	4.150%	2,110.00	32,110.00	-
08/01/2033	-	-	1,487.50	1,487.50	-
12/30/2033	-	-	-	-	33,597.50
02/01/2034	35,000.00	4.150%	1,487.50	36,487.50	-
08/01/2034	-	-	761.25	761.25	-
12/30/2034	-	-	-	-	37,248.75
02/01/2035	35,000.00	4.350%	761.25	35,761.25	-
12/30/2035	-	-	-	-	35,761.25
Total	\$915,000.00	-	\$429,334.00	\$1,344,334.00	-

Yield Statistics

Bond Year Dollars	\$11,351.50
Average Life	12.406 Years
Average Coupon	3.7821786%
Net Interest Cost (NIC)	3.8976805%
True Interest Cost (TIC)	3.9008354%
Bond Yield for Arbitrage Purposes	3.8379464%
All Inclusive Cost (AIC)	4.2170059%

IRS Form 8038

Net Interest Cost	3.7812444%
Weighted Average Maturity	12.286 Years

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Morgan Keegan & Company, Inc.

Public Finance

Preliminary

\$915,000

East Logan County Water District

Kentucky Rural Water Finance Corporation

Public Projects Refunding Revenue Bonds, Series 2012 D

Sources & Uses

Dated 04/25/2012 | Delivered 04/25/2012

Sources Of Funds

Par Amount of Bonds	\$915,000.00
Reoffering Premium	2,901.30
Transfers from Prior Issue Debt Service Funds	16,450.16

Total Sources **\$934,351.46**

Uses Of Funds

Total Underwriter's Discount (1.750%)	16,012.50
Costs of Issuance	21,225.00
Deposit to Current Refunding Fund	893,211.86
Rounding Amount	3,902.10

Total Uses **\$934,351.46**

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Preliminary

\$915,000

East Logan County Water District
Kentucky Rural Water Finance Corporation
Public Projects Refunding Revenue Bonds, Series 2012 D

Debt Service Comparison

Date	Total P+I	Expenses	Net New D/S	Old Net D/S	Savings
12/30/2012	-	-	-	21,650.31	21,650.31
12/30/2013	60,729.00	350.00	61,079.00	65,245.94	4,166.94
12/30/2014	61,517.50	350.00	61,867.50	65,112.19	3,244.69
12/30/2015	60,805.00	350.00	61,155.00	66,391.87	5,236.87
12/30/2016	60,062.50	350.00	60,412.50	65,597.19	5,184.69
12/30/2017	64,233.75	350.00	64,583.75	66,240.94	1,657.19
12/30/2018	63,183.75	350.00	63,533.75	66,785.94	3,252.19
12/30/2019	61,976.25	350.00	62,326.25	66,744.38	4,418.13
12/30/2020	65,682.50	350.00	66,032.50	67,116.25	1,083.75
12/30/2021	64,302.50	350.00	64,652.50	67,389.38	2,736.88
12/30/2022	62,922.50	350.00	63,272.50	68,538.76	5,266.26
12/30/2023	66,456.25	350.00	66,806.25	68,564.38	1,758.13
12/30/2024	64,903.75	350.00	65,253.75	68,491.25	3,237.50
12/30/2025	68,265.00	350.00	68,615.00	69,782.19	1,167.19
12/30/2026	66,502.50	350.00	66,852.50	69,437.19	2,584.69
12/30/2027	69,585.00	350.00	69,935.00	70,456.25	521.25
12/30/2028	67,508.75	350.00	67,858.75	70,814.38	2,955.63
12/30/2029	70,265.00	350.00	70,615.00	71,511.57	896.57
12/30/2030	67,895.00	350.00	68,245.00	70,085.63	1,840.63
12/30/2031	36,087.50	350.00	36,437.50	39,824.38	3,386.88
12/30/2032	34,842.50	350.00	35,192.50	39,240.00	4,047.50
12/30/2033	33,597.50	350.00	33,947.50	39,582.50	5,635.00
12/30/2034	37,248.75	350.00	37,598.75	39,827.50	2,228.75
12/30/2035	35,761.25	350.00	36,111.25	40,462.81	4,351.56
Total	\$1,344,334.00	\$8,050.00	\$1,352,384.00	\$1,444,893.18	\$92,509.18

PV Analysis Summary (Net to Net)

Net FV Cashflow Savings	92,509.18
Gross PV Debt Service Savings	76,864.12
Effects of changes in Expenses	(5,311.88)
Net PV Cashflow Savings @ 3.838%(Bond Yield)	71,552.23
Transfers from Prior Issue Debt Service Fund	(16,450.16)
Contingency or Rounding Amount	3,902.10
Net Future Value Benefit	\$79,961.12
Net Present Value Benefit	\$59,004.17
Net PV Benefit / \$879,500 Refunded Principal	6.709%
Net PV Benefit / \$915,000 Refunding Principal	6.449%

Refunding Bond Information

Refunding Dated Date	4/25/2012
Refunding Delivery Date	4/25/2012

3/30/2012 | 10:55 AM

Morgan Keegan & Company, Inc.

Public Finance

Preliminary

\$340,000

East Logan Water District
Series 1990

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/30/2012	-	-	8,500.00	8,500.00
12/30/2013	10,000.00	-	16,750.00	26,750.00
12/30/2014	10,000.00	-	16,250.00	26,250.00
12/30/2015	12,000.00	-	15,700.00	27,700.00
12/30/2016	12,000.00	-	15,100.00	27,100.00
12/30/2017	13,000.00	-	14,475.00	27,475.00
12/30/2018	14,000.00	-	13,800.00	27,800.00
12/30/2019	15,000.00	-	13,075.00	28,075.00
12/30/2020	16,000.00	-	12,300.00	28,300.00
12/30/2021	17,000.00	-	11,475.00	28,475.00
12/30/2022	19,000.00	-	10,575.00	29,575.00
12/30/2023	20,000.00	-	9,600.00	29,600.00
12/30/2024	21,000.00	-	8,575.00	29,575.00
12/30/2025	23,000.00	-	7,475.00	30,475.00
12/30/2026	24,000.00	-	6,300.00	30,300.00
12/30/2027	26,000.00	-	5,050.00	31,050.00
12/30/2028	28,000.00	-	3,700.00	31,700.00
12/30/2029	30,000.00	-	2,250.00	32,250.00
12/30/2030	30,000.00	5.000%	750.00	30,750.00
Total	\$340,000.00	-	\$191,700.00	\$531,700.00

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	4/25/2012
Average Life	10.960 Years
Average Coupon	5.1444673%
Weighted Average Maturity (Par Basis)	10.960 Years

Refunding Bond Information

Refunding Dated Date	4/25/2012
Refunding Delivery Date	4/25/2012

3/30/2012 | 10:55 AM

Morgan Keegan & Company, Inc.

Public Finance

Preliminary

\$539,500

East Logan Water District

Series 1990 5

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/30/2012	-	-	13,150.31	13,150.31
12/30/2013	12,500.00	-	25,995.94	38,495.94
12/30/2014	13,500.00	-	25,362.19	38,862.19
12/30/2015	14,000.00	-	24,691.87	38,691.87
12/30/2016	14,500.00	-	23,997.19	38,497.19
12/30/2017	15,500.00	-	23,265.94	38,765.94
12/30/2018	16,500.00	-	22,485.94	38,985.94
12/30/2019	17,000.00	-	21,669.38	38,669.38
12/30/2020	18,000.00	-	20,816.25	38,816.25
12/30/2021	19,000.00	-	19,914.38	38,914.38
12/30/2022	20,000.00	-	18,963.76	38,963.76
12/30/2023	21,000.00	-	17,964.38	38,964.38
12/30/2024	22,000.00	-	16,916.25	38,916.25
12/30/2025	23,500.00	-	15,807.19	39,307.19
12/30/2026	24,500.00	-	14,637.19	39,137.19
12/30/2027	26,000.00	-	13,406.25	39,406.25
12/30/2028	27,000.00	-	12,114.38	39,114.38
12/30/2029	28,500.00	-	10,761.57	39,261.57
12/30/2030	30,000.00	-	9,335.63	39,335.63
12/30/2031	32,000.00	-	7,824.38	39,824.38
12/30/2032	33,000.00	-	6,240.00	39,240.00
12/30/2033	35,000.00	-	4,582.50	39,582.50
12/30/2034	37,000.00	-	2,827.50	39,827.50
12/30/2035	39,500.00	4.875%	962.81	40,462.81
Total	\$539,500.00	-	\$373,693.18	\$913,193.18

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	4/25/2012
Average Life	13.892 Years
Average Coupon	4.9861270%
Weighted Average Maturity (Par Basis)	13.892 Years

Refunding Bond Information

Refunding Dated Date	4/25/2012
Refunding Delivery Date	4/25/2012

3/30/2012 | 10:55 AM

Morgan Keegan & Company, Inc.

Public Finance

**EAST LOGAN WATER DISTRICT
A COMPONENT UNIT OF LOGAN COUNTY, KENTUCKY
STATEMENTS OF NET ASSETS
DECEMBER 31, 2011 AND 2010**

	DECEMBER 31,	
	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 342,819	\$ 80,105
Accounts receivable -- trade, less allowance for doubtful accounts of \$69,537 and \$59,910	144,191	153,386
Accounts receivable -- other	0	27,460
Inventory	21,214	21,339
Prepaid expenses	4,956	4,948
Accrued interest receivable	6,296	6,537
TOTAL CURRENT ASSETS	<u>519,476</u>	<u>293,775</u>
NON-CURRENT ASSETS		
Investments	368,517	354,067
Customer deposits	219,827	207,787
Depreciation reserve	1,152,243	1,131,226
Debt sinking fund reserves	183,640	181,237
Future technology	308,105	0
Special fund -- construction account	0	325,247
Special fund -- Rockwell account	0	99,147
Capital assets		
Land and land rights	24,904	24,904
Utility plant in service	12,189,934	11,754,838
Construction in progress	2,000	329,532
Less: Accumulated depreciation	(4,516,098)	(4,163,189)
Total capital assets	<u>7,700,740</u>	<u>7,946,085</u>
TOTAL NON-CURRENT ASSETS	<u>9,933,072</u>	<u>10,244,796</u>
TOTAL ASSETS	<u>\$ 10,452,548</u>	<u>\$ 10,538,571</u>

(CONTINUED)

	DECEMBER 31,	
	2011	2010
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 57,566	\$ 60,518
Accrued interest payable	15,312	15,572
Unearned revenue	1,950	650
Customer deposits	185,068	179,192
Current portion of long-term debt	0	17,500
TOTAL CURRENT LIABILITIES	<u>259,896</u>	<u>273,432</u>
NON-CURRENT LIABILITIES		
Long-term debt, net of current portion	<u>3,225,000</u>	<u>3,276,000</u>
TOTAL NON-CURRENT LIABILITIES	<u>3,225,000</u>	<u>3,276,000</u>
TOTAL LIABILITIES	3,484,896	3,549,432
NET ASSETS		
Invested in capital assets, net of related debt	4,475,740	4,637,013
Restricted for depreciation reserves (nonexpendable)	1,152,243	1,230,373
Unrestricted	<u>1,339,669</u>	<u>1,121,753</u>
TOTAL NET ASSETS	<u>6,967,652</u>	<u>6,989,139</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,452,548</u>	<u>\$ 10,538,571</u>

Accompanying notes to the financial statements are an integral part of this statement.

**EAST LOGAN WATER DISTRICT
A COMPONENT UNIT OF LOGAN COUNTY, KENTUCKY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	DECEMBER 31,	
	2011	2010
OPERATING REVENUES		
Water service	\$1,620,055	\$1,643,654
Late charges	40,772	37,326
Other	8,750	12,580
TOTAL OPERATING REVENUES	<u>1,669,577</u>	<u>1,693,560</u>
OPERATING EXPENSES		
Purchased water	679,654	662,868
Management fees	239,119	232,599
Training and meetings	9,667	9,213
Depreciation	352,909	347,271
Utilities and telephone	12,283	11,710
Transmission expense	218,208	143,409
Professional fees	11,515	11,500
Insurance	10,504	10,762
Commissioners fees	18,900	15,400
Debt fees	35	445
Office expense	32,073	32,891
Miscellaneous	15,483	11,171
Bad debt expense	9,630	7,242
TOTAL OPERATING EXPENSES	<u>1,609,980</u>	<u>1,496,481</u>
OPERATING INCOME (LOSS)	59,597	197,079
NON-OPERATING REVENUES (EXPENSES)		
Other non-operating revenue	5,286	94,840
Interest income	40,503	42,827
Interest expense	(143,784)	(144,887)
PSC taxes	(2,589)	0
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(100,584)</u>	<u>(7,220)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(40,987)	189,859
CAPITAL CONTRIBUTIONS		
Grant revenue	0	221,680
Contributions in aid of construction	19,500	20,150
TOTAL CAPITAL CONTRIBUTIONS	<u>19,500</u>	<u>241,830</u>
CHANGE IN NET ASSETS	(21,487)	431,689
TOTAL NET ASSETS – BEGINNING	<u>6,989,139</u>	<u>6,557,450</u>
TOTAL NET ASSETS – ENDING	<u>\$6,967,652</u>	<u>\$6,989,139</u>

Accompanying notes to the financial statements are an integral part of this statement.

**EAST LOGAN WATER DISTRICT
A COMPONENT UNIT OF LOGAN COUNTY, KENTUCKY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	DECEMBER 31,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 1,680,072	\$ 1,678,141
Payments to suppliers for goods and services	(1,259,906)	(1,150,679)
Other receipts (payments)	(2,589)	0
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	417,577	527,462
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Increase in customer deposits	5,876	7,319
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	5,876	7,319
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Grant revenue	0	221,680
Principal repayment of debt	(68,500)	(252,500)
Capital contributions	19,500	20,150
Purchases of capital assets	(107,564)	(392,839)
Interest paid on debt	(144,044)	(148,528)
(Increase) decrease in accounts receivable – other	27,460	(27,460)
Other non-operating revenue	5,286	94,840
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(267,862)	(484,657)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in restricted cash/investments	66,379	(224,187)
Interest on cash deposits	40,744	43,045
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	107,123	(181,142)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	262,714	(131,018)
BALANCES – BEGINNING OF YEAR	80,105	211,123
BALANCES – END OF YEAR	\$ 342,819	\$ 80,105
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 59,597	\$ 197,079
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	352,909	347,271
Payment of PSC taxes	(2,589)	0
Changes in assets and liabilities:		
Net (increase) decrease in accounts receivable	9,195	(15,419)
Net (increase) decrease in inventory	125	(1,689)
Net (increase) decrease in prepaid expenses	(8)	183
Net increase (decrease) in accounts payable	(2,952)	37
Net increase (decrease) in unearned revenue	1,300	0
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 417,577	\$ 527,462

Accompanying notes to the financial statements are an integral part of this statement.