

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

June 8, 2012

RECEIVED

JUN 12 2012

PUBLIC SERVICE
COMMISSION

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

Re: Western Pulaski County Water District PSC Application

Dear Mr. Derouen:

Enclosed please find the original and ten (10) copies of the Application of the Western Pulaski 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.

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. Tammy Vaught, Western Pulaski County Water District
Ms. Kristen Curtis, Morgan Keegan

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

RECEIVED

JUN 12 2012

PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE APPLICATION OF WESTERN PULASKI)
COUNTY WATER DISTRICT TO ISSUE)
SECURITIES IN THE APPROXIMATE)
PRINCIPAL AMOUNT OF \$2,090,000 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, Western Pulaski 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 \$2,090,000 (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 Pulaski County, which Order is on file in the County Court Order Books in the office of the Clerk of Pulaski 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:

Western Pulaski County Water District
c/o Ms. Tammy Vaught, Office Manager
1059 West Highway 80
Somerset, Kentucky 42503
Telephone: (606) 679-1569

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 \$2,090,000 (subject to adjustment of up to 10%) for the purpose of refunding the outstanding revenue bonds designated as (i) Western Pulaski County Water District Waterworks Revenue Bonds, Series 2001A, dated January 17, 2002, in the original principal amount of \$1,616,000, bearing interest at the rate of 5.00% per annum (the "2001A Bonds"); and (ii) Western Pulaski County Water District Waterworks Revenue Bonds, Series 2001B, dated January 17, 2002, in the original principal amount of \$1,164,000, bearing interest at the rate of 4.50% per annum (the "2001B Bonds") (hereinafter, the 2001A Bonds and the 2001B 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 \$186,483.05. 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, Balance Sheet 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 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, 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.

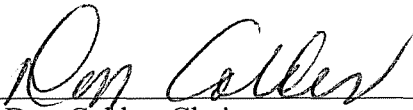
18. No rate adjustment will be necessary.

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


1. Authorize the issuance of the securities requested in the Application;
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 2010 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, 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.

Western Pulaski County Water District

By 
Don Calder, Chairman
1059 West Highway 80
Somerset, Kentucky 42503
Phone: (606) 679-1569

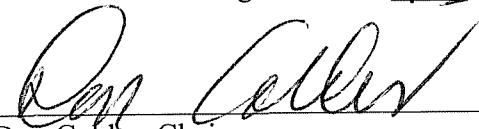
Rubin & Hays

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

STATE OF KENTUCKY)
) SS
COUNTY OF PULASKI)

The affiant, Don Calder, being first duly sworn, states: That he is the Chairman of the Western Pulaski 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 4th day of June, 2012.



Don Calder, Chairman

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by Don Calder, Chairman of the Western Pulaski County Water District, on this the 4th day of June, 2012.

My Commission expires: 10/27/13.



NOTARY PUBLIC

Preliminary

\$2,090,000

Western Pulaski Water District
 Kentucky Rural Water Finance Corporation
 Public Projects Refunding Bonds, Series 2012 E

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
06/23/2012					
02/01/2013			43,286.63	43,286.63	
08/01/2013	80,000.00	2.900%	35,741.25	115,741.25	
12/30/2013					159,027.88
02/01/2014			34,581.25	34,581.25	
08/01/2014	105,000.00	3.600%	34,581.25	139,581.25	
12/30/2014					174,162.50
02/01/2015			32,691.25	32,691.25	
08/01/2015	110,000.00	3.850%	32,691.25	142,691.25	
12/30/2015					175,382.50
02/01/2016			30,573.75	30,573.75	
08/01/2016	115,000.00	3.150%	30,573.75	145,573.75	
12/30/2016					176,147.50
02/01/2017			28,762.50	28,762.50	
08/01/2017	120,000.00	2.300%	28,762.50	148,762.50	
12/30/2017					177,525.00
02/01/2018			27,382.50	27,382.50	
08/01/2018	120,000.00	3.250%	27,382.50	147,382.50	
12/30/2018					174,765.00
02/01/2019			25,432.50	25,432.50	
08/01/2019	125,000.00	3.250%	25,432.50	150,432.50	
12/30/2019					175,865.00
02/01/2020			23,401.25	23,401.25	
08/01/2020	130,000.00	3.250%	23,401.25	153,401.25	
12/30/2020					176,802.50
02/01/2021			21,288.75	21,288.75	
08/01/2021	135,000.00	3.250%	21,288.75	156,288.75	
12/30/2021					177,577.50
02/01/2022			19,095.00	19,095.00	
08/01/2022	135,000.00	3.300%	19,095.00	154,095.00	
12/30/2022					173,190.00
02/01/2023			16,867.50	16,867.50	
08/01/2023	140,000.00	3.400%	16,867.50	156,867.50	
12/30/2023					173,735.00
02/01/2024			14,487.50	14,487.50	
08/01/2024	145,000.00	3.500%	14,487.50	159,487.50	
12/30/2024					173,975.00
02/01/2025			11,950.00	11,950.00	
08/01/2025	155,000.00	3.400%	11,950.00	166,950.00	
12/30/2025					178,900.00
02/01/2026			9,315.00	9,315.00	
08/01/2026	40,000.00	3.700%	9,315.00	49,315.00	
12/30/2026					58,630.00
02/01/2027			8,575.00	8,575.00	
08/01/2027	40,000.00	3.800%	8,575.00	48,575.00	
12/30/2027					57,150.00
02/01/2028			7,815.00	7,815.00	
08/01/2028	45,000.00	3.800%	7,815.00	52,815.00	
12/30/2028					60,630.00
02/01/2029			6,960.00	6,960.00	
08/01/2029	45,000.00	3.800%	6,960.00	51,960.00	
12/30/2029					58,920.00
02/01/2030			6,105.00	6,105.00	
08/01/2030	45,000.00	3.900%	6,105.00	51,105.00	
12/30/2030					57,210.00
02/01/2031			5,227.50	5,227.50	
08/01/2031	50,000.00	3.900%	5,227.50	55,227.50	
12/30/2031					60,455.00
02/01/2032			4,252.50	4,252.50	
08/01/2032	50,000.00	4.050%	4,252.50	54,252.50	
12/30/2032					58,505.00
02/01/2033			3,240.00	3,240.00	
08/01/2033	50,000.00	4.050%	3,240.00	53,240.00	
12/30/2033					56,480.00
02/01/2034			2,227.50	2,227.50	
08/01/2034	55,000.00	4.050%	2,227.50	57,227.50	
12/30/2034					59,455.00
02/01/2035			1,113.75	1,113.75	
08/01/2035	55,000.00	4.050%	1,113.75	56,113.75	
12/30/2035					57,227.50
Total	\$2,090,000.00		\$761,717.88	\$2,851,717.88	

Yield Statistics

Bond Year Dollars	\$21,325.61
Average Life	10.204 Years
Average Coupon	3.5718455%

Net Interest Cost (NIC)	3.4453647%
True Interest Cost (TIC)	3.3849626%
Bond Yield for Arbitrage Purposes	3.5835106%
All Inclusive Cost (AIC)	3.5969486%

IRS Form 8038

Net Interest Cost	3.4420855%
Weighted Average Maturity	10.083 Years

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Morgan Keegan & Company, Inc.

Preliminary

\$2,090,000

Western Pulaski Water District
Kentucky Rural Water Finance Corporation
Public Projects Refunding Bonds, Series 2012 E

Sources & Uses

Dated 06/23/2012 | Delivered 06/23/2012

Sources Of Funds

Par Amount of Bonds	\$2,090,000.00
Reoffering Premium	26,972.80
Transfers from Prior Issue Debt Service Funds	78,754.17

Total Sources **\$2,195,726.97**

Uses Of Funds

Costs of Issuance	36,350.00
Deposit to Current Refunding Fund	2,156,521.44
Rounding Amount	2,855.53

Total Uses **\$2,195,726.97**

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Preliminary

\$2,090,000

Western Pulaski Water District
Kentucky Rural Water Finance Corporation
Public Projects Refunding Bonds, Series 2012 E

Debt Service Comparison

Date	Total P+I	Net New D/S	Old Net D/S	Savings
12/30/2012	-	-	50,255.00	50,255.00
12/30/2013	159,027.88	159,027.88	186,860.00	27,832.12
12/30/2014	174,162.50	174,162.50	186,462.50	12,300.00
12/30/2015	175,382.50	175,382.50	186,846.25	11,463.75
12/30/2016	176,147.50	176,147.50	186,498.75	10,351.25
12/30/2017	177,525.00	177,525.00	186,420.00	8,895.00
12/30/2018	174,765.00	174,765.00	186,097.50	11,332.50
12/30/2019	175,865.00	175,865.00	186,018.75	10,153.75
12/30/2020	176,802.50	176,802.50	186,160.00	9,357.50
12/30/2021	177,577.50	177,577.50	186,008.75	8,431.25
12/30/2022	173,190.00	173,190.00	186,053.75	12,863.75
12/30/2023	173,735.00	173,735.00	185,782.50	12,047.50
12/30/2024	173,975.00	173,975.00	185,195.00	11,220.00
12/30/2025	178,900.00	178,900.00	187,217.50	8,317.50
12/30/2026	58,630.00	58,630.00	68,850.00	10,220.00
12/30/2027	57,150.00	57,150.00	68,780.00	11,630.00
12/30/2028	60,630.00	60,630.00	68,620.00	7,990.00
12/30/2029	58,920.00	58,920.00	68,370.00	9,450.00
12/30/2030	57,210.00	57,210.00	68,518.75	11,308.75
12/30/2031	60,455.00	60,455.00	68,555.00	8,100.00
12/30/2032	58,505.00	58,505.00	68,478.75	9,973.75
12/30/2033	56,480.00	56,480.00	68,778.75	12,298.75
12/30/2034	59,455.00	59,455.00	68,455.00	9,000.00
12/30/2035	57,227.50	57,227.50	68,507.50	11,280.00
Total	\$2,851,717.88	\$2,851,717.88	\$3,157,790.00	\$306,072.12

PV Analysis Summary (Net to Net)

Net FV Cashflow Savings	306,072.12
Gross PV Debt Service Savings	262,381.69
Net PV Cashflow Savings @ 3.584%(Bond Yield)	262,381.69
Transfers from Prior Issue Debt Service Fund	(78,754.17)
Contingency or Rounding Amount	2,855.53
Net Future Value Benefit	\$230,173.48
Net Present Value Benefit	\$186,483.05
Net PV Benefit / \$2,108,500 Refunded Principal	8.844%
Net PV Benefit / \$2,090,000 Refunding Principal	8.923%

Refunding Bond Information

Refunding Dated Date	6/23/2012
Refunding Delivery Date	6/23/2012

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Morgan Keegan & Company, Inc.

Public Finance

Preliminary

\$1,125,500

Western Pulaski Water District

Series 2001 A

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/30/2012	-	-	28,137.50	28,137.50
12/30/2013	63,500.00	-	54,687.50	118,187.50
12/30/2014	66,500.00	-	51,437.50	117,937.50
12/30/2015	70,000.00	-	48,025.00	118,025.00
12/30/2016	73,500.00	-	44,437.50	117,937.50
12/30/2017	77,000.00	-	40,675.00	117,675.00
12/30/2018	81,000.00	-	36,725.00	117,725.00
12/30/2019	85,000.00	-	32,575.00	117,575.00
12/30/2020	89,500.00	-	28,212.50	117,712.50
12/30/2021	94,000.00	-	23,625.00	117,625.00
12/30/2022	98,500.00	-	18,812.50	117,312.50
12/30/2023	103,500.00	-	13,762.50	117,262.50
12/30/2024	108,000.00	-	8,475.00	116,475.00
12/30/2025	115,500.00	5.000%	2,887.50	118,387.50
Total	\$1,125,500.00	-	\$432,475.00	\$1,557,975.00

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	6/23/2012
Average Life	7.207 Years
Average Coupon	5.3314563%
Weighted Average Maturity (Par Basis)	7.207 Years

Refunding Bond Information

Refunding Dated Date	6/23/2012
Refunding Delivery Date	6/23/2012

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Preliminary

\$1,164,000

Western Pulaski Water District

Series 2001 B

ESTIMATED

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/30/2012	-	-	22,117 50	22,117 50
12/30/2013	25,000 00	-	43,672 50	68,672 50
12/30/2014	26,000 00	-	42,525 00	68,525 00
12/30/2015	27,500 00	-	41,321 25	68,821 25
12/30/2016	28,500 00	-	40,061 25	68,561 25
12/30/2017	30,000 00	-	38,745 00	68,745 00
12/30/2018	31,000 00	-	37,372 50	68,372 50
12/30/2019	32,500 00	-	35,943 75	68,443 75
12/30/2020	34,000 00	-	34,447 50	68,447 50
12/30/2021	35,500 00	-	32,883 75	68,383 75
12/30/2022	37,500 00	-	31,241 25	68,741 25
12/30/2023	39,000 00	-	29,520 00	68,520 00
12/30/2024	41,000 00	-	27,720 00	68,720 00
12/30/2025	43,000 00	-	25,830 00	68,830 00
12/30/2026	45,000 00	-	23,850 00	68,850 00
12/30/2027	47,000 00	-	21,780 00	68,780 00
12/30/2028	49,000 00	-	19,620 00	68,620 00
12/30/2029	51,000 00	-	17,370 00	68,370 00
12/30/2030	53,500 00	-	15,018 75	68,518 75
12/30/2031	56,000 00	-	12,555 00	68,555 00
12/30/2032	58,500 00	-	9,978 75	68,478 75
12/30/2033	61,500 00	-	7,278 75	68,778 75
12/30/2034	64,000 00	-	4,455 00	68,455 00
12/30/2035	67,000 00	4.500%	1,507 50	68,507 50
Total	\$983,000.00	-	\$616,815.00	\$1,599,815.00

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	6/23/2012
Average Life	13.466 Years
Average Coupon	4.5000000%
Weighted Average Maturity (Par Basis)	13.466 Years

Refunding Bond Information

Refunding Dated Date	6/23/2012
Refunding Delivery Date	6/23/2012

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Morgan Keegan & Company, Inc.

Public Finance

WESTERN PULASKI COUNTY WATER DISTRICT
STATEMENT OF NET ASSETS
December 31, 2010

ASSETS	Business Type Activities
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 722,720
Accounts receivable (Note 4)	354,757
Prepaid insurance	6,296
Total Current Assets	1,083,773
Restricted cash	238,926
Fixed Assets	
Utility plant in service	18,041,981
Accumulated depreciation (Notes 1 and 6)	(6,010,826)
Total Fixed Assets	12,031,155
TOTAL ASSETS	\$ 13,353,854
 LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable and accrued liabilities	\$ 146,661
Accrued interest	84,232
Advance for construction	2,483,365
Current portion of long-term debt	100,500
Total Current Liabilities	2,814,758
Long Term Liabilities	
Bonds payable	4,416,000
Total Long-Term Liabilities	4,416,000
Total Liabilities	7,230,758
NET ASSETS	
Invested in capital assets, net of debt	7,514,655
Restricted	136,730
Unrestricted	(1,528,289)
Total Net Assets	6,123,096
TOTAL LIABILITIES AND NET ASSETS	\$ 13,353,854

WESTERN PULASKI COUNTY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
for the year ended December 31, 2010

OPERATING REVENUES	
Residential sales	\$ 2,193,357
Commercial sales	108,915
Service charges and penalties	58,042
Miscellaneous revenue	<u>41,692</u>
Total operating revenues	2,402,006
OPERATING EXPENSES	
Purchased water	1,114,097
Wages - transmission and distribution	163,494
Wages - customer accounts	77,029
Retirement expense	33,193
Payroll taxes	30,805
Electricity for pumping	55,400
Office supplies and postage	46,330
Transmission and distribution - maintenance	12,872
Transmission and distribution - operating supplies	66,000
Contract services - engineering	12,982
Contract services - accounting	7,200
Contract services - audit	19,200
Contract services - legal	20,660
Contract services - analysis	7,118
Contract services - other	600
Contract services - meter reading	80,789
Equipment lease	15,278
Building rent	15,600
Vehicle expense	25,534
Insurance	38,945
Insurance - employee health	54,692
Advertising	852
Utilities	1,946
Telephone	11,306
Other expenses	2,355
Administrative and general	13,929
Refunds	1,732
Travel	5,717
Directors' fees	11,800
Membership dues	2,500
PSC assessment	<u>3,679</u>
Total operating expenses	<u>1,953,634</u>
Operating income	448,372
NON-OPERATING REVENUES (EXPENSES)	
Cell tower rental	35,357
Reimbursements	1,602
Interest income	3,549
Bad debt recovery	5,765
Service charges	7,192
Settlements	(4,000)
Depreciation expense	(417,735)
Interest expense	<u>(168,465)</u>
Total non-operating revenues (expenses)	<u>(536,735)</u>
Change in net assets	(88,363)
Net assets - January 1, 2010	<u>6,211,459</u>
Net assets - December 31, 2010	<u>\$ 6,123,096</u>

WESTERN PULASKI COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS
December 31, 2010

Cash flows from operating activities:

Cash received from water sales	\$ 2,193,927
Cash received for other services	58,042
Cash received for miscellaneous revenue	41,692
Cash payments to employees for services	(240,523)
Cash payments to suppliers	(1,254,016)
Cash payments for other operating expenses	(340,584)
Cash received from non-operating revenue	53,465
Cash payments for non-operating expenses	<u>(174,763)</u>
Net cash provided by operating activities	337,240

Cash flows from investing activities:

Interest income	3,549
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Cash flows from financing activities

Tap on fees and construction advances	2,172,640
Capital expenditures	(2,211,245)
Repayment of long-term debt	<u>(98,500)</u>
Net cash used by financing activities	(137,105)

Net increase in cash and cash equivalents	203,684
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Cash and cash equivalents at beginning of year	<u>757,962</u>
Cash and cash equivalents at end of year	<u>\$ 961,646</u>

Reconciliation of Operating Income to Net Cash
 Provided by Operating Activities:

Change in net assets	\$ (88,363)
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Effects of Increases and Decreases in Current
 Assets and Liabilities:

Depreciation	417,735
Increase in receivables	(108,345)
Increase in payables	116,213
Net cash provided by operating activities	<u>\$ 337,240</u>

See independent auditor's report and notes to financial statements.