

# Rubin & Hays

ATTORNEYS AT LAW

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

September 4, 2012

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

RECEIVED

SEP 6 2012

PUBLIC SERVICE  
COMMISSION

Re: U.S. 60 Water District PSC Application

Dear Mr. Derouen:

Enclosed please find the original and ten (10) copies of the Application of the U.S. 60 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:ilm  
Enclosures

cc: Mr. William Eggen, U.S. 60 Water District  
Ms. Kristen Millard, Morgan Keegan

COMMONWEALTH OF KENTUCKY

RECEIVED

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

SEP 6 2012

PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

**THE APPLICATION OF U.S. 60 )**  
**WATER DISTRICT TO ISSUE SECURITIES IN )**  
**THE APPROXIMATE PRINCIPAL AMOUNT OF )**  
**\$500,000 FOR THE PURPOSE OF REFUNDING ) CASE NO. 2012 - \_\_\_\_\_**  
**CERTAIN OUTSTANDING REVENUE BONDS OF )**  
**THE DISTRICT PURSUANT TO THE PROVISIONS )**  
**OF KRS 278.300 AND 807 KAR 5:001 )**

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APPLICATION

The Applicant, U.S. 60 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 \$500,000 (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 Shelby County, which Order is on file in the County Court Order Books in the office of the Clerk of Shelby 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:

U.S. 60 Water District  
c/o Mr. William Eggen, Chairman  
P.O. Box 97  
Bagdad, Kentucky 40003  
Telephone: (502) 747-8942

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 \$500,000 (subject to adjustment of up to 10%) for the purpose of refunding the outstanding revenue bonds designated as (i) U.S. 60 Water District Waterworks Revenue Bonds of 1985, dated July 17, 1986, in the original principal amount of \$350,000, bearing interest at the rate of 7.625% per annum (the "1985 Bonds"); and (ii) U.S. 60 Water District Waterworks Revenue Bonds of 1992, dated November 30, 1992, in the original principal amount of \$294,000, bearing interest at the rate of 6.125% per annum (the "1992 Bonds") (hereinafter, the

1985 Bonds and the 1992 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 \$89,065.78. 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, 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.

U.S. 60 Water District

By William Eggen CHAIRMAN  
William Eggen, Chairman  
P.O. Box 97  
Bagdad, Kentucky 40003  
Phone: (502) 747-8942

Rubin & Hays

By W. Randall Jones  
W. Randall Jones  
Kentucky Home Trust Building  
450 South Third Street  
Louisville, Kentucky 40202  
Phone: (502) 569-7525  
Counsel for U.S. 60 Water District

STATE OF KENTUCKY            )  
  ) SS  
COUNTY OF SHELBY            )

The affiant, William Eggen, being first duly sworn, states: That he is the Chairman of the U.S. 60 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 29<sup>th</sup> day of August, 2012.

William Eggen            CHAIRMAN  
William Eggen, Chairman

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by William Eggen, Chairman of the U.S. 60 Water District, on this the 29 day of August, 2012.

My Commission expires: 12/7/13.

John 409710  
NOTARY PUBLIC





Preliminary

**\$500,000**

US 60 Water District  
 Potential Refunding through the  
 Kentucky Rural Water Finance Corporation

**Debt Service Schedule**

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
08/15/2012	-	-	-	-	-
02/01/2013	-	-	8,220.46	8,220.46	-
08/01/2013	20,000.00	3.150%	8,913.75	28,913.75	-
12/31/2013	-	-	-	-	37,134.21
02/01/2014	-	-	8,598.75	8,598.75	-
08/01/2014	30,000.00	3.750%	8,598.75	38,598.75	-
12/31/2014	-	-	-	-	47,197.50
02/01/2015	-	-	8,036.25	8,036.25	-
08/01/2015	30,000.00	3.750%	8,036.25	38,036.25	-
12/31/2015	-	-	-	-	46,072.50
02/01/2016	-	-	7,473.75	7,473.75	-
08/01/2016	30,000.00	3.250%	7,473.75	37,473.75	-
12/31/2016	-	-	-	-	44,947.50
02/01/2017	-	-	6,986.25	6,986.25	-
08/01/2017	30,000.00	3.250%	6,986.25	36,986.25	-
12/31/2017	-	-	-	-	43,972.50
02/01/2018	-	-	6,498.75	6,498.75	-
08/01/2018	30,000.00	3.350%	6,498.75	36,498.75	-
12/31/2018	-	-	-	-	42,997.50
02/01/2019	-	-	5,996.25	5,996.25	-
08/01/2019	30,000.00	3.350%	5,996.25	35,996.25	-
12/31/2019	-	-	-	-	41,992.50
02/01/2020	-	-	5,493.75	5,493.75	-
08/01/2020	30,000.00	3.350%	5,493.75	35,493.75	-
12/31/2020	-	-	-	-	40,987.50
02/01/2021	-	-	4,991.25	4,991.25	-
08/01/2021	30,000.00	3.350%	4,991.25	34,991.25	-
12/31/2021	-	-	-	-	39,982.50
02/01/2022	-	-	4,488.75	4,488.75	-
08/01/2022	35,000.00	3.400%	4,488.75	39,488.75	-
12/31/2022	-	-	-	-	43,977.50
02/01/2023	-	-	3,893.75	3,893.75	-
08/01/2023	30,000.00	3.500%	3,893.75	33,893.75	-
12/31/2023	-	-	-	-	37,787.50
02/01/2024	-	-	3,368.75	3,368.75	-
08/01/2024	35,000.00	3.600%	3,368.75	38,368.75	-
12/31/2024	-	-	-	-	41,737.50
02/01/2025	-	-	2,738.75	2,738.75	-
08/01/2025	35,000.00	3.800%	2,738.75	37,738.75	-
12/31/2025	-	-	-	-	40,477.50
02/01/2026	-	-	2,073.75	2,073.75	-
08/01/2026	15,000.00	3.800%	2,073.75	17,073.75	-
12/31/2026	-	-	-	-	19,147.50
02/01/2027	-	-	1,788.75	1,788.75	-
08/01/2027	15,000.00	3.900%	1,788.75	16,788.75	-
12/31/2027	-	-	-	-	18,577.50
02/01/2028	-	-	1,496.25	1,496.25	-
08/01/2028	15,000.00	3.900%	1,496.25	16,496.25	-
12/31/2028	-	-	-	-	17,992.50
02/01/2029	-	-	1,203.75	1,203.75	-
08/01/2029	15,000.00	3.900%	1,203.75	16,203.75	-
12/31/2029	-	-	-	-	17,407.50
02/01/2030	-	-	911.25	911.25	-
08/01/2030	15,000.00	4.000%	911.25	15,911.25	-
12/31/2030	-	-	-	-	16,822.50
02/01/2031	-	-	611.25	611.25	-
08/01/2031	15,000.00	4.000%	611.25	15,611.25	-
12/31/2031	-	-	-	-	16,222.50
02/01/2032	-	-	311.25	311.25	-
08/01/2032	15,000.00	4.150%	311.25	15,311.25	-
12/31/2032	-	-	-	-	15,622.50
<b>Total</b>	<b>\$500,000.00</b>	<b>-</b>	<b>\$171,056.71</b>	<b>\$671,056.71</b>	<b>-</b>

**Yield Statistics**

Bond Year Dollars	\$4,660.56
Average Life	9.321 Years
Average Coupon	3.6703073%
Net Interest Cost (NIC)	3.6886731%
True Interest Cost (TIC)	3.6738358%
Bond Yield for Arbitrage Purposes	3.4438999%
All Inclusive Cost (AIC)	4.3577896%

**IRS Form 8038**

Net Interest Cost	3.4932456%
Weighted Average Maturity	9.196 Years

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**Morgan Keegan & Company, Inc.**

Public Finance



Preliminary

**\$500,000**

US 60 Water District  
Potential Refunding through the  
Kentucky Rural Water Finance Corporation

## Total Issue Sources And Uses

Dated 08/15/2012 | Delivered 08/15/2012

	ref of Series 1986	ref of Series 1992	Issue Summary
<b>Sources Of Funds</b>			
Par Amount of Bonds	\$260,000.00	\$240,000.00	\$500,000.00
Reoffering Premium	6,518.55	1,375.50	7,894.05
Transfers from Prior Issue Debt Service Funds	9,197.29	4,923.62	14,120.91
<b>Total Sources</b>	<b>\$275,715.84</b>	<b>\$246,299.12</b>	<b>\$522,014.96</b>
<b>Uses Of Funds</b>			
Total Underwriter's Discount (1.750%)	4,550.00	4,200.00	8,750.00
Costs of Issuance	10,400.00	9,600.00	20,000.00
Deposit to Current Refunding Fund	256,367.14	234,945.76	491,312.90
Rounding Amount	4,398.70	(2,446.64)	1,952.06
<b>Total Uses</b>	<b>\$275,715.84</b>	<b>\$246,299.12</b>	<b>\$522,014.96</b>

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Preliminary

**\$500,000**

US 60 Water District  
Potential Refunding through the  
Kentucky Rural Water Finance Corporation

## Debt Service Comparison

Date	Total P+I	Expenses	Net New D/S	Old Net D/S	Savings
12/31/2012	-	-	-	-	-
12/31/2013	37,134.21	350.00	37,484.21	52,359.38	14,875.17
12/31/2014	47,197.50	350.00	47,547.50	52,325.76	4,778.26
12/31/2015	46,072.50	350.00	46,422.50	52,191.38	5,768.88
12/31/2016	44,947.50	350.00	45,297.50	51,956.25	6,658.75
12/31/2017	43,972.50	350.00	44,322.50	51,717.32	7,394.82
12/31/2018	42,997.50	350.00	43,347.50	51,274.58	7,927.08
12/31/2019	41,992.50	350.00	42,342.50	50,828.01	8,485.51
12/31/2020	40,987.50	350.00	41,337.50	50,371.50	9,034.00
12/31/2021	39,982.50	350.00	40,332.50	50,666.94	10,334.44
12/31/2022	43,977.50	350.00	44,327.50	50,876.19	6,548.69
12/31/2023	37,787.50	350.00	38,137.50	50,031.26	11,893.76
12/31/2024	41,737.50	350.00	42,087.50	48,105.32	6,017.82
12/31/2025	40,477.50	350.00	40,827.50	47,098.37	6,270.87
12/31/2026	19,147.50	350.00	19,497.50	19,904.75	407.25
12/31/2027	18,577.50	350.00	18,927.50	19,956.44	1,028.94
12/31/2028	17,992.50	350.00	18,342.50	19,856.06	1,513.56
12/31/2029	17,407.50	350.00	17,757.50	19,803.62	2,046.12
12/31/2030	16,822.50	350.00	17,172.50	19,793.00	2,620.50
12/31/2031	16,222.50	350.00	16,572.50	19,721.13	3,148.63
12/31/2032	15,622.50	350.00	15,972.50	19,684.94	3,712.44
<b>Total</b>	<b>\$671,056.71</b>	<b>\$7,000.00</b>	<b>\$678,406.71</b>	<b>\$798,522.20</b>	<b>\$120,465.49</b>

### PV Analysis Summary (Net to Net)

Net FV Cashflow Savings	120,465.49
Gross PV Debt Service Savings	106,398.61
Effects of changes in Expenses	(5,163.98)
Net PV Cashflow Savings @ 3.444%(Bond Yield)	101,234.63
Transfers from Prior Issue Debt Service Fund	(14,120.91)
Contingency or Rounding Amount	1,952.06
Net Future Value Benefit	\$107,946.64
Net Present Value Benefit	\$89,065.78
Net PV Benefit / \$487,200 Refunded Principal	18.281%
Net PV Benefit / \$500,000 Refunding Principal	17.813%

### Refunding Bond Information

Refunding Dated Date	8/15/2012
Refunding Delivery Date	8/15/2012

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**Morgan Keegan & Company, Inc.**

Public Finance



Preliminary

**\$350,000**

US 60 Water District

Series 1985

## Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/31/2013	13,000.00	-	18,871.88	31,871.88
12/31/2014	14,000.00	-	17,842.51	31,842.51
12/31/2015	15,000.00	-	16,736.88	31,736.88
12/31/2016	16,000.00	-	15,555.00	31,555.00
12/31/2017	17,000.00	-	14,296.88	31,296.88
12/31/2018	18,000.00	-	12,962.51	30,962.51
12/31/2019	19,000.00	-	11,551.88	30,551.88
12/31/2020	20,000.00	-	10,065.00	30,065.00
12/31/2021	22,000.00	-	8,463.75	30,463.75
12/31/2022	24,000.00	-	6,710.00	30,710.00
12/31/2023	25,000.00	-	4,841.88	29,841.88
12/31/2024	25,000.00	-	2,935.63	27,935.63
12/31/2025	26,000.00	7.625%	991.25	26,991.25
<b>Total</b>	<b>\$254,000.00</b>	<b>-</b>	<b>\$141,825.05</b>	<b>\$395,825.05</b>

### Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	8/15/2012
Average Life	7.201 Years
Average Coupon	7.6250027%
Weighted Average Maturity (Par Basis)	7.201 Years

### Refunding Bond Information

Refunding Dated Date	8/15/2012
Refunding Delivery Date	8/15/2012

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Preliminary

**\$294,000**

US 60 Water District

Series 1992

## Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/31/2013	6,400.00	-	14,087.50	20,487.50
12/31/2014	6,800.00	-	13,683.25	20,483.25
12/31/2015	7,200.00	-	13,254.50	20,454.50
12/31/2016	7,600.00	-	12,801.25	20,401.25
12/31/2017	8,100.00	-	12,320.44	20,420.44
12/31/2018	8,500.00	-	11,812.07	20,312.07
12/31/2019	9,000.00	-	11,276.13	20,276.13
12/31/2020	9,600.00	-	10,706.50	20,306.50
12/31/2021	10,100.00	-	10,103.19	20,203.19
12/31/2022	10,700.00	-	9,466.19	20,166.19
12/31/2023	11,400.00	-	8,789.38	20,189.38
12/31/2024	12,100.00	-	8,069.69	20,169.69
12/31/2025	12,800.00	-	7,307.12	20,107.12
12/31/2026	13,400.00	-	6,504.75	19,904.75
12/31/2027	14,300.00	-	5,656.44	19,956.44
12/31/2028	15,100.00	-	4,756.06	19,856.06
12/31/2029	16,000.00	-	3,803.62	19,803.62
12/31/2030	17,000.00	-	2,793.00	19,793.00
12/31/2031	18,000.00	-	1,721.13	19,721.13
12/31/2032	19,100.00	6.125%	584.94	19,684.94
<b>Total</b>	<b>\$233,200.00</b>	-	<b>\$169,497.15</b>	<b>\$402,697.15</b>

### Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	8/15/2012
Average Life	11.744 Years
Average Coupon	6.1250009%
Weighted Average Maturity (Par Basis)	11.744 Years

### Refunding Bond Information

Refunding Dated Date	8/15/2012
Refunding Delivery Date	8/15/2012

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**U.S. 60 WATER DISTRICT OF SHELBY AND FRANKLIN COUNTIES**  
**STATEMENT OF NET ASSETS**  
December 31, 2011 and 2010

	2011	2010
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash, Including Time Deposits	\$ 1,402,495	\$ 1,308,164
Accounts Receivable (Net)	112,197	123,837
Interest Receivable	535	1,723
Other Receivables	-	-
Prepaid Insurance	4,896	4,492
<b>Total Current Assets</b>	<b>\$ 1,520,123</b>	<b>\$ 1,438,216</b>
<b>Noncurrent Assets:</b>		
<b>Restricted Assets:</b>		
Cash, Including Time Deposits	\$ 560,834	\$ 632,599
Interest Receivable	927	914
Bond and Note Payable Issuance Costs (Net)	10,378	15,286
Capital Assets (Net)	6,313,876	6,214,769
<b>Total Noncurrent Assets</b>	<b>\$ 6,886,015</b>	<b>\$ 6,863,568</b>
<b>Total Assets</b>	<b>\$ 8,406,138</b>	<b>\$ 8,301,784</b>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 87,419	\$ 85,988
Accounts Payable - Construction	36,589	-
Retainage Payable - Construction	5,946	-
Accrued Payroll Taxes/Employee Withholding	1,071	971
Utility Tax Payable	2,337	2,581
Sales Tax Payable	96	91
<b>Current Liabilities Payable from Restricted Assets:</b>		
Accrued Interest Payable - Customer Deposits	1,059	1,039
Accrued Interest Payable - Long Term Debt	36,792	37,417
Revenue Bonds Payable	30,900	29,700
Notes Payable	35,000	40,000
Capital Lease Obligations	-	5,000
<b>Total Current Liabilities</b>	<b>\$ 237,209</b>	<b>\$ 202,787</b>
<b>Noncurrent Liabilities:</b>		
Revenue Bonds Payable	\$ 1,616,800	\$ 1,647,200
Notes Payable	52,500	87,500
Capital Lease Obligations	-	30,000
<b>Noncurrent Liabilities Payable from Restricted Assets:</b>		
Customer Deposits Payable	115,733	114,664
<b>Total Noncurrent Liabilities</b>	<b>\$ 1,785,033</b>	<b>\$ 1,879,364</b>
<b>Total Liabilities</b>	<b>\$ 2,022,242</b>	<b>\$ 2,082,151</b>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	\$ 4,589,054	\$ 4,390,655
Restricted for Capital Projects	20,413	113,942
Restricted for Debt Service	346,287	367,490
Unrestricted	1,428,142	1,347,546
<b>Total Net Assets</b>	<b>\$ 6,383,896</b>	<b>\$ 6,219,633</b>

**U.S. 60 WATER DISTRICT OF SHELBY AND FRANKLIN COUNTIES**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>Operating Revenues:</b>		
<b>Charges for Services:</b>		
Water Charges (Net of Estimated Bad Debts)	\$ 975,228	\$ 990,253
<b>Total Charges for Services</b>	<u>\$ 975,228</u>	<u>\$ 990,253</u>
<b>Other Charges and Miscellaneous:</b>		
Forfeited Discounts & Service Charges	\$ 33,063	\$ 33,106
Surcharge Fees	-	4,608
Miscellaneous	244	513
<b>Total Other Charges and Miscellaneous</b>	<u>\$ 33,307</u>	<u>\$ 38,227</u>
<b>Total Operating Revenues</b>	<u>\$ 1,008,535</u>	<u>\$ 1,028,480</u>
 <b>Operating Expenses:</b>		
Commissioner Fees	\$ 13,000	\$ 11,275
Contractual Service	165,062	160,968
Insurance	10,090	9,520
Maintenance of Mains	30,516	37,185
Miscellaneous	6,292	4,516
Office Supplies and Expense	16,799	13,505
Other Interest Expense	1,111	1,099
Payroll Taxes	1,304	1,088
Professional Services	27,534	12,945
Purchased Water	321,476	328,444
Purchased Power	27,224	30,250
Regulatory Fees	1,583	1,611
Rental of Building	24,000	24,000
Rental of Equipment	58,022	65,965
Depreciation Expense	235,259	230,789
<b>Total Operating Expenses</b>	<u>\$ 939,272</u>	<u>\$ 933,160</u>
 <b>Net Operating Income</b>	<u>\$ 69,263</u>	<u>\$ 95,320</u>
 <b>Nonoperating Revenue (Expense):</b>		
Investment Income	\$ 13,598	\$ 24,170
Interest Expense	(94,418)	(96,716)
Amortization Expense	(4,908)	(4,908)
<b>Total Nonoperating Revenue (Expense)</b>	<u>\$ (85,728)</u>	<u>\$ (77,454)</u>
 <b>Net Income Before Contributions</b>	<u>\$ (16,465)</u>	<u>\$ 17,866</u>
<b>Capital Contributions</b>	<u>180,728</u>	<u>117,035</u>
 <b>Net Income</b>	<u>\$ 164,263</u>	<u>\$ 134,901</u>
 <b>Net Assets--Beginning of Year</b>	<u>6,219,633</u>	<u>6,084,732</u>
 <b>Net Assets--End of Year</b>	<u><u>\$ 6,383,896</u></u>	<u><u>\$ 6,219,633</u></u>

U.S. 60 WATER DISTRICT OF SHELBY AND FRANKLIN COUNTIES  
STATEMENT OF CASH FLOWS  
For the Years Ended December 31, 2011 and 2010

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers	\$ 1,020,175	\$ 1,030,112
Payments to Suppliers	(682,962)	(716,628)
Payments to Employees	(15,075)	(11,275)
Other Receipts (Payments)	950	29,947
Net Cash Provided (Used) by Operating Activities	\$ 323,088	\$ 332,156
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Grant Proceeds	\$ 169,913	\$ 100,000
Capital Contributions	10,815	17,035
Purchase of Capital Assets	(296,780)	(111,075)
Principal Paid on Long Term Debt	(104,200)	(76,400)
Interest Paid on Long Term Debt	(95,043)	(97,874)
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (315,295)	\$ (168,314)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net Cash Invested in Certificates of Deposit	\$ (12,392)	\$ (21,171)
Interest Received	14,773	23,474
Net Cash Provided (Used) by Investing Activities	\$ 2,381	\$ 2,303
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 10,174	\$ 166,145
Balances-Beginning of the Year	967,754	801,609
Balances-End of the Year	\$ 977,928	\$ 967,754

	Balances Per December 31, 2011 Statement of Net Assets	Balances Per December 31, 2011 Statement of Cash Flows
Cash	\$ 722,005	\$ 722,005
Time Deposits	680,490	-
Restricted Cash	255,923	255,923
Restricted Time Deposits	304,911	-
Total Cash and Cash Equivalents, End of Year	\$ 1,963,329	\$ 977,928
	Balances Per December 31, 2010 Statement of Net Assets	Balances Per December 31, 2010 Statement of Cash Flows
Cash	\$ 635,676	\$ 635,676
Time Deposits	672,488	-
Restricted Cash	332,078	332,078
Restricted Time Deposits	300,521	-
Total Cash and Cash Equivalents, End of Year	\$ 1,940,763	\$ 967,754

(Continued)

**U.S. 60 WATER DISTRICT OF SHELBY AND FRANKLIN COUNTIES**  
**STATEMENT OF CASH FLOWS**  
For the Years Ended December 31, 2011 and 2010

	2011	2010
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ 69,263	\$ 95,320
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Cash Flows Reported in Other Categories:		
Depreciation Expense	235,259	230,789
Change in Assets and Liabilities:		
Receivables, Net	11,640	1,632
Other Receivables	-	26,606
Prepaid Expenses	(404)	(165)
Accounts and Other Payables	6,380	(25,367)
Accrued Expenses	(119)	230
Customer Meter Deposits Payable	1,069	3,111
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 323,088</b>	<b>\$ 332,156</b>

**SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES**

At December 31, 2011, U.S. 60 Water District of Shelby and Franklin Counties had \$42,535 of capitalized expenditures for the construction/acquisition of plant assets included in accounts payable on the Statement of Net assets.

At December 31, 2010, U.S. 60 Water District of Shelby and Franklin Counties had \$4,949 of capitalized expenditures for the construction/acquisition of plant assets included in accounts payable on the Statement of Net assets.