

2016 Financing with CoBank - Paradise Drive and Lovewell Lane

Balance Sheet

Assets and Other Debits

Line No. (a)	Account Title (Number) (b)	2015 Year End Balance (c)	Adjustments (d)	2015 Proformed Year End Balance (e)
UTILITY PLANT				
1	Utility Plant (101-106)	\$ 5,338,898	\$ 401,000	\$ 5,739,898
2	Less: Accumulated Depr. and Amort. (108-110)	\$ 1,734,957	\$ 4,363	\$ 1,739,320
3	Net Plant	\$ 3,603,941	\$ 396,638	\$ 4,000,579
4	Utility Plant Acquisition Adj. (Net) (114-115)	(76,261)		(76,261)
5	Total Net Utility Plant	\$ 3,527,680	\$ 396,638	\$ 3,924,318
OTHER PROPERTY AND INVESTMENTS				
6	Nonutility Property (121)			
7	Less: Accumulated Depr. and Amort. (122)			
8	Net Nonutility Property			
9	Investment in Associated Companies (123)			
11	Utility Investments (124)			
12	Other Investments	1,049		1,049
13	Special Funds(126-128)			
14	Total Other Property & Investments	\$ 1,049		\$ 1,049
CURRENT AND ACCRUED ASSETS				
16	Cash (131)	37,980	357	38,337
17	Special Deposits (132)			
18	Other Special Deposits (133)			
19	Working Funds (134)			
20	Temporary Cash Investments (135)			
21	Accounts and Notes Receivable-Net (141-144)	112,040		112,040
22	Accounts Receivable from Assoc. Co. (145)	19,673		19,673
23	Notes Receivable from Assoc. Co. (146)			
24	Materials and Supplies (151-153)	7,350		7,350
25	Stores Expense (161)			
26	Prepayments-Other (162)	25,328		25,328
27	Prepaid Taxes (163)	13,553		13,553
28	Interest and Dividends Receivable (171)			
29	Rents Receivable (172)			
30	Accrued Utility Revenues (173)			
31	Misc. Current and Accrued Assets (174)			
32	Total Current and Accrued Assets	\$ 215,924	\$ 357	\$ 216,281
DEFERRED DEBITS				
32	Unamortized Debt Discount & Expense (181)	24,976	13,300	38,276
33	Extraordinary Property Losses (182)			
34	Prelim. Survey & Investigation Charges (183)			
35	Clearing Accounts (184)			
36	Temporary Facilities (185)			
37	Miscellaneous Deferred Debits (186)	122,026		122,026
38	Research & Development Expenditures (187)			
39	Accumulated Deferred Income Taxes (190)			
40	Total Deferred Debits	\$ 147,002	\$ 13,300	\$ 160,302
TOTAL ASSETS AND OTHER DEBITS		\$ 3,891,655	\$ 410,295	\$ 4,301,950

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Balance Sheet

Equity Capital and Liabilities

Line No. (a)	Account Title (Number) (b)	2015 Year End Balance (c)	Adjustments (f)	2015 Proformed Year End Balance (g)
EQUITY CAPITAL				
1	Common Stock Issued (201)	\$ 10,000		\$ 10,000
2	Preferred Stock Issued (204)			
3	Capital Stock Subscribed (202,205)			
4	Stock Liability for Conversion (203, 206)			
5	Premium on Capital Stock (207)			
6	Installments Received On Capital Stock (208)			
7	Other Paid-In Capital (209,211)	1,217,810	136,000	1,353,810
8	Discount on Capital Stock (212)			
9	Capital Stock Expense(213)	(5,519)		(5,519)
10	Retained Earnings (214-215)	705,123	17,124	722,247
11	Reacquired Capital Stock (216)			
12	Total Equity Capital	\$ 1,927,414	\$ 153,124	\$ 2,080,538
LONG TERM DEBT				
13	Bonds (221)	830,160	257,171	1,087,331
14	Reacquired Bonds (222)			
15	Advances from Associated Companies (223)			
16	Other Long-Term Debt (224)	94,757		94,757
17	Total Long-Term Debt	\$ 924,917	\$ 257,171	\$ 1,182,088
CURRENT AND ACCRUED LIABILITIES				
18	Accounts Payable (231)	204,323		204,323
19	Notes Payable (232)			-
20	Accounts Payable to Associated Co. (233)			
21	Notes Payable to Associated Co. (234)			
22	Customer Deposits (235)	1,956		1,956
23	Accrued Taxes (236)	10,485		10,485
24	Accrued Interest (237)	3,370		3,370
25	Accrued Dividends (238)			
26	Matured Long-Term Debt (239)			
27	Matured Interest (240)			
28	Misc. Current and Accrued Liabilities (241)			-
29	Total Current and Accrued Liabilities	\$ 220,134	\$ -	\$ 220,134
DEFERRED CREDITS				
30	Unamortized Premium on Debt (251)			
31	Advances for Construction (252)			
32	Other Deferred Credits (253)			
33	Accumulated Deferred Investment Tax Credits (255)			
34	Accumulated Deferred Income Taxes:			
35	Accelerated Amortization (281)			
36	Liberalized Depreciation (282)	214,663		214,663
37	Other (283)			
38	Total Deferred Credits	\$ 214,663	\$ -	\$ 214,663
OPERATING RESERVES				
39	Property Insurance Reserve (261)			
40	Injuries and Damages Reserve (262)			
41	Pensions and Benefits Reserves (263)			
42	Miscellaneous Operating Reserves (265)			
43	Total Operating Reserves			
CONTRIBUTIONS IN AID OF CONSTRUCTION				
44	Contributions In Aid of Construction (271)	870,878		870,878
45	Accumulated Amortization of C.I.A.C. (272)	266,351		266,351
46	Total Net C.I.A.C.	\$ 604,527	\$ -	\$ 604,527
46	TOTAL EQUITY CAPITAL AND LIABILITIES	\$ 3,891,655	\$ 410,295	\$ 4,301,950

2016 Financing with CoBank - Paradise Drive and Lovewell Lane

Statement of Income

Line No. (a)	Account Title (Number) (b)	2015 Year End Balance (c)	Adjustments (e)	2015 Proformed Year End Balance (f)
	UTILITY OPERATING INCOME			
1	Operating Revenues(400)	\$ 1,287,146	\$ 41,773	\$ 1,328,919
2	Operating Expenses:			
3	Operating and Maintenance Expense (401)	883,344		883,344
4	Depreciation Expense (403)	178,347	4,363	182,710
5	Amortization of Contribution in Aid of Construction (405)	(17,048)		(17,048)
6	Amortization of Utility Plant Acquisition Adjustment (406)	(5,708)		(5,708)
7	Amortization Expense-Other (407)			
8	Taxes Other Than Income (408.1-408.13)	87,105	6,253	93,358
9	Income Taxes (409.1, 410.1, 411.1, 412.1)	29,710		29,710
10	Total Operating Expenses	\$ 1,155,750	\$ 10,615	\$ 1,166,365
11	Net Operating Income (Loss)	131,396	31,158	162,554
12	Income From Utility Plant Leased to Others (413)			
13	Gains(Losses) From Disposition of Utility Property (414)			
14	Net Water Utility Operating Income	\$ 131,396	\$ 31,158	\$ 162,554
	OTHER INCOME AND DEDUCTIONS			
15	Revenues From Merchandising, Jobbing and Contract Work (415)			
16	Costs and Expenses of Merchandising, Jobbing and Contract Work (416)			
17	Equity in Earnings of Subsidiary Companies (418)			
18	Interest and Dividend Income (419)	4,196		4,196
19	Allow. for funds Used During Construction (420)			
20	Nonutility Income (421)			
21	Gains (Losses) Form Disposition Nonutility Property (422)			
22	Miscellaneous Nonutility Expenses (426)	(3,969)		(3,969)
23	Total Other Income and Deductions	\$ 227	\$ -	\$ 227
	TAXES APPLICABLE TO OTHER INCOME			
24	Taxes Other Than Income (408.2)			
25	Income Taxes (409.2, 410.2, 411.2, 412.2, 412.3)			
26	Total Taxes Applicable To Other Income			
	INTEREST EXPENSE			
27	Interest Expense (427)	55,216	13,334	68,550
28	Amortization of Debt Discount & Expense (428)	863	700	1,563
29	Amortization of Premium on Debt (429)			
30	Total Interest Expense	\$ 56,079	\$ 14,034	\$ 70,113
31	Income Before Extraordinary Items	75,544	17,124	92,668
	EXTRAORDINARY ITEMS			
32	Extraordinary Income (433)			
33	Extraordinary Deductions (434)			
34	Income Taxes, Extraordinary Items (409.3)			
35	Net Extraordinary Items			
	NET INCOME (LOSS)	\$ 75,544	\$ 17,124	\$ 92,668

2016 Financing with CoBank - Paradise Drive and Lovewell Lane

Capital Structure

Line No. (a)	Account Title (Number) (b)	Adjusted 12/31/2015 (c)	Proforma Adjustments (d)	Proformed 12/31/2015 (e)
EQUITY CAPITAL				
1	Common Stock Issued (201)	\$ 10,000		\$ 10,000
2	Preferred Stock Issued (204)			
3	Capital Stock Subscribed (202,205)			
4	Stock Liability for Conversion (203, 206)			
5	Premium on Capital Stock (207)			
6	Installments Received On Capital Stock (208)			
7	Other Paid-In Capital (209,211)	1,217,810	136,000	1,353,810
8	Discount on Capital Stock (212)			
9	Capital Stock Expense(213)	(5,519)		(5,519)
10	Retained Earnings (214-215)	705,123	17,124	722,247
11	Reacquired Capital Stock (216)			
12	Total Equity Capital	\$ 1,927,414	\$ 153,124	\$ 2,080,538
LONG TERM DEBT				
13	Bonds (221)	830,160	257,171	1,087,331
14	Reacquired Bonds (222)			
15	Advances from Associated Companies (223)			
16	Other Long-Term Debt (224)	94,757		94,757
17	Total Long-Term Debt	\$ 924,917	\$ 257,171	\$ 1,182,088
	Total Capitalization	\$ 2,852,331	\$ 410,295	\$ 3,262,626

Capitalization Ratios

Line No.	Account Title (Number) (a)	12/31/2015	Proforma Adjustments	Proformed 12/31/2008
EQUITY CAPITAL				
1	Common Stock Issued (201)	0.35%		0.31%
2	Preferred Stock Issued (204)			
3	Capital Stock Subscribed (202,205)			
4	Stock Liability for Conversion (203, 206)			
5	Premium on Capital Stock (207)			
6	Installments Received On Capital Stock (208)			
7	Other Paid-In Capital (209,211)	42.70%	33.15%	41.49%
8	Discount on Capital Stock (212)			
9	Capital Stock Expense(213)	-0.19%		-0.17%
10	Retained Earnings (214-215)	24.72%	4.17%	22.14%
11	Reacquired Capital Stock (216)			
12	Total Equity Capital	67.57%	37.32%	63.77%
LONG TERM DEBT				
13	Bonds (221)	29.10%	62.68%	33.33%
14	Reacquired Bonds (222)			
15	Advances from Associated Companies (223)			
16	Other Long-Term Debt (224)	3.32%		2.90%
17	Total Long-Term Debt	32.43%	62.68%	36.23%
	Total Capitalization	100.00%	100.00%	100.00%

2016 Financing with CoBank - Paradise Drive and Lovewell Lane

Journal Entries				Impact on NI
JE#1	Dr. Miscellaneous Deferred Debits	14,000		
	Cr. Cash		14,000	
	To record costs associated with financing and step increase (See SPS 10)			
JE#2	Dr. Cash	401,000		
	Cr. Other Long Term Debt		265,000	
	Cr. Additional Paid in Capital		136,000	
	To record receipt of cash and additional LTD and APIC (See SPS 9)			
JE#3	Dr. Plant	401,000		
	Cr. Cash		401,000	
	To record replacement of plant (See SPS 7)			
JE#4	Dr. Accumulated Depreciation			
	Cr. Plant		0	
	To record retirement of mains and services			
JE#5	Dr. Depreciation Expenses	4,363		(4,363)
	Cr. Accumulated Depreciation		4,363	
	To record first year depreciation expense and related A/D			
JE#6	Dr. Amortization of Debt Expense	700		(700)
	Cr. Miscellaneous Deferred Debt		700	
	To record amortization of debt expense (See SPS-10)			
JE#7	Dr. Other Long Debt	7,829		
	Dr. Interest Expense	13,334		(13,334)
	Cr. Cash		21,163	
	To record first year repayment of principal and interest on \$260,000 of CoBank Note			
JE#8	Dr. Cash	41,773		
	Cr. Revenue		41,773	41,773
	To record receipt of revenue (See SPS 5)			
JE#9	Dr. Taxes other than Income - State	6,253		(6,253)
	Cr. Cash		6,253	
	To record increase in property taxes (See SPS 8)			
	Total Impact on Net Income			17,124
	Impact on Cash	442,773	442,416	
	Net impact on cash		357	

2016 Financing with CoBank - Paradise Drive and Lovewell Lane

Preliminary Calculation of Revenue Requirement

	<u>Step 2 Increase</u>		
	<u>Paradise Drive</u>	<u>Lovewell Lane</u>	<u>Total Paradise / Lovewell</u>
Plant Additions/Retirements:			
Plant Additions			
331 T&D Mains	123,000	137,000	260,000
333 Services	95,000	46,000	141,000
TOTAL	\$ 218,000	\$ 183,000	\$ 401,000
Plant Retirements	0	0	0
Net Additions/Retirements	\$218,000	\$183,000	\$401,000
Add: Accum Depr on Retired Plant			
Less: Accum Depr on New Plant	(2,418)	(1,945)	(4,363)
Net Plant	\$215,583	\$181,055	\$396,638
Plus: Working Capital	0	0	0
Total Additional Rate Base	\$215,583	\$181,055	\$396,638
Rate of Return	6.76%	6.76%	6.76%
Additional Net Operating Income Required	\$14,564	\$12,231	\$26,795
Increase in Depreciation Expense	\$ 4,835	\$ 3,890	\$ 8,725
Increase in State and Local Taxes	2,463	3,790	6,253
Total Increase in Operating Expenses	\$ 7,298	\$ 7,680	\$ 14,978
Increase in Revenue Required			\$ 41,773
Less: Increase in POASI Special Contract			(11,087)
Step Increase			\$ 30,686
2015 Operating Revenues			1,043,143
Total Revenue Required			1,073,829
Percentage Increase Required			2.94%

2016 Financing with CoBank - Paradise Drive and Lovewell Lane

Weighted Average Cost of Capital for
Paradise Drive and Lovewell Lane main and service replacements

<u>Financing</u>	<u>Amount</u>	<u>Percent</u>	<u>Interest Rate</u>	<u>Interest Expense</u>	<u>Amortization of Fin Costs</u>	<u>Total Interest</u>	<u>Cost Rate</u>	Weighted Average Cost of Capital
CoBank	\$265,000	66.08%	5.10%	\$13,334	\$700	\$14,034	5.30%	3.50%
Additional Paid in Capital	<u>136,000</u>	<u>33.92%</u>					<u>9.60%</u>	<u>3.26%</u>
Total Capitalization	<u>\$401,000</u>	<u>100.00%</u>						<u>6.76%</u>

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2016 Financing with CoBank - Paradise Drive and Lovewell Lane

Plant / Accumulated Depreciation / Depreciation Expense

PUC Acct. No.	Description	Cost	Depr. Rate	Annual Cost	Accum Depr.
Paradise Drive					
331	T&D Mains	\$ 123,000	2.00%	\$ 2,460	\$ 1,230
333	Servcies	95,000	2.50%	2,375	1,188
	Total	<u>\$ 218,000</u>		<u>\$ 4,835</u>	<u>\$ 2,418</u>
Lovewell Lane					
331	T&D Mains	\$ 137,000	2.00%	\$ 2,740	\$ 1,370
333	Servcies	46,000	2.50%	1,150	575
	Total	<u>\$ 183,000</u>		<u>\$ 3,890</u>	<u>\$ 1,945</u>

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2016 Financing with CoBank - Paradise Drive and Lovewell Lane**Property Taxes**

	Paradise <u>Drive</u>	Lovewell <u>Lane</u>	Total Projected <u>Costs</u>
Total Project Costs	\$ 218,000	\$ 183,000	\$ 401,000
Accumulated Depreciation	<u>(2,418)</u>	<u>(1,945)</u>	<u>(4,363)</u>
Net Plant	\$ 215,583	\$ 181,055	\$ 396,638
Thousand Dollars of Assessed Value	\$ 215.58	\$ 181.06	\$ 396.64
Tax Value as % of Net Book Value	87.40%	87.40%	
Combined State and Local Property Tax Rate	<u>13.07</u>	<u>23.95</u>	
State Property Taxes	\$ 2,463	\$ 3,790	\$ 6,253

Combined State and Local Property Tax Rate:

State	\$ 6.60	\$ 6.60
Local	<u>6.47</u>	<u>17.35</u>
Total	\$ 13.07	\$ 23.95

2016 Financing with CoBank - Paradise Drive and Lovewell Lane

Total Costs of Projects	\$ 401,000
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Source of Funds:

CoBank	265,000
Additional Paid in Capital	<u>136,000</u>
Total Source of Funds	<u>\$ 401,000</u>

Use of Funds:

2017 Paradise Shores - Paradise Drive Mains / Services Replacement	218,000
2017 Indian Mound - Lovewell Lane Mains / Services Replacement	<u>183,000</u>
Total Use of Funds	<u>\$ 401,000</u>

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2016 Financing with CoBank - Paradise Drive and Lovewell Lane**Estimated Financing Costs on portion of the CoBank Loan**

	Dockham Paradise <u>Lovewell</u>
CoBank	\$ 4,000
Upton & Hatfield	5,000
Stephen P. St. Cyr & Associates	<u>5,000</u>
Total Financing Costs	\$ 14,000
Life of Loan	<u>20 Yrs.</u>
Annual Amortization Expense	<u>\$ 700</u>

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