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RECEIVED

JUN 17 2005

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

**THE APPLICATION OF THE SANDY HOOK
WATER DISTRICT FOR APPROVAL OF A
PROPOSED INCREASE IN RATES FOR WATER
SERVICE**

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CASE NO. 2005-00233

STATEMENT AND NOTICE

Sandy Hook Water District ("Sandy Hook"), hereby petitions the Commission for approval of a proposed increase in its water rates and charges. In support of its application, Sandy Hook respectfully states as follows:

1. Sandy Hook is a non-profit Water District. Sandy Hook's principal office, place of business and mailing address is P.O. Box 274, Sandy Hook, Kentucky 41171.
2. Sandy Hook is engaged in the distribution and sale of water. It currently provides water service to approximately 1,124 retail customers.
3. The proposed increase in rates and charges is necessary for Sandy Hook to meet its operating expenses, to maintain financial viability, to cover its debt service, and to continue to provide adequate service.
4. For the purpose of justifying the reasonableness of the proposed increase, Sandy Hook has utilized a historical test period consisting of the twelve (12) consecutive calendar months ending December 31, 2004.

5. Sandy Hook's annual reports, including the annual report for 2004, are on file with the Public Service Commission as required by 807 KAR 5:006, Section 3(1). The 2004 Annual Report is attached as Exhibit 9 to this filing.

6. Sandy Hook proposes to increase its expenses to match the expenses shown in its 2004 annual report and audit report with adjustments for salaries and wages and a retirement contribution.

7. Sandy Hook hereby gives notice to the Public Service Commission of the adjustment of its rates to those rates set forth in Exhibit No. 1 in the filing requirements. The proposed rates will become effective upon Commission approval, and will result in an increase in annual revenues of \$71,253 over normalized revenues of \$366,174. Sandy Hook is proposing to fund 50 percent of its depreciation expense.

8. The proposed tariff (Exhibit No. 1) is shown in comparative form on the same sheets, side by side, and those comparative sheets are identified as Exhibit No. 2 in the filing requirements.

9. Sandy Hook has complied with 807 KAR 5:011, Section 9,(2) and 807 KAR 5:001, Section 10,(3) and (4) by delivering to newspapers of general circulation in its service area a copy of the Notice identified as Exhibit 3 in the filing requirements, for publishing once a week for three consecutive weeks in a prominent manner, the first of said publications to be made no later than seven (7) days after the date the application is filed with the Public Service Commission.

10. Sandy Hook proposes to use the twelve consecutive calendar months ending December 31, 2004 as the historical test year. Sandy Hook is not requesting adjustments outside year ending 2004 with the exception of the increase in salaries and

a contribution to retirement to be made by the District. Sandy Hook understands that it could make adjustments to its test year expenses and receive additional revenue. However, at this time due to the impact of the requested increase, Sandy Hook requests that the proposed rates be approved by the Commission, with no further adjustments.

11. A copy of this filing has been mailed to the Utility Intervention and Rate Division of the Attorney General's office of the Commonwealth of Kentucky.

12. As required by 807 KAR 5:001, Section 10, (4), (f), Sandy Hook will post a copy of its Customer Notice at its place of business on the same day the application is filed with the Public Service Commission, and it will remain posted until the Public Service Commission has determined Sandy Hook's rates.

13. The list of the documents filed in support of Sandy Hook's application for approval of the proposed adjustment of rates or the explanation for their absence is contained in the Filing Requirement Index.

WHEREFORE, the Applicant, Sandy Hook Water District requests that the Public Service Commission of Kentucky grant to the Applicant its proposal to increase its rates and charges as set forth in this Petition.

Dated at Sandy Hook, Kentucky this 6-11-05.

SANDY HOOK WATER DISTRICT

By Jimmy E. Dineen
Chairman

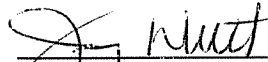
COMMONWEALTH OF KENTUCKY

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)SS
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COUNTY OF ELLIOTT

The undersigned, being duly sworn, deposes and states he is the Chairman of the Sandy Hook Water District, Applicant, in the above proceedings; that he has read the foregoing Application and has noted the contents thereof; that the same is true of his own knowledge, except as to matters which are there in stated on information or belief, and as to those matters, he believes same to be true.

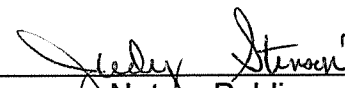
IN TESTIMONY WHEREOF, witness the signature of the undersigned on this 6-11-05.



Chairman
Sandy Hook Water District

Subscribed and sworn to before me by Jimmy Whitt, Chairman of the Sandy Hook Water District, on this 6-11, 2005.

My Commission Expires August 03, 2006



Notary Public
In and for said County and State

**Filing Requirement Index
Historical Test Period Rate Case**

Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 8(1)	Full name and P. O. address of applicant and reference to the particular provision of law requiring PSC approval.	Application – Page No. 1.
807 KAR 5:001 Section 8(2)	The original and 10 copies of application plus copy for anyone named as interested party.	The correct number of applications have been filed.
807 KAR 5:001 Section 10(1)(b)(1)	Reason adjustment is required.	Application – Page No. 1.
807 KAR 5:001 Section 10(1)(b)(2)	Statement that utility's annual reports, including the most recent calendar year, are filed with PSC. 807 KAR 5:006, Section 3(1)	Application – Page No. 2.
807 KAR 5:001 Section 10(1)(b)(3) & (5)	If utility is incorporated, certified copy of articles of incorporation and amendments or out of state documents of similar import. If they have already been filed with PSC refer to the style and case number of the prior proceeding and file a certificate of good standing or authorization dated within 60 days of date application filed.	Sandy Hook is a water district.
807 KAR 5:001 Section 10(1)(b)(4) & (5)	If applicant is limited partnership, certified copy of limited partnership agreement. If agreement filed with PSC refer to style and case number of prior proceeding and file a certificate of good standing or authorization dated within 60 days of date application filed.	N/A – Sandy Hook is not a limited partnership.
807 KAR 5:001 Section 10(1)(b)(6)	Certified copy of certificate of assumed name required by KRS 365.015 or statement that certificate not necessary.	N/A – Sandy Hook has never used an assumed name.
807 KAR 5:001 Section 10(1)(b)(7)	Proposed tariff in form complying with 807 KAR 5:011 effective not less than 30 days from date application filed.	Exhibit No. 1.
807 KAR 5:001 Section 10(1)(b)(8)	Proposed tariff changes shown by present and proposed tariffs in comparative form or by indicating additions in italics or by underscoring and striking over deletions in current tariff.	Exhibit No. 2.
807 KAR 5:001 Section 10(1)(b)(9)	Statement that notice given, see subsections (3) and (4) of 807 KAR 5:001, Section 10 with copy.	Application – Page No. 2. Exhibit No. 3.

**Filing Requirement Index
Historical Test Period Rate Case**

Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 10(2)	If gross annual revenues exceed \$1,000,000, written notice of intent filed at least 4 weeks prior to application. Notice shall state whether application will be supported by historical or fully forecasted test period.	NA
807 KAR 5:001 Section 10 (6)(a)	Complete description and quantified explanation for proposed adjustments with support for changes in price or activity levels, and other factors affecting the adjustment.	Exhibit No. 4.
807 KAR 5:001 Section 10 (6)(b) & (c)	If gross annual revenues exceed \$1,000,000, prepared testimony of each witness who will support the application. If less than \$1,000,000, prepared testimony of each witness who will support application or statement that utility does not plan to submit prepared testimony.	NA
807 KAR 5:001 Section 10 (6)(d)	Estimate of effect that new rate(s) will have on revenues including, at minimum, total revenues resulting from increase or decrease and percentage of increase or decrease.	Customer Notice – Exhibit No. 3 and application at Page 2
807 KAR 5:001 Section 10 (6)(e)	If electric, gas, water or sewer utility effect upon the average bill for each customer classification to which change will apply.	Exhibit No. 3 (Customer notice).
807 KAR 5:001 Section 10 (6)(f)	If local exchange company, effect upon the average bill for 807 each customer class for change in basic local service.	N/A – Sandy Hook is a Water District
807 KAR 5:001 Section 10 (6)(g)	Analysis of customers' bills in such detail that revenues from present and proposed rates can be readily determined for each customer class.	Exhibit No 5.
807 KAR 5:001 Section 10 (6)(h)	Summary of determination of revenue requirements based on return on net investment rate base, return on capitalization, interest coverage, debt service coverage, or operating ratio, with supporting schedules.	Exhibit No. 4.
807 KAR 5:001 Section 10 (6)(i)	Reconciliation of rate base and capital used to determine revenue requirements.	N/A – Revenue Requirement reflects Debt Service.

**Filing Requirement Index
Historical Test Period Rate Case**

Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 10 (6)(j):	Current chart of accounts if more detailed than the Uniform System of Accounts.	Not applicable
807 KAR 5:001 Section 10 (6)(k)	Independent auditor's annual opinion report, with any written communication from auditor, which indicates existence of material weakness in internal controls.	The 2004 Audit Report is attached as Exhibit 6.
807 KAR 5:001 Section 10 (6)(l):	The most recent FERC or FCC audit reports.	N/A – Sandy Hook is a Water District
807 KAR 5:001 Section 10 (6)m	The most recent FERC Form 1 (electric), FERC Form 2 (gas), or Automated Reporting Management Information System Report (telephone) and PSC Form T (telephone).	N/A – Sandy Hook is a Water District.
807 KAR 5:001 Section 10 (6)(n)	Summary of latest depreciation study with schedules by major plant accounts, except that telecommunications utilities adopting PSC's average depreciation rates shall provide schedule identifying current and test period depreciation rates used by major plant accounts. If filed in another PSC case refer to that case's number and style.	Exhibits No. 6 and 9. The audit report and annual report show depreciation schedules. There are no other studies of depreciation available to Sandy Hook.
807 KAR 5:00 Section 10 (6)(o)	List of all commercial or in-house computer software, programs, and models used to develop schedules and work papers associated with the filing. Include each software, program, or model; what each was used for; its supplier; brief description and specifications for the computer hardware and the operating system required to run the program.	Excel Word
807 KAR 5:001 Section 10 (6)(p)	Prospectuses of most recent stock or bond offerings.	N/A – Sandy Hook is a Water District
807 KAR 5:001 Section 10 (6)(q)	Annual report to shareholders, or members, and statistical supplements covering 2 years prior to application filing date.	N/A – Sandy Hook is a Water District

**Filing Requirement Index
Historical Test Period Rate Case**

Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 10 (6)(r)	Monthly managerial reports providing financial results for 12 months in test period.	There are no monthly reports available.
807 KAR 5:001 Section 10 (6)(s)	SEC's annual report for most recent 2 years, Form 10-Ks and any Form 8-Ks issued within past 2 years, and Form 10-Qs issued during the past 6 quarters updated as current information becomes available.	N/A – Sandy Hook is a Water District
807 KAR 5:001 Section 10 (6)(t)	<p>If utility had any amounts charged or allocated to it by affiliate or general or home office, or paid any monies to affiliate or general or home office during test period or during previous 3 calendar years, file:</p> <ol style="list-style-type: none"> 1. Detailed description of method of calculation and amounts allocated or charged to utility by affiliate or general or home office for each charge allocation or payment; 2. Explanation of how allocator for the test period was determined; and 3. All facts relied upon, including other regulatory approval, to demonstrate that each amount charged, allocated or paid during test period was reasonable; 	N/A – There are no affiliate allocations.

**Filing Requirement Index
Historical Test Period Rate Case**

Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 10 (6)(u)	If gas, electric or water utility, whose annual gross revenues exceed \$5,000,000, cost of service study based on methodology generally accepted in industry and based on current and reliable data from a single time period.	Exhibit 7
807 KAR 5:001 Section 10 (6)(v)	<p>Local exchange carriers with fewer than 50,000 access lines need not file cost of service studies, except as specifically directed by PSC. Local exchange carriers with more than 50,000 access lines shall file:</p> <ol style="list-style-type: none"> 1. Jurisdictional separations study consistent with Part 36 of the FCC's rules and regulations; and 2. Service specific cost studies to support pricing of all services that generate annual revenue greater than \$1,000,000, except local exchange access: <ol style="list-style-type: none"> (a) Based on current and reliable data from a single time period; and (b) Using generally recognized fully allocated, embedded, or incremental cost principles. 	N/A – Sandy Hook is a Water District
807 KAR 5:001 Section 10 (7)(a)	Detailed income statement and balance sheet reflecting impact of all proposed adjustments	Exhibits No. 4, 6 and 9, annual report and audit report
807 KAR 5:001 Section 10 (7)(b)	Most recent capital construction budget containing at least period of time as proposed for any pro forma adjustment for plant additions.	NA – Sandy Hook is not proposing any pro forma adjustment for plant additions.

**Filing Requirement Index
Historical Test Period Rate Case**

Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 10 (7)(c)	<p>For each proposed pro forma adjustment reflecting plant additions the following information:</p> <ol style="list-style-type: none"> 1. Starting date of the construction of each major component of plant; 2. Proposed in-service date; 3. Total estimated cost of construction at completion; 4. Amount contained in construction work in progress at end of test period; 5. Complete description of actual plant retirements and anticipated plant retirements related to the pro forma plant additions including the actual or anticipated date of retirement; 6. Original cost, cost of removal and salvage for each component of plant to be retired during the period of the proposed pro forma adjustment for plant additions; 7. Explanation of any differences in amounts contained in the capital construction budget and amounts of capital construction cost contained in the pro forma adjustment period; and 8. Impact on depreciation expense of all proposed pro forma adjustments for plant additions and retirements; 	NA – Sandy Hook is not proposing any pro forma adjustment for plant additions.
807 KAR 5:001 Section 10 (7)(e)	Number of customers to be added to the test period – end level of customers and the related revenue requirements impact for all pro forma adjustments with complete details and supporting work papers.	Exhibit No. 8. Billing analysis for proposed rates. No new customers are to be added.

FOR Sandy Hook, Kentucky
Community, Town or City

P.S.C. KY. NO. _____

Revised _____ SHEET NO. 2

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

Sandy Hook Water District
(Name of Utility)

RATES AND CHARGES

Monthly Water Rates

5/8 x 3/4 Inch Connection

First 2,000 Gallons	\$17.60 Minimum Bill
Next 8,000 Gallons	6.62 per 1,000 Gallons
Next 40,000 Gallons	5.88 per 1,000 Gallons
Over 50,000 Gallons	4.40 per 1,000 Gallons

1 Inch Connection

First 5,000 Gallons	\$37.46 Minimum Bill
Next 5,000 Gallons	6.62 per 1,000 Gallons
Next 40,000 Gallons	5.88 per 1,000 Gallons
Over 50,000 Gallons	4.40 per 1,000 Gallons

1 1/2 Inch Connection

First 10,000 Gallons	\$70.56 Minimum Bill
Next 40,000 Gallons	5.88 per 1,000 Gallons
Over 50,000 Gallons	4.40 per 1,000 Gallons

2 Inch Connection

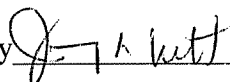
First 20,000 Gallons	\$129.36 Minimum Bill
Next 30,000 Gallons	5.88 per 1,000 Gallons
Over 50,000 Gallons	4.40 per 1,000 Gallons

3 Inch Connection

First 30,000 Gallons	\$188.16 Minimum Bill
Next 20,000 Gallons	5.88 per 1,000 Gallons
Over 50,000 Gallons	4.40 per 1,000 Gallons

Date of Issue June 17, 2005

Date Effective _____

Issued By 

Title Chairman

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. _____ DATED _____

FOR Sandy Hook, Kentucky
Community, Town or City

P.S.C. KY. NO. _____

Revised _____ SHEET NO. 2

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

Sandy Hook Water District
(Name of Utility)

CLASSIFICATION OF SERVICE

Connection Fees:

5/8 x 3/4	\$500
1 Inch	700
Larger than 1 Inch	Actual Cost of Installation
Fire Hydrant Rental	\$48.00 Annually

Date of Issue June 17, 2005

Date Effective _____

Issued By J. Witt

Title Chairman

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. _____ DATED _____

**AVERAGE METER CONNECTION EXPENSE
COST JUSTIFICATION**

Name of Utility SANDY HOOK WATER DISTRICT

The following is an itemization of expenses for providing a metered service connection.

A. Meter Size

5/8-Inch 3/4-Inch 1-Inch 1 1/2 -Inch 2-Inch

Other (specify) _____

B. Materials Expense

		<u>Quantity</u>	<u>Unit Cost</u>	<u>Total Cost</u>
1.	Water Meter	<u>1</u>	<u>96.00</u>	<u>96.00</u>
2.	Meter Yoke	<u>1</u>	<u>87.00</u>	<u>87.00</u>
3.	Corporation Stop	<u>1</u>	<u>20.00</u>	<u>20.00</u>
4.	Meter Box and Top	<u>1</u>	<u>50.00</u>	<u>50.00</u>
5.	Miscellaneous Fittings	<u>1</u>	<u>10.00</u>	<u>10.00</u>
6.	Other (Itemize)			
	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
	TOTAL MATERIALS EXPENSE			\$ <u>263.00</u>
	(add total cost)			

C. Service Pipe Expense

Type of Service Pipe ENDO-POLYWSL- Size of Service Pipe 5/8
CTS SDR/9

	<u>Quantity</u>	<u>Unit Cost</u>	<u>Total Cost</u>
1. Short Side Service	<u>10'</u>	<u>.20</u>	<u>2.00</u>
2. Long Side Service	<u>50'</u>	<u>.20</u>	<u>10.00</u>
AVERAGE SERVICE PIPE EXPENSE (add total cost and divide by 2)			<u>\$ 6.00</u>

D. Installation Labor Expense

	<u>Total Hours</u>	<u>Hourly Rate</u>	<u>Total Cost</u>
1. Short Side Service	<u>1.5</u>	<u>26.00</u>	<u>39.00</u>
2. Long Side Service	<u>3.5</u>	<u>26.00</u>	<u>91.00</u>
AVERAGE INSTALLATION LABOR EXPENSE (add total cost and divide by 2)			<u>\$ 65.00</u>

E. Installation Equipment Expense

	<u>Total Hours</u>	<u>Hourly Rate</u>	<u>Total Cost</u>
1. Short Side Service	<u>1.5</u>	<u>50.00</u>	<u>75.00</u>
2. Long Side Service	<u>3.5</u>	<u>50.00</u>	<u>175.00</u>
AVERAGE INSTALLATION EQUIPMENT EXPENSE (add total cost and divide by 2)			<u>\$ 125.00</u>

F. Installation Miscellaneous Expense

	<u>Total Hours</u>	<u>Hourly Rate</u>	<u>Total Cost</u>
1. Inspection	<u>.5</u>	<u>26.00</u>	<u>13.00</u>
2. Site Clean-Up	<u>.5</u>	<u>26.00</u>	<u>13.00</u>
3. Other			
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

AVERAGE INSTALLATION MISCELLANEOUS EXPENSE \$ 26.00
(add total cost)

G. Overhead Expense

1. Installation expense (\$ _____) times
overhead rate (____%) \$ _____

H. Administrative Expense

1. Office expense for establishing a new account
and billing record. \$ 15.00

I. Total Expenses

Materials Expense	<u>\$ 263.00</u>
Service Pipe Expense	<u>6.00</u>
Installation Labor Expense	<u>65.00</u>
Installation Equipment Expense	<u>125.00</u>
Installation Miscellaneous Expense	<u>26.00</u>
Overhead Expense	_____
Administrative Expense	<u>15.00</u>

TOTAL CONNECTION EXPENSE \$ 500.00

**AVERAGE METER CONNECTION EXPENSE
COST JUSTIFICATION**

Name of Utility SANDY HOOK WATER DISTRICT

The following is an itemization of expenses for providing a metered service connection.

A. Meter Size

5/8-Inch 3/4-Inch 1-Inch 1 1/2 -Inch 2-Inch

Other (specify) _____

B. Materials Expense

	<u>Quantity</u>	<u>Unit Cost</u>	<u>Total Cost</u>
1. Water Meter	<u>1</u>	<u>150.00</u>	<u>150.00</u>
2. Meter Yoke	<u>1</u>	<u>150.00</u>	<u>150.00</u>
3. Corporation Stop	<u>1</u>	<u>23.50</u>	<u>23.50</u>
4. Meter Box and Top	<u>1</u>	<u>135.00</u>	<u>135.00</u>
5. Miscellaneous Fittings	_____	_____	_____
6. Other (Itemize)	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

TOTAL MATERIALS EXPENSE **\$458.50**
(add total cost)

C. Service Pipe Expense

Type of Service Pipe ENDO-POLY/WSL- Size of Service Pipe 1"
CTS SDR/9

	<u>Quantity</u>	<u>Unit Cost</u>	<u>Total Cost</u>
1. Short Side Service	<u>10'</u>	<u>.35</u>	<u>3.50</u>
2. Long Side Service	<u>50'</u>	<u>.35</u>	<u>17.50</u>

AVERAGE SERVICE PIPE EXPENSE \$ 10.50
(add total cost and divide by 2)

D. Installation Labor Expense

	<u>Total Hours</u>	<u>Hourly Rate</u>	<u>Total Cost</u>
1. Short Side Service	<u>1.5</u>	<u>26.00</u>	<u>39.00</u>
2. Long Side Service	<u>3.5</u>	<u>26.00</u>	<u>91.00</u>

AVERAGE INSTALLATION LABOR EXPENSE \$ 65.00
(add total cost and divide by 2)

E. Installation Equipment Expense

	<u>Total Hours</u>	<u>Hourly Rate</u>	<u>Total Cost</u>
1. Short Side Service	<u>1.5</u>	<u>50.00</u>	<u>75.00</u>
2. Long Side Service	<u>3.5</u>	<u>50.00</u>	<u>175.00</u>

AVERAGE INSTALLATION EQUIPMENT EXPENSE \$ 125.00
(add total cost and divide by 2)

F. Installation Miscellaneous Expense

	<u>Total Hours</u>	<u>Hourly Rate</u>	<u>Total Cost</u>
1. Inspection	<u>.5</u>	<u>26.00</u>	<u>13.00</u>
2. Site Clean-Up	<u>.5</u>	<u>26.00</u>	<u>13.00</u>
3. Other			
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

AVERAGE INSTALLATION MISCELLANEOUS EXPENSE \$ 26.00
 (add total cost)

G. Overhead Expense

1. Installation expense (\$ _____) times
 overhead rate (____%) \$ _____

H. Administrative Expense

1. Office expense for establishing a new account
 and billing record. \$ 15.00

I. Total Expenses

Materials Expense	\$ <u>458.50</u>
Service Pipe Expense	<u>10.50</u>
Installation Labor Expense	<u>65.00</u>
Installation Equipment Expense	<u>125.00</u>
Installation Miscellaneous Expense	<u>26.00</u>
Overhead Expense	_____
Administrative Expense	<u>15.00</u>

TOTAL CONNECTION EXPENSE \$ 700.00

FOR Sandy Hook, Kentucky
Community, Town or City

P.S.C. KY. NO. _____

Revised _____ SHEET NO. 2

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

Sandy Hook Water District
(Name of Utility)

COMPARISON OF CURRENT AND PROPOSED RATES

	<u>PROPOSED RATES</u>	<u>CURRENT RATES</u>
<u>5/8 x 3/4 Inch Connection</u>		
First 2,000 Gallons	\$17.60 Minimum Bill	\$14.64 Minimum Bill
Next 8,000 Gallons	6.62 per 1,000 Gallons	4.90 Per 1,000 Gallons
Next 40,000 Gallons	5.88 per 1,000 Gallons	4.31 Per 1,000 Gallons
Over 50,000 Gallons	4.40 per 1,000 Gallons	3.13 Per 1,000 Gallons
<u>1 Inch Connection</u>		
First 5,000 Gallons	\$37.46 Minimum Bill	\$29.34 Minimum Bill
Next 5,000 Gallons	6.62 per 1,000 Gallons	4.90 Per 1,000 Gallons
Next 40,000 Gallons	5.88 per 1,000 Gallons	4.31 Per 1,000 Gallons
Over 50,000 Gallons	4.40 per 1,000 Gallons	3.13 Per 1,000 Gallons
<u>1 1/2 Inch Connection</u>		
First 10,000 Gallons	\$70.56 Minimum Bill	\$53.84 Minimum Bill
Next 40,000 Gallons	5.88 per 1,000 Gallons	4.31 Per 1,000 Gallons
Over 50,000 Gallons	4.40 per 1,000 Gallons	3.13 Per 1,000 Gallons
<u>2 Inch Connection</u>		
First 20,000 Gallons	\$129.36 Minimum Bill	\$96.94 Minimum Bill
Next 30,000 Gallons	5.88 per 1,000 Gallons	4.31 Per 1,000 Gallons
Over 50,000 Gallons	4.40 per 1,000 Gallons	3.13 Per 1,000 Gallons
<u>3 Inch Connection</u>		
First 30,000 Gallons	\$188.16 Minimum Bill	\$140.04 Minimum Bill
Next 20,000 Gallons	5.88 per 1,000 Gallons	4.31 Per 1,000 Gallons
Over 50,000 Gallons	4.40 per 1,000 Gallons	3.13 Per 1,000 Gallons

Date of Issue _____

Date Effective _____

Issued By [Signature]

Title Chairman

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. _____ DATED _____

NOTICE

The Sandy Hook Water District has filed an application with the Kentucky Public Service Commission to increase its rates as follows:

Present and Proposed Water Rates

CURRENT RATES			PROPOSED RATES		
First	2,000	\$14.64	First	2,000	\$17.60
Next	8,000	4.90	Next	8,000	6.62
Next	40,000	4.31	Next	40,000	5.88
Over	50,000	3.13	Over	50,000	4.40

Minimum bills and usage allowance for each meter size:

METER SIZE	USAGE ALLOWANCE	CURRENT COST	PROPOSED COST
5/8	2,000	\$14.64	\$17.60
1	5,000	29.34	37.46
1 ½	10,000	53.84	70.56
2	20,000	96.94	129.36
3	30,000	140.04	188.16

Connection Fees:	Current	Proposed
5/8 x ¾	\$400	\$500
1 Inch	Actual Cost	700

The rates contained in this notice are the rates proposed by Sandy Hook Water District. However, the Public Service Commission may order rates to be charged that differ from these proposed rates. Such action may result in rates for customers other than the rates in this notice. Based on the rates proposed by Sandy Hook, a customer using 5,000 gallons will receive an increase from \$29.34 to \$37.46 an increase of \$8.12 or 27.6 percent.

Any corporation, association, body politic or person may by motion within thirty (30) days after publication of this notice request leave to intervene. Motion to intervene must be filed with the Kentucky Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky, 40602. The motion must set forth the grounds for the request including the status and interest of the party.

Intervenors may obtain copies of the application by contacting Sandy Hook Water District at P.O. Box 726, Sandy Hook, Kentucky 41171, or by calling the Water District at 606-738-6282. A copy of the application is also available for inspection at the District's office.

SANDY HOOK WATER DISTRICT

INCOME AND EXPENSES

Operating Revenue From Sales	\$ 374,069	a	\$ (28,538)	\$ 345,531
Sewer Collection Fees	6,000			6,000
Service Fees	7,060			7,060
Interest Income	576			576
Miscellaneous Income	4,253			4,253
Late Charges	2,754			2,754
Total Income	\$ 394,712		\$ (28,538)	\$ 366,174
Operating Expenses				
Salaries	\$ 116,342	b	\$ 9,099	\$ 125,441
Christmas Bonus	400			400
Retirement	-	c	3,490	3,490
Purchased Power	37,319			37,319
Materials and Supplies	43,996			43,996
Contractual - Accounting	6,366			6,366
Contractual - Other	634			634
Transportation	7,808			7,808
Insurance - General Liability	34,362			34,362
Advertising	551			551
Bad Debt	1,345			1,345
Miscellaneous	639			639
Regulatory Assessment	662			662
Taxes other than Income	22,464			22,464
Depreciation	132,151			132,151
Interest	63,086			63,086
Principal	25,600			25,600
Debt Coverage	17,737			17,737
Total Expenses	\$ 511,463		\$ 12,589	\$ 524,052
Less Other Income				(20,643)
Revenue Required From Rates				\$ 503,409

SANDY HOOK WATER DISTRICT

ADJUSTMENTS TO TEST YEAR EXPENSES

A. Adjustment to test year revenue from sales

The amount shown in the audit and annual reports include taxes as can be seen on the history tracking by rate tables printout attached behind the test year billing analysis. Late charges are also included and set out as a line item on the income and expense sheet.

B. Adjustment to Salaries and Wages

Salaries have been increased by \$1.00 per hour per attached board minutes.

Employee	Hours	Overtime	Total Hours	Increase
Kevin Winkleman	2,080	152.75	2,232.75	\$ 2,232.75
Michael Crouch	2,080	489	2,569.00	2,569.00
Judy Stinson	2,080	137	2,217.00	2,217.00
Pamela Fannin	2,080	0	2,080.00	2,080.00
Total Increase				\$ 9,098.75

C. Retirement contribution per attached board minutes

Employee	Salary	3% Contribution	Total Expense
Kevin Winkleman	\$ 20,765.69	\$ 622.97	\$ 21,388.66
Michael Crouch	44,534.00	1,336.02	45,870.02
Judy Stinson	34,302.00	1,029.06	35,331.06
Pamela Fannin	16,740.62	502.22	17,242.84
Total Increase	\$ 116,342.31	\$ 3,490.27	\$ 119,832.58

**SPECIAL MEETING OF THE SANDY HOOK
WATER DISTRICT HELD JANUARY 13, 2005**

A special meeting of the Board of Commissioners of the Sandy Hook Water District was held on Thursday January 13, 2005. The meeting was called to order by Jimmy Whitt, Chairman at 12:10 p.m. in the District office on Howard's Creek Road, Sandy Hook, KY.

Those Present: Commissioners, Jimmy Whitt, L.C. Prichard, Ralph Lyon, Arnetta Fannin, Tammy Jessie.

Employees: Judy Stinson, Michael Crouch, Pam Fannin, Kevin Winkleman

Jimmy Whitt, Chairman said this meeting was set up to discuss getting retirement for the employees. Judy reported that since the December 2004 meeting she had checked on an IRA for employees retirement at First National Bank. The employees are asking the board to contribute 3% of employee's gross wages to be paid monthly in their individual accounts. Employees are also requesting across the board \$1.00 per hour raise. It has been almost 3 years since there has been a raise increase.

After discussing the retirement and wage increase issue, Ralph suggested we got our attorney to draw up a retirement policy with the following items included.

1. For Water District to back up and Contribute 3% of gross wages for each employee for 2004
2. It is agreed by commissioners and water district employees that no increase in wages or Retirement will be brought before the board until January 2007.
3. As of January 1, 2005, 3% of gross wages to be paid to each Employee's individual IRA account.
4. No new employees will be eligible for retirement until after 24 Months of employment.

L.C. Prichard made a motion to get this retirement for the employees. Seconded by Tammy Jessie, motion carried.

L.C. Prichard made a motion to give the \$1.00 raise to each of employees effective now. Seconded by Tammy Jessie, Motion Carried.

Chairman, Jimmy Whitt polled the board on the retirement and the raise increase. Board agreed that both motions are carried.

Judy reported that She & Mike had talked to Corp. of engineers about the need to replace water line thru Laurel Gorge. Wayne at the Grayson office said that our trip, would serve as notification. And he saw no problem in an emergency line replacement.


The Laurel Gorge creek Crossing replacement pipe was discussed by the board, due to the time involved in getting the pipe delivered and the need to have in on hand in case of a water main line break at this location it was decided to go ahead and order the pipe now.

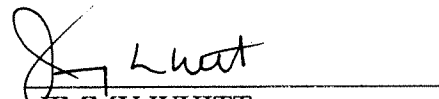
Tammy Jesse made a motion to order the needed pipe, seconded by L.C. Prichard. Motion Carried.

Judy was then instructed to check with other Water District's to see if they had an agreement that we could go by to get the correct wording established in our retirement agreement.

Jimmy Whitt Announced that the Water District needed to have a Special meeting January 20, 2005 at 12:00 o'clock to finalize any further work that might need to be done on the retirement.

There being no further business to come before the board, Motion made by L.C. to adjourn. Seconded by Ralph, meeting adjourned at 1:30 PM Motion Carried.


L.C. PRICHARD
SECRETARY-TREASURER


JIMMY WHITT
CHAIRMAN

4		Void <input type="checkbox"/>		Copy D For Employer. OMB No. 1545-0008			
Identification number 016689				1 Wages, tips, other compensation 34302.00		2 Federal income tax withheld 3272.00	
Employer's name, address, and ZIP code SANDY HOOK WATER DISTRICT SANDY HOOK, KY 41171				3 Social security wages 34302.00		4 Social security tax withheld 2126.75	
				5 Medicare wages and tips 34302.00		6 Medicare tax withheld 497.36	
				7 Social security tips		8 Allocated tips	
d Employee's social security number 400-90-3929				9 Advance EIC payment		10 Dependent care benefits	
e Employee's name, address, and ZIP code JUDY STINSON 531 HIGHWAY 173 WEST LIBERTY KY 41472				11 Nonqualified plans		12a See instructions for box 12	
				13 Statutory employee Retirement plan Third-party sick pay		12b	
				14 Other		12c	
						12d	
15 State Employer's state ID number KY 104267		16 State wages, tips, etc. 34302.00		17 State income tax 1752.65		18 Local wages, tips, etc.	
				19 Local income tax		20 Locality name	

Form **W-2** Wage and Tax Statement

2003

39-1908647 Department of the Treasury—Internal Revenue Service
For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.

a Control number 0000005		Void <input type="checkbox"/>		Copy D For Employer. OMB No. 1545-0008			
b Employer identification number 61-6016689				1 Wages, tips, other compensation 44534.00		2 Federal income tax withheld 3118.00	
c Employer's name, address, and ZIP code SANDY HOOK WATER DISTRICT SANDY HOOK, KY 41171				3 Social security wages 44534.00		4 Social security tax withheld 2760.97	
				5 Medicare wages and tips 44534.00		6 Medicare tax withheld 645.60	
				7 Social security tips		8 Allocated tips	
d Employee's social security number 407-86-7579				9 Advance EIC payment		10 Dependent care benefits	
e Employee's name, address, and ZIP code MICHAEL CROUCH 865 CCC TRAIL MOREHEAD KY 40351				11 Nonqualified plans		12a See instructions for box 12	
				13 Statutory employee Retirement plan Third-party sick pay		12b	
				14 Other		12c	
						12d	
15 State Employer's state ID number KY 104267		16 State wages, tips, etc. 44534.00		17 State income tax 2289.84		18 Local wages, tips, etc.	
				19 Local income tax		20 Locality name	

Form **W-2** Wage and Tax Statement

2003

39-1908647 Department of the Treasury—Internal Revenue Service
For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.
BW2ERD

Employer identification number 6016689		Employer's name, address, and ZIP code SANDY HOOK WATER DISTRICT SANDY HOOK, KY 41171		1 Wages, tips, other compensation 20765.69		2 Federal income tax withheld 1946.00	
d Employee's social security number 403-31-4154		e Employee's name, address, and ZIP code KEVIN WINKLEMAN HC 70 BOX 635 SANDY HOOK KY 41171		3 Social security wages 20765.69		4 Social security tax withheld 1286.61	
				5 Medicare wages and tips 20765.69		6 Medicare tax withheld 301.05	
				7 Social security tips		8 Allocated tips	
				9 Advance EIC payment		10 Dependent care benefits	
				11 Nonqualified plans		12a See instructions for box 12 C O D E	
				13 Statutory employee Retirement plan Third-party sick pay		12b C O D E	
				14 Other		12c C O D E	
						12d C O D E	
15 State Employer's state ID number KY 104267		16 State wages, tips, etc. 20765.69		17 State income tax 945.92		18 Local wages, tips, etc.	
						19 Local income tax	
						20 Locality name	

Form **W-2** Wage and Tax Statement **2003** 39-1908647 Department of the Treasury—Internal Revenue Service
For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.

a Control number 0000010		Void <input type="checkbox"/>		Copy D For Employer. OMB No. 1545-0008			
b Employer identification number 61-6016689		c Employer's name, address, and ZIP code SANDY HOOK WATER DISTRICT SANDY HOOK, KY 41171		1 Wages, tips, other compensation 16740.62		2 Federal income tax withheld 991.00	
				3 Social security wages 16740.62		4 Social security tax withheld 1038.10	
				5 Medicare wages and tips 16740.62		6 Medicare tax withheld 242.51	
				7 Social security tips		8 Allocated tips	
d Employee's social security number 406-76-7518		e Employee's name, address, and ZIP code PAMELA FANNIN H C 70 BOX 575 SANDY HOOK KY 41171		9 Advance EIC payment		10 Dependent care benefits	
				11 Nonqualified plans		12a See instructions for box 12 C O D E	
				13 Statutory employee Retirement plan Third-party sick pay		12b C O D E	
				14 Other		12c C O D E	
						12d C O D E	
15 State Employer's state ID number KY 104267		16 State wages, tips, etc. 16740.62		17 State income tax 703.70		18 Local wages, tips, etc.	
						19 Local income tax	
						20 Locality name	

Form **W-2** Wage and Tax Statement **2003** 39-1908647 Department of the Treasury—Internal Revenue Service
For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.
BW2ERD NTF 2559397#

5:21:24

NAME Pamela Jannings ADDRESS

HC 70 Bx 575
Sandy Hook, Ky 41171

2004

Week No	WEEK ENDED	HOURS							TOTAL HOURS		RATE		EARNINGS		Total Wages	401 K	Paid by Check No	Week No
		SUN	MON	TUE	WED	THU	FRI	SAT	Reg.	O.T.	Reg.	O.T.	Regular	Overtime				
1	1-2-04							40	-					319.62		10291	1	
2	1-9-04							40						319.62		10305	2	
3	1-16-04							40						319.62		10312	3	
4	1-22-04							40						319.62		10323	4	
5	1-30-04							40						319.62		10335	5	
6	2-6-04							40						319.62		10349	6	
7	2-13-04							40						319.62		10354	7	
8	2-20-04							40						319.62		10367	8	
9	2-27-04							40						319.62		10377	9	
10	3-5-04							40						319.62		10393	10	
11	3-12-04							40						319.62		10400	11	
12	3-19-04							40						319.62		10412	12	
13	3-26-04							40						319.62		10423	13	
TOTALS																		
Totals-1st Qtr.																		
14	4-2-04							40						319.62		10433	14	
15	4-9-04							40						319.62		10444	15	
16	4-16-04							40						319.62		10457	16	
17	4-23-04							40						319.62		10464	17	
18	4-30-04							40						319.62		10468	18	
19	5-7-04							40						319.62		10498	19	
20	5-14-04							40						319.62		10506	20	
21	5-21-04							40						319.62		10515	21	
22	5-28-04							40						319.62		10523	22	
23	6-4-04							40						319.62		10536	23	
24	6-11-04							40						319.62		10548	24	
25	6-18-04							40						319.62		10548	25	
26	6-25-04							40						319.62		10565	26	
TOTALS																		
Totals-2nd Qtr.																		
27	7-2-04							40						319.62		10580	27	
28	7-9-04							40						319.62		10594	28	
29	7-16-04							40						319.62		10600	29	
30	7-23-04							40						319.62		10611	30	
31	7-30-04							40						319.62		10623	31	
32	8-6-04							40						319.62		10644	32	
33	8-13-04							40						319.62		10650	33	
34	8-20-04							40						319.62		10664	34	
35	8-27-04							40						319.62		10671	35	
36	9-3-04							40						319.62		10684	36	
37	9-10-04							40						319.62		10696	37	
38	9-17-04							40						319.62		10705	38	
39	9-24-04							40						319.62		10712	39	
TOTALS																		
Totals-3rd Qtr.																		
40	10-1-04							40						319.62		10723	40	
41	10-8-04							40						319.62		10745	41	
42	10-15-04							40						319.62		10746	42	
43	10-22-04							40						319.62		10766	43	
44	10-29-04							40						319.62		10776	44	
45	11-5-04							40						319.62		10792	45	
46	11-12-04							40						319.62		10803	46	
47	11-19-04							40						319.62		10811	47	
48	11-26-04							40						319.62		10812	48	
49	12-3-04							40						319.62		10822	49	
50	12-10-04							40						319.62		10833	50	
51	12-17-04							40						440.00		10850	51	
52	12-24-04							40						319.62		10861	52	
	12-31-04							40						319.62		10879		
TOTALS-4th Qtr.																		
TOTALS-YEAR																		

TOTALS YEAR

NAME Kevin Winkelman ADDRESS MC 70 Bx 635 Sandy Hook, Ky 41171 2004

Week No	WEEK ENDED	HOURS							TOTAL HOURS		RATE		EARNINGS		Total Wages	401 K	Paid by Check No	Week No
		SUN.	MON.	TUE.	WED.	THU.	FRI.	SAT.	Reg.	O.T.	Reg.	O.T.	Regular	Overtime				
1	1-2-04							9:00	1350	40	-	360.00	-	360.00		10389	1	
2	1-9-04							9:00	1350	40	9	360.00	121.50	481.50		10240	2	
3	1-16-04							9:00	1350	40	9	360.00	27.00	387.00		10311	3	
4	1-23-04							9:00	1350	40	5	360.00	67.50	427.50		10522	4	
5	1-30-04							9:00	1350	40	0	360.00	-	360.00		10334	5	
6	2-6-04							9:00	1350	40	0	360.00	-	360.00		10348	6	
7	2-13-04							9:00	1350	40	0	360.00	-	360.00		10353	7	
8	2-20-04							9:00	1350	40	5	360.00	67.50	427.50		10366	8	
9	2-27-04							9:00	1350	40	0	360.00	-	360.00		10378	9	
10	3-5-04							9:00	1350	40	3 1/4	360.00	44.00	404.00		10392	10	
11	3-12-04							9:00	1350	40	1	360.00	13.50	373.50		10399	11	
12	3-19-04							9:00	1350	40	10	360.00	135.00	495.00		10411	12	
13	3-26-04							9:00	1350	40	2 1/2	360.00	337.50	177.50		10422	13	
Totals-1st Qtr.																		TOTALS
14	4-2-04							9:00	1350	40	0	360.00	-	360.00		10432	14	
15	4-9-04							9:00	1350	40	3 1/4	360.00	44.00	404.00		10447	15	
16	4-16-04							9:00	1350	40	-	360.00	-	360.00		10458	16	
17	4-23-04							9:00	1350	40	-	360.00	-	360.00		10462	17	
18	4-30-04							9:00	1350	40	5	360.00	67.50	427.50		10467	18	
19	5-7-04							9:00	1350	40	2	360.00	27.00	387.00		10497	19	
20	5-14-04							9:00	1350	40	8	360.00	108.00	468.00		10502	20	
21	5-21-04							9:00	1350	40	-	360.00	-	360.00		10514	21	
22	5-28-04							9:00	1350	40	2	360.00	27.00	387.00		10522	22	
23	6-4-04							9:00	1350	40	-	360.00	-	360.00		10534	23	
24	6-11-04							9:00	1350	40	3	360.00	40.50	400.50		10535	24	
25	6-18-04							9:00	1350	40	2	360.00	27.00	387.00		10553	25	
26	6-25-04							9:00	1350	40	3	360.00	40.50	400.50		10567	26	
Totals-2nd Qtr.																		TOTALS
27	7-2-04							9:00	1350	40	2	360.00	27.00	387.00		10579	27	
28	7-9-04							9:00	1350	40	2	360.00	27.00	387.00		10592	28	
29	7-16-04							9:00	1350	40	5	360.00	67.50	427.50			29	
30	7-23-04							9:00	1350	40	6	360.00	81.00	441.00		10410	30	
31	7-30-04							9:00	1350	40	2 1/2	360.00	37.50	738.00		10622	31	
32	8-6-04							9:00	1350	40	3	360.00	40.50	400.50		10641	32	
33	8-13-04							9:00	1350	40	0	360.00	-	360.00		10642	33	
34	8-20-04							9:00	1350	40	0	360.00	-	360.00		10663	34	
35	8-27-04							9:00	1350	40	0	360.00	-	360.00		10670	35	
36	9-3-04							9:00	1350	40	0	360.00	-	360.00		10683	36	
37	9-10-04							9:00	1350	40	3	360.00	40.50	400.50		10699	37	
38	9-17-04							9:00	1350	40	10	360.00	135.00	495.00		10700	38	
39	9-24-04							9:00	1350	40	0	360.00	-	360.00		10711	39	
Totals-3rd Qtr.																		TOTALS
40	10-1-04							9:00	1350	40	1/2	360.00	54.00	914.00		10728	40	
41	10-8-04							9:00	1350	40	10	360.00	135.00	495.00		10740	41	
42	10-15-04							9:00	1350	40	0	360.00	-	360.00		10750	42	
43	10-22-04							9:00	1350	40	0	360.00	-	360.00		10762	43	
44	10-29-04							9:00	1350	40	0	360.00	-	360.00		10774	44	
45	11-5-04							9:00	1350	40	0	360.00	-	360.00		10781	45	
46	11-12-04							9:00	1350	40	0	360.00	-	360.00		10791	46	
47	11-19-04							9:00	1350	40	2	360.00	27.00	387.00		10804	47	
48	11-26-04							9:00	1350	40	0	360.00	-	360.00		10811	48	
49	12-3-04							9:00	1350	40	6	360.00	51.00	441.00		10821	49	
50	12-10-04							9:00	1350	40	0	360.00	-	360.00		10847	50	
51	12-17-04							9:00	1350	40	0	360.00	27.00	468.00		10851	51	
52	12-24-04							9:00	1350	40	0	360.00	-	360.00		10851	52	
Totals-4th Qtr.																		TOTALS
TOTALS-YEAR																		TOTALS-YEAR

Ch. Street 100.00

NAME Michael Crouch ADDRESS 865 C. Trail
Ellen Dale
Morehead Ky 40351

865 C. Trail
 Ellen Dale
 Morehead Ky 40351

Week No	WEEK ENDED	HOURS							TOTAL HOURS		RATE		EARNINGS		Total Wages	401 K	Paid by Check No	Week No
		SUN	MON	TUE	WED	THU	FRI	SAT	Reg.	O.T.	Reg.	O.T.	Regular	Overtime				
1	1-2-04							40	8	16.00	24.00	640.00	192.00	832.00		10237	1	
2	1-9-04							40	8	16.00	24.00	640.00	192.00	832.00		10303	2	
3	1-16-04							40	8	16.00	24.00	640.00	192.00	832.00		10309	3	
4	1-23-04							40	8	16.00	24.00	640.00	192.00	832.00		10312	4	
5	1-30-04							40	8	16.00	24.00	640.00	192.00	832.00		10332	5	
6	2-6-04							40	8	16.00	24.00	640.00	192.00	832.00		10344	6	
7	2-13-04							40	8	16.00	24.00	640.00	192.00	832.00		10351	7	
8	2-20-04							40	20	16.00	24.00	640.00	480.00	1120.00		10364	8	
9	2-27-04							40	8	16.00	24.00	640.00	192.00	832.00		10374	9	
10	3-5-04							40	8	16.00	24.00	640.00	192.00	832.00		10380	10	
11	3-12-04							40	8	16.00	24.00	640.00	192.00	832.00		10397	11	
12	3-19-04							40	8	16.00	24.00	640.00	192.00	832.00		10409	12	
13	3-26-04							40	25	16.00	24.00	640.00	600.00	1240.00		10412	13	
Totals-1st Qtr.																	TOTALS	
14	4-2-04							40	8	16.00	24.00	640.00	192.00	832.00		10430	14	
15	4-9-04							40	8	16.00	24.00	640.00	192.00	832.00		10445	15	
16	4-16-04							40	8	16.00	24.00	640.00	192.00	832.00		10450	16	
17	4-23-04							40	8	16.00	24.00	640.00	192.00	832.00		10461	17	
18	4-30-04							40	8	16.00	24.00	640.00	192.00	832.00		10465	18	
19	5-7-04							40	12	16.00	24.00	640.00	288.00	928.00		10495	19	
20	5-14-04							40	12	16.00	24.00	640.00	288.00	928.00		10500	20	
21	5-21-04							40	12	16.00	24.00	640.00	288.00	928.00		10512	21	
22	5-28-04							40	8	16.00	24.00	640.00	192.00	832.00		10520	22	
23	6-4-04							40	8	16.00	24.00	640.00	192.00	832.00		10532	23	
24	6-11-04							40	8	16.00	24.00	640.00	192.00	832.00		10540	24	
25	6-18-04							40	8	16.00	24.00	640.00	192.00	832.00		10553	25	
26	6-25-04							40	8	16.00	24.00	640.00	192.00	832.00		10565	26	
Totals-2nd Qtr.																	TOTALS	
27	7-1-04							40	8	16.00	24.00	640.00	192.00	832.00		10577	27	
28	7-9-04							40	8	16.00	24.00	640.00	192.00	832.00		10591	28	
29	7-16-04							40	8	16.00	24.00	640.00	192.00	832.00		10600	29	
30	7-23-04							40	8	16.00	24.00	640.00	192.00	832.00		10608	30	
31	7-30-04							40	20	16.00	24.00	640.00	480.00	1120.00		10620	31	
32	8-6-04							40	8	16.00	24.00	640.00	192.00	832.00		10639	32	
33	8-13-04							40	8	16.00	24.00	640.00	192.00	832.00		10648	33	
34	8-20-04							40	8	16.00	24.00	640.00	192.00	832.00		10661	34	
35	8-27-04							40	8	16.00	24.00	640.00	192.00	832.00		10668	35	
36	9-3-04							40	8	16.00	24.00	640.00	192.00	832.00		10681	36	
37	9-10-04							40	8	16.00	24.00	640.00	192.00	832.00		10693	37	
38	9-17-04							40	16	16.00	24.00	640.00	384.00	1024.00		10702	38	
39	9-24-04							40	8	16.00	24.00	640.00	192.00	832.00		10709	39	
Totals-3rd Qtr.																	TOTALS	
40	10-1-04							40	8	16.00	24.00	640.00	192.00	832.00		10726	40	
41	10-8-04							40	12	16.00	24.00	640.00	288.00	928.00		10732	41	
42	10-15-04							40	8	16.00	24.00	640.00	192.00	832.00		10748	42	
43	10-22-04							40	8	16.00	24.00	640.00	192.00	832.00		10753	43	
44	10-29-04							40	8	16.00	24.00	640.00	192.00	832.00		10773	44	
45	11-5-04							40	8	16.00	24.00	640.00	192.00	832.00		10784	45	
46	11-12-04							40	8	16.00	24.00	640.00	192.00	832.00		10791	46	
47	11-19-04							40	8	16.00	24.00	640.00	192.00	832.00		10801	47	
48	11-26-04							40	8	16.00	24.00	640.00	192.00	832.00		10810	48	
49	12-3-04							40	8	16.00	24.00	640.00	192.00	832.00		10820	49	
50	12-10-04							40	8	16.00	24.00	640.00	192.00	832.00		10848	50	
51	12-17-04							40	8	16.00	24.00	640.00	192.00	974.00		10852	51	
52	12-22-04							40	8	16.00	24.00	640.00	192.00	832.00		10860	52	
53	12-31-04							40	8	16.00	24.00	640.00	192.00	832.00		10870	53	
Totals-4th Qtr.																	TOTALS	
TOTALS-YEAR																	TOTALS-YEAR	

Christmas 100.00

531 HWY 173
West Liberty, Ky 2004

NAME Judy Stinson ADDRESS West Liberty, Ky

Week No	WEEK ENDED	HOURS							TOTAL HOURS				RATE		EARNINGS		Total Wages	401K	Paid by Check No	Week No
		SUN	MON	TUE	WED.	THU.	FRI.	SAT.	Reg.	O.T.	Reg.	O.T.	Regular	Overtime						
1	1-2-04							40	2	15.00	22.50	600.00	45.00	645.00		10288	1			
2	1-9-04							40	4	15.00	22.50	600.00	90.00	690.00		10304	2			
3	1-16-04							40	2	15.00	22.50	600.00	45.00	645.00		10310	3			
4	1-23-04							40	2	15.00	22.50	600.00	45.00	645.00		10321	4			
5	1-30-04							40	2	15.00	22.50	600.00	45.00	645.00		10333	5			
6	2-6-04							40	2	15.00	22.50	600.00	45.00	645.00		10347	6			
7	2-13-04							40	0	15.00	-	600.00	-	600.00		10352	7			
8	2-20-04							40	15	15.00	22.50	600.00	337.50	937.50		10365	8			
9	2-27-04							40	6	15.00	22.50	600.00	135.00	735.00		10375	9			
10	3-5-04							40	2	15.00	22.50	600.00	45.00	645.00		10391	10			
11	3-12-04							40	0	15.00	22.50	600.00	-	600.00		10398	11			
12	3-19-04							40	2	15.00	22.50	600.00	45.00	645.00		10410	12			
13	3-26-04							40	0	15.00	22.50	600.00	-	600.00		10421	13			
Totals-1st Qtr.								40	6	15.00	22.50	600.00	135.00	735.00		10431	14			
14	4-2-04							40	2	15.00	22.50	600.00	45.00	645.00		10446	15			
15	4-9-04							40	0	15.00	22.50	600.00	-	600.00		10457	16			
16	4-16-04							40	0	15.00	22.50	600.00	-	600.00		10462	17			
17	4-23-04							40	4	15.00	22.50	600.00	90.00	690.00		10466	18			
18	4-30-04							40	2	15.00	22.50	600.00	45.00	645.00		10496	19			
19	5-7-04							40	5	15.00	22.50	600.00	112.50	712.50		10504	20			
20	5-14-04							40	0	15.00	22.50	600.00	-	600.00		10513	21			
21	5-21-04							40	0	15.00	22.50	600.00	-	600.00		10521	22			
22	5-28-04							40	5	15.00	22.50	600.00	112.50	712.50		10533	23			
23	6-4-04							40	0	15.00	22.50	600.00	-	600.00		10547	24			
24	6-11-04							40	0	15.00	22.50	600.00	-	600.00		10551	25			
25	6-18-04							40	5	15.00	22.50	600.00	112.50	712.50		10561	26			
26	6-25-04							40	2	15.00	22.50	600.00	45.00	645.00		10566	26			
Totals-2nd Qtr.								40	4	15.00	22.50	600.00	90.00	690.00		10575	27			
27	7-2-04							40	2	15.00	22.50	600.00	45.00	645.00		10592	28			
28	7-9-04							40	4	15.00	22.50	600.00	90.00	690.00		10602	29			
29	7-16-04							40	4	15.00	22.50	600.00	90.00	690.00		10609	30			
30	7-23-04							40	15	15.00	22.50	600.00	337.50	937.50		10621	31			
31	7-30-04							40	2	15.00	22.50	600.00	45.00	645.00		10640	32			
32	8-6-04							40	2	15.00	22.50	600.00	45.00	645.00		10649	33			
33	8-13-04							40	0	15.00	22.50	600.00	-	600.00		10662	34			
34	8-20-04							40	2	15.00	22.50	600.00	45.00	645.00		10669	35			
35	8-27-04							40	0	15.00	22.50	600.00	-	600.00		10682	36			
36	9-3-04							40	4	15.00	22.50	600.00	90.00	690.00		10694	37			
37	9-10-04							40	10	15.00	22.50	600.00	225.00	825.00		10706	38			
38	9-17-04							40	0	15.00	22.50	600.00	-	600.00		10710	39			
39	9-24-04							40	0	15.00	22.50	600.00	-	600.00		10710	39			
Totals-3rd Qtr.								40	2	15.00	22.50	600.00	45.00	645.00		10727	40			
40	10-1-04							40	4	15.00	22.50	600.00	90.00	690.00		10732	41			
41	10-8-04							40	0	15.00	22.50	600.00	-	600.00		10749	42			
42	10-15-04							40	0	15.00	22.50	600.00	-	600.00		10764	43			
43	10-22-04							40	0	15.00	22.50	600.00	-	600.00		10774	44			
44	10-29-04							40	0	15.00	22.50	600.00	-	600.00		10784	45			
45	11-5-04							40	0	15.00	22.50	600.00	-	600.00		10790	46			
46	11-12-04							40	0	15.00	22.50	600.00	-	600.00		10803	47			
47	11-19-04							40	0	15.00	22.50	600.00	-	600.00		10810	48			
48	11-26-04							40	0	15.00	22.50	600.00	-	600.00		10816	49			
49	12-3-04							40	6	15.00	22.50	600.00	135.00	735.00		10836	50			
50	12-10-04							40	2	15.00	22.50	600.00	45.00	645.00		10845	51			
51	12-17-04							40	0	15.00	22.50	600.00	-	600.00		10846	52			
52	12-24-04							40	2	15.00	22.50	600.00	45.00	645.00		10854	52			
52	12-31-04							40	2	15.00	22.50	600.00	45.00	645.00		10854	52			
Totals-4th Qtr.								40	2	15.00	22.50	600.00	45.00	645.00		10854	TOTALS-4th Qtr.			
TOTALS-YEAR								40	2	15.00	22.50	600.00	45.00	645.00		10854	TOTALS-YEAR			

includes Xmas

SANDY HOOK WATER DISTRICT						
BILLING ANALYSIS - TEST YEAR						
	Bills	Gallons	2,000	8,000	40,000	50,000
2,000	4,715	3,660,090	3,660,090			
8,000	8,010	34,227,190	16,020,000	18,207,190		
40,000	586	6,410,910	1,172,000	4,688,000	550,910	
50,000	29	2,296,570	58,000	232,000	1,160,000	846,570
	13,340	46,594,760	20,910,090	23,127,190	1,710,910	846,570
CURRENT RATES AND REVENUE						
	Bills	Gallons	Rate	Revenue		
2,000	13,340	20,910,090	\$ 14.64	\$ 195,298		
8,000		23,127,190	4.90	113,323		
40,000		1,710,910	4.31	7,374		
50,000		846,570	3.13	2,650		
Total 5/8	13,340	46,594,760		\$ 318,645		
1 Inch	24	119,240		855.17		
1 1/2 Inch	24	1,846,800		7,065		
2 Inch	72	3,921,500		16,566		
3 Inch	12	153,900		1,680		
Total Water	13,472	52,636,200		\$ 344,811		
Fire Hydrants	15	206,250	48	720		
	13,487	52,842,450		\$ 345,531		
Please note the billing analysis does not match the audit report and annual report. The \$374,069 shown as operating income includes taxes and late charges as shown on the attached history tracking by rate tables sheet.						

SANDY HOOK WATER DISTRICT						
TEST YEAR BILLING ANALYSIS						
1 INCH CONNECTIONS						
	Bills	Gallons	5,000	5,000	40,000	50,000
5,000	14	37,500	37,500			
5,000	6	34,090	30,000	4,090		
40,000	4	47,650	20,000	20,000	7,650	
50,000	-	-	-	-	-	-
	24	119,240	87,500	24,090	7,650	-
CURRENT RATES AND REVENUE						
	Bills	Gallons	Rate	Revenue		
5,000	24	87,500	\$ 29.34	\$ 704		
5,000		24,090	4.90	118		
40,000		7,650	4.31	33		
50,000		-	3.13	-		
	24	119,240		\$ 855		

SANDY HOOK WATER DISTRICT						
TEST YEAR BILLING ANALYSIS						
1 1/2 INCH CONNECTIONS						
	Bills	Gallons	10,000	40,000	50,000	
10,000	-	-	-			
40,000	3	109,200	109,200	-		
50,000	21	1,737,600	210,000	840,000	687,600	
	24	1,846,800	319,200	840,000	687,600	
TEST YEAR RATES AND REVENUE						
	Bills	Gallons	Rate	Revenue		
10,000	24	319,200	\$ 53.84	\$ 1,292		
40,000		840,000	4.31	3,620		
50,000		687,600	3.13	2,152		
	24	1,846,800		\$ 7,065		

SANDY HOOK WATER DISTRICT

TEST YEAR BILLING ANALYSIS

2 INCH CONNECTIONS

	Bills	Gallons	20,000	30,000	50,000
20,000	26	351,000	351,000		
30,000	11	263,200	220,000	43,200	
50,000	35	3,307,300	700,000	1,050,000	1,557,300
	72	3,921,500	1,271,000	1,093,200	1,557,300

TEST YEAR RATES AND REVENUE

	Bills	Gallons	Rate	Revenue	
20,000	72	1,271,000	\$ 96.94	\$ 6,980	
30,000		1,093,200	4.31	4,712	
50,000		1,557,300	3.13	4,874	
	72	3,921,500		\$ 16,566	

SANDY HOOK WATER DISTRICT

TEST YEAR BILLING ANALYSIS

3 INCH CONNECTIONS

	Bills	Gallons	30,000	20,000	50,000
30,000	12	153,900	153,900		
20,000	-	-	-	-	
50,000	-	-	-	-	-
	12	153,900	153,900	-	-

TEST YEAR RATES AND REVENUE

	Bills	Gallons	Rate	Revenue	
30,000	12	153,900	\$ 140.04	\$ 1,680	
20,000		-	4.31	-	
50,000		-	3.13	-	
	12	153,900		\$ 1,680	

RUN DATE: 04/18/05 14:02
 TER. L: 1

SANDY HOOK WATER DISTRICT
 HISTORY TRACKING BY RATE TABLES
 BILLING CHARGES - DETAILED FORMAT

SERVICE: W WATER
 RATE TABLE RANGE: ALL

ACCOUNT RANGE: ALL
 DATE RANGE: 01/2004 THRU 12/2004

ACCOUNT CLASS RANGE: A THRU Z
 MASTER METER RANGE: ALL

RT	MONTH	BILLS	# L/C	CHARGES	F/C	STX	TAX-1	TAX-2	TAX-3	TAX-4	TAX-5	E/F	L/C	TOTALS
WA	01/04	822	158	19096.28	0.00	573.14	0.00	0.00	0.00	0.00	0.00	0.00	407.25	20076.67
WA	02/04	825	167	17864.22	0.00	536.26	0.00	0.00	0.00	0.00	0.00	0.00	477.02	18877.50
WA	03/04	826	158	18147.11	0.00	544.66	0.00	0.00	0.00	0.00	0.00	0.00	369.06	19060.83
WA	04/04	832	161	18630.83	0.00	559.14	0.00	0.00	0.00	0.00	0.00	0.00	378.20	19568.17
WA	05/04	840	190	19403.35	0.00	582.30	0.00	0.00	0.00	0.00	0.00	0.00	462.30	20447.95
WA	06/04	840	177	19786.15	0.00	593.82	0.00	0.00	0.00	0.00	0.00	0.00	449.01	20828.98
WA	07/04	838	196	19865.06	0.00	596.32	0.00	0.00	0.00	0.00	0.00	0.00	495.15	20956.53
WA	08/04	838	177	19314.58	0.00	579.62	0.00	0.00	0.00	0.00	0.00	0.00	467.89	20362.09
WA	09/04	838	164	19661.56	0.00	590.24	0.00	0.00	0.00	0.00	0.00	0.00	417.76	20669.56
WA	10/04	844	203	18121.21	0.00	543.92	0.00	0.00	0.00	0.00	0.00	0.00	509.96	19175.09
WA	11/04	842	174	19026.59	0.00	570.99	0.00	0.00	0.00	0.00	0.00	0.00	396.07	19993.65
WA	12/04	846	168	19980.63	0.00	599.61	0.00	0.00	0.00	0.00	0.00	0.00	403.09	20983.33

TOTALS		10031	2093	228897.57	0.00	6870.02	0.00	0.00	0.00	0.00	0.00	0.00	5232.76	241000.35

RT	MONTH	BILLS	# L/C	CHARGES	F/C	STX	TAX-1	TAX-2	TAX-3	TAX-4	TAX-5	E/F	L/C	TOTALS
WB	01/04	84	19	3736.79	0.00	112.14	216.67	0.00	0.00	0.00	0.00	0.00	47.93	4113.53
WB	02/04	84	21	3487.09	0.00	104.68	201.37	0.00	0.00	0.00	0.00	0.00	43.74	3836.88
WB	03/04	84	22	3480.57	0.00	104.48	199.63	0.00	0.00	0.00	0.00	0.00	183.81	3968.49
WB	04/04	85	21	3317.33	0.00	99.55	188.95	0.00	0.00	0.00	0.00	0.00	55.68	3661.51
WB	05/04	85	20	3251.07	0.00	97.55	184.68	0.00	0.00	0.00	0.00	0.00	42.51	3575.81
WB	06/04	84	17	3254.02	0.00	97.67	183.17	0.00	0.00	0.00	0.00	0.00	42.84	3577.70
WB	07/04	83	24	3699.22	0.00	111.03	209.87	0.00	0.00	0.00	0.00	0.00	52.28	4072.40
WB	08/04	85	19	3478.69	0.00	104.42	194.68	0.00	0.00	0.00	0.00	0.00	45.73	3823.52
WB	09/04	83	16	3769.04	0.00	113.07	212.96	0.00	0.00	0.00	0.00	0.00	39.29	4134.36
WB	10/04	83	25	3277.01	0.00	98.37	179.27	0.00	0.00	0.00	0.00	0.00	104.27	3658.92
WB	11/04	90	16	3928.38	0.00	117.87	221.97	0.00	0.00	0.00	0.00	0.00	43.72	4311.94
WB	12/04	89	9	3900.03	0.00	117.03	219.83	0.00	0.00	0.00	0.00	0.00	26.81	4263.70

TOTALS		1019	229	42579.24	0.00	1277.86	2413.05	0.00	0.00	0.00	0.00	0.00	728.61	46998.76

RT	MONTH	BILLS	# L/C	CHARGES	F/C	STX	TAX-1	TAX-2	TAX-3	TAX-4	TAX-5	E/F	L/C	TOTALS
WC	01/04	4	0	567.88	0.00	17.04	0.00	0.00	0.00	0.00	0.00	0.00	0.00	584.92
WC	02/04	4	0	573.92	0.00	17.21	0.00	0.00	0.00	0.00	0.00	0.00	0.00	591.13
WC	03/04	4	0	656.90	0.00	19.71	0.00	0.00	0.00	0.00	0.00	0.00	0.00	676.61
WC	04/04	4	1	650.10	0.00	19.51	0.00	0.00	0.00	0.00	0.00	0.00	21.54	691.15
WC	05/04	4	0	696.46	0.00	20.89	0.00	0.00	0.00	0.00	0.00	0.00	0.00	717.35
WC	06/04	4	0	978.21	0.00	29.34	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1007.55
WC	07/04	4	0	607.54	0.00	18.23	0.00	0.00	0.00	0.00	0.00	0.00	0.00	625.77
WC	08/04	4	0	619.01	0.00	18.58	0.00	0.00	0.00	0.00	0.00	0.00	0.00	637.59
WC	09/04	4	0	670.19	0.00	20.11	0.00	0.00	0.00	0.00	0.00	0.00	0.00	690.30
WC	10/04	4	0	770.86	0.00	23.13	0.00	0.00	0.00	0.00	0.00	0.00	0.00	793.99
WC	11/04	4	0	915.56	0.00	27.47	0.00	0.00	0.00	0.00	0.00	0.00	0.00	943.03
WC	12/04	4	0	715.64	0.00	21.47	0.00	0.00	0.00	0.00	0.00	0.00	0.00	737.11

TOTALS		48	1	8422.27	0.00	252.69	0.00	0.00	0.00	0.00	0.00	0.00	21.54	8696.50

RUN DATE: 04/18/05 14:02
 TERMINAL: 1

SANDY HOOK WATER DISTRICT
 HISTORY TRACKING BY RATE TABLES
 BILLING CHARGES - DETAILED FORMAT

SERVICE: W WATER
 RATE TABLE RANGE: ALL

ACCOUNT RANGE: ALL
 DATE RANGE: 01/2004 THRU 12/2004

ACCOUNT CLASS RANGE: A THRU Z
 MASTER METER RANGE: ALL

RT	MONTH	BILLS	# L/C	CHARGES	F/C	STX	TAX-1	TAX-2	TAX-3	TAX-4	TAX-5	E/F	L/C	TOTALS
WD	01/04	2	1	934.78	0.00	28.05	57.77	0.00	0.00	0.00	0.00	0.00	9.69	1030.29
WD	02/04	2	1	678.75	0.00	20.36	41.95	0.00	0.00	0.00	0.00	0.00	9.69	750.75
WD	03/04	2	1	855.91	0.00	25.68	52.89	0.00	0.00	0.00	0.00	0.00	9.69	944.17
WD	04/04	2	1	640.25	0.00	19.21	39.57	0.00	0.00	0.00	0.00	0.00	9.69	708.72
WD	05/04	2	0	637.12	0.00	19.12	39.37	0.00	0.00	0.00	0.00	0.00	0.00	695.61
WD	06/04	2	0	723.83	0.00	21.72	44.73	0.00	0.00	0.00	0.00	0.00	0.00	790.28
WD	07/04	2	0	571.08	0.00	17.13	35.29	0.00	0.00	0.00	0.00	0.00	0.00	623.50
WD	08/04	2	0	620.84	0.00	18.63	38.37	0.00	0.00	0.00	0.00	0.00	0.00	677.84
WD	09/04	2	1	719.75	0.00	21.59	44.48	0.00	0.00	0.00	0.00	0.00	9.69	795.51
WD	10/04	2	1	580.15	0.00	17.41	35.85	0.00	0.00	0.00	0.00	0.00	9.69	643.10
WD	11/04	2	0	645.26	0.00	19.36	39.88	0.00	0.00	0.00	0.00	0.00	0.00	704.50
WD	12/04	2	0	726.64	0.00	21.80	44.91	0.00	0.00	0.00	0.00	0.00	0.00	793.35
<hr/>														
TOTALS		24	6	8334.36	0.00	250.06	515.06	0.00	0.00	0.00	0.00	0.00	58.14	9157.62

RT	MONTH	BILLS	# L/C	CHARGES	F/C	STX	TAX-1	TAX-2	TAX-3	TAX-4	TAX-5	E/F	L/C	TOTALS
WF	01/04	2	0	70.69	0.00	2.12	0.00	0.00	0.00	0.00	0.00	0.00	0.00	72.81
WF	02/04	3	0	100.71	0.00	3.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	103.73
WF	03/04	3	2	97.28	0.00	2.92	0.00	0.00	0.00	0.00	0.00	0.00	5.86	106.06
WF	04/04	3	1	227.98	0.00	6.83	0.00	0.00	0.00	0.00	0.00	0.00	3.77	238.58
WF	05/04	3	2	194.66	0.00	5.84	0.00	0.00	0.00	0.00	0.00	0.00	19.85	220.35
WF	06/04	3	1	114.93	0.00	3.45	0.00	0.00	0.00	0.00	0.00	0.00	13.42	131.80
WF	07/04	3	1	95.71	0.00	2.87	0.00	0.00	0.00	0.00	0.00	0.00	5.63	104.21
WF	08/04	3	1	97.77	0.00	2.93	0.00	0.00	0.00	0.00	0.00	0.00	3.70	104.40
WF	09/04	3	0	88.02	0.00	2.64	0.00	0.00	0.00	0.00	0.00	0.00	0.00	90.66
WF	10/04	3	1	88.02	0.00	2.64	0.00	0.00	0.00	0.00	0.00	0.00	2.93	93.59
WF	11/04	3	1	88.02	0.00	2.64	0.00	0.00	0.00	0.00	0.00	0.00	2.93	93.59
WF	12/04	3	0	102.96	0.00	3.09	0.00	0.00	0.00	0.00	0.00	0.00	0.00	106.05
<hr/>														
TOTALS		35	10	1366.75	0.00	40.99	0.00	0.00	0.00	0.00	0.00	0.00	58.09	1465.83

RT	MONTH	BILLS	# L/C	CHARGES	F/C	STX	TAX-1	TAX-2	TAX-3	TAX-4	TAX-5	E/F	L/C	TOTALS
WG	01/04	2	0	88.02	0.00	2.64	5.44	0.00	0.00	0.00	0.00	0.00	0.00	96.10
WG	02/04	2	1	88.02	0.00	2.64	5.44	0.00	0.00	0.00	0.00	0.00	5.87	101.97
WG	03/04	2	0	88.02	0.00	2.64	5.44	0.00	0.00	0.00	0.00	0.00	0.00	96.10
WG	04/04	2	0	88.02	0.00	2.64	5.44	0.00	0.00	0.00	0.00	0.00	0.00	96.10
WG	05/04	2	0	88.02	0.00	2.64	5.44	0.00	0.00	0.00	0.00	0.00	0.00	96.10
WG	06/04	2	0	88.02	0.00	2.64	5.44	0.00	0.00	0.00	0.00	0.00	0.00	96.10
WG	07/04	2	1	88.02	0.00	2.64	5.44	0.00	0.00	0.00	0.00	0.00	5.87	101.97
WG	08/04	2	0	88.02	0.00	2.64	5.44	0.00	0.00	0.00	0.00	0.00	0.00	96.10
WG	09/04	2	0	96.30	0.00	2.89	5.96	0.00	0.00	0.00	0.00	0.00	0.00	105.15
WG	10/04	2	0	101.74	0.00	3.05	6.29	0.00	0.00	0.00	0.00	0.00	0.00	111.08
WG	11/04	2	0	88.02	0.00	2.64	5.44	0.00	0.00	0.00	0.00	0.00	0.00	96.10
WG	12/04	2	0	89.88	0.00	2.70	5.56	0.00	0.00	0.00	0.00	0.00	0.00	98.14
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TOTALS		24	2	1080.10	0.00	32.40	66.77	0.00	0.00	0.00	0.00	0.00	11.74	1191.01

RUN DATE: 04/18/05 14:02
 TERMINAL: 1

SANDY HOOK WATER DISTRICT
 HISTORY TRACKING BY RATE TABLES
 BILLING CHARGES - DETAILED FORMAT

SERVICE: W WATER				ACCOUNT RANGE: ALL							ACCOUNT CLASS RANGE: A THRU Z				
RATE TABLE RANGE: ALL				DATE RANGE: 01/2004 THRU 12/2004							MASTER METER RANGE: ALL				
WS	03/04	183	32	3890.50	0.00	116.79	0.00	0.00	0.00	0.00	0.00	0.00	74.06	4081.35	
WS	04/04	186	35	4259.35	0.00	127.90	0.00	0.00	0.00	0.00	0.00	0.00	73.71	4460.96	
WS	05/04	186	30	4518.49	0.00	135.59	0.00	0.00	0.00	0.00	0.00	0.00	83.30	4737.38	
WS	06/04	186	31	4287.16	0.00	128.66	0.00	0.00	0.00	0.00	0.00	0.00	88.30	4504.12	
WS	07/04	185	44	4351.51	0.00	130.60	0.00	0.00	0.00	0.00	0.00	0.00	115.94	4598.05	
WS	08/04	188	39	4347.79	0.00	130.55	0.00	0.00	0.00	0.00	0.00	0.00	91.59	4569.93	
WS	09/04	187	31	4428.79	0.00	132.92	0.00	0.00	0.00	0.00	0.00	0.00	70.45	4632.16	
WS	10/04	184	42	3828.44	0.00	114.88	0.00	0.00	0.00	0.00	0.00	0.00	95.14	4038.46	
WS	11/04	185	30	4197.74	0.00	126.02	0.00	0.00	0.00	0.00	0.00	0.00	68.69	4392.45	
WS	12/04	183	29	4165.39	0.00	124.99	0.00	0.00	0.00	0.00	0.00	0.00	73.57	4363.95	
TOTALS				2222	409	50365.15	0.00	1511.68	0.00	0.00	0.00	0.00	0.00	988.29	52865.12

RT	MONTH	BILLS	#	L/C	CHARGES	F/C	STX	TAX-1	TAX-2	TAX-3	TAX-4	TAX-5	E/F	L/C	TOTALS	
WT	01/04	4	0	139.02	0.00	4.17	5.23	0.00	0.00	0.00	0.00	0.00	0.00	0.00	148.42	
WT	02/04	4	0	156.28	0.00	4.69	5.94	0.00	0.00	0.00	0.00	0.00	0.00	0.00	166.91	
WT	03/04	4	0	113.63	0.00	3.41	5.26	0.00	0.00	0.00	0.00	0.00	0.00	0.00	122.30	
WT	04/04	4	0	122.30	0.00	3.67	5.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	131.77	
WT	05/04	4	1	120.00	0.00	3.60	6.07	0.00	0.00	0.00	0.00	0.00	0.00	1.97	131.64	
WT	06/04	4	1	119.55	0.00	3.59	5.91	0.00	0.00	0.00	0.00	0.00	0.00	2.14	131.19	
WT	07/04	4	1	135.09	0.00	4.06	5.82	0.00	0.00	0.00	0.00	0.00	0.00	1.90	146.87	
WT	08/04	4	1	94.81	0.00	2.85	4.34	0.00	0.00	0.00	0.00	0.00	0.00	1.90	103.90	
WT	09/04	4	0	97.46	0.00	2.92	4.15	0.00	0.00	0.00	0.00	0.00	0.00	0.00	104.53	
WT	10/04	4	0	100.35	0.00	3.01	3.74	0.00	0.00	0.00	0.00	0.00	0.00	0.00	107.10	
WT	11/04	4	0	90.85	0.00	2.73	3.88	0.00	0.00	0.00	0.00	0.00	0.00	0.00	97.46	
WT	12/04	4	0	113.83	0.00	3.42	6.13	0.00	0.00	0.00	0.00	0.00	0.00	0.00	123.38	
TOTALS				48	4	1403.17	0.00	42.12	62.27	0.00	0.00	0.00	0.00	0.00	7.91	1515.47

SERVICE TOTALS:

RT	MONTH	BILLS	#	L/C	CHARGES	F/C	STX	TAX-1	TAX-2	TAX-3	TAX-4	TAX-5	E/F	L/C	TOTALS	
	01/04	1107	215	29616.10	0.00	888.83	302.44	0.00	0.00	0.00	0.00	0.00	0.00	548.92	31356.29	
	02/04	1112	219	27743.40	0.00	832.72	271.37	0.00	0.00	0.00	0.00	0.00	0.00	605.81	29453.30	
	03/04	1111	215	28235.00	0.00	847.44	279.38	0.00	0.00	0.00	0.00	0.00	0.00	642.48	30004.30	
	04/04	1121	220	28746.48	0.00	862.76	254.45	0.00	0.00	0.00	0.00	0.00	0.00	542.59	30406.28	
	05/04	1129	243	29753.40	0.00	892.86	249.64	0.00	0.00	0.00	0.00	0.00	0.00	609.93	31505.83	
	06/04	1128	227	29998.29	0.00	900.28	255.38	0.00	0.00	0.00	0.00	0.00	0.00	595.71	31749.66	
	07/04	1124	267	29939.27	0.00	898.66	271.41	0.00	0.00	0.00	0.00	0.00	0.00	676.77	31786.11	
	08/04	1129	237	29462.74	0.00	884.25	256.89	0.00	0.00	0.00	0.00	0.00	0.00	610.81	31214.69	
	09/04	1126	212	30412.13	0.00	912.81	282.16	0.00	0.00	0.00	0.00	0.00	0.00	537.19	32144.29	
	10/04	1129	272	27640.04	0.00	829.58	238.46	0.00	0.00	0.00	0.00	0.00	0.00	721.99	29430.07	
	11/04	1135	221	29824.38	0.00	895.04	287.17	0.00	0.00	0.00	0.00	0.00	0.00	511.41	31518.00	
	12/04	1136	206	30535.33	0.00	916.32	289.74	0.00	0.00	0.00	0.00	0.00	0.00	503.47	32244.86	
TOTALS				13487	2754	351906.56	0.00	10561.55	3238.49	0.00	0.00	0.00	0.00	0.00	7107.08	372813.68

SANDY HOOK WATER DISTRICT

REPORT OF AUDIT

DECEMBER 31, 2004

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Griffith, DeLaney, Hillman & Company

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LINDA CARPER JORDAN, CPA
KIMBERLY PAYNE CURTIS, CPA

INDEPENDENT AUDITORS' REPORT

March 1, 2005

To the Board of Water Commissioners
Sandy Hook Water District
Sandy Hook, Kentucky

We have audited the accompanying statements of financial position of Sandy Hook Water District (a nonprofit organization) as of December 31, 2004 and 2003 and the related statements of activity and cash flows for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sandy Hook Water District as of December 31, 2004 and 2003 and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 1, 2005, on our consideration of Sandy Hook Water Districts internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements of Sandy Hook Water District taken as a whole. The accompanying schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements.

To the Board of Water Commissioners
March 1, 2005
Page 2

The information in the schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Griffith, DeLaney, Hillman + Company
GRIFFITH, DELANEY, HILLMAN & COMPANY

**SANDY HOOK WATER DISTRICT
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2004 AND 2003**

ASSETS

<u>CURRENT ASSETS</u>	<u>2004</u>	<u>2003</u>	<u>INCREASE (DECREASE)</u>
Cash in Bank	\$ 199,462	\$ 175,571	\$ 23,891
Accounts Receivable	30,565	29,325	1,240
Prepaid Expenses	<u>6,743</u>	<u>3,999</u>	<u>2,744</u>
<u>TOTAL CURRENT ASSETS</u>	236,770	208,895	27,875
<u>NET PROPERTY AND EQUIPMENT</u>	4,442,790	4,453,981	(11,191)
<u>OTHER ASSETS</u>			
Restricted Cash	<u>57,833</u>	<u>74,429</u>	<u>(16,596)</u>
<u>TOTAL ASSETS</u>	<u>\$4,737,393</u>	<u>\$4,737,305</u>	<u>\$ 88</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>			
Accounts Payable	\$ 786	\$ 890	\$ (104)
Accrued Expenses - Other	<u>3,518</u>	<u>2,192</u>	<u>1,326</u>
<u>TOTAL CURRENT LIABILITIES</u>	4,304	3,082	1,222
<u>LONG-TERM DEBT</u>			
Notes Payable - Rural Development	1,275,700	1,301,300	(25,600)
<u>OTHER LIABILITIES</u>			
Refundable Customer Deposits	<u>13,701</u>	<u>11,601</u>	<u>2,100</u>
<u>TOTAL LIABILITIES</u>	<u>1,293,705</u>	<u>1,315,983</u>	<u>(22,278)</u>
<u>NET ASSETS</u>			
Unrestricted (Deficit)	(755,250)	(695,309)	(59,941)
Temporarily Restricted	57,833	74,429	(16,596)
Permanently Restricted	<u>4,141,105</u>	<u>4,042,202</u>	<u>98,903</u>
<u>TOTAL NET ASSETS</u>	<u>3,443,688</u>	<u>3,421,322</u>	<u>22,366</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$4,737,393</u>	<u>\$4,737,305</u>	<u>\$ 88</u>

The accompanying notes to the financial statements are an integral part of these statements.

SANDY HOOK WATER DISTRICT
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

<u>UNRESTRICTED NET ASSETS</u>	<u>2004</u>	<u>2003</u>
<u>OPERATING REVENUE</u>		
Water Sales	\$ 374,069	\$ 374,083
Sewer Collection Fees	6,000	6,000
Service Fees	<u>7,060</u>	<u>3,325</u>
<u>TOTAL OPERATING REVENUES</u>	<u>387,129</u>	<u>383,408</u>
<u>OPERATING EXPENSES</u>		
Functional Expenses:		
Transmission and Distribution	119,583	120,334
General and Administrative	<u>153,675</u>	<u>156,947</u>
Total	<u>273,258</u>	<u>277,281</u>
Other Operating Expenses:		
Depreciation	132,151	134,955
Interest Expense	<u>63,086</u>	<u>64,799</u>
Total	<u>195,237</u>	<u>199,754</u>
<u>TOTAL OPERATING EXPENSES</u>	<u>468,495</u>	<u>477,035</u>
<u>DECREASE IN UNRESTRICTED NET ASSETS</u>		
<u>FROM OPERATIONS BEFORE OTHER SOURCES</u>	<u>(81,366)</u>	<u>(93,627)</u>
<u>OTHER SOURCES</u>		
Interest Income	576	594
Miscellaneous Income	<u>4,253</u>	<u>2,623</u>
<u>TOTAL OTHER SOURCES</u>	<u>4,829</u>	<u>3,217</u>
<u>DECREASE IN UNRESTRICTED NET ASSETS</u>	<u>(76,537)</u>	<u>(90,410)</u>
<u>PERMANENTLY RESTRICTED NET ASSETS</u>		
USDA Rural Development Service Grant		131,478
Kentucky Finance Cabinet Grants	82,903	
Contributions from Customers in the Form of Service Connection Fees	<u>16,000</u>	<u>16,900</u>
<u>INCREASE IN PERMANENTLY</u>		
<u>RESTRICTED NET ASSETS</u>	<u>98,903</u>	<u>148,378</u>
<u>INCREASE IN NET ASSETS</u>	<u>22,366</u>	<u>57,968</u>
<u>NET ASSETS</u> , Beginning of year	<u>3,421,322</u>	<u>3,363,354</u>
<u>NET ASSETS</u> , End of year	<u>\$3,443,688</u>	<u>\$3,421,322</u>

The accompanying notes to the financial statements are an integral part of these financial statements.

SANDY HOOK WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2004 AND 2003

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	<u>2004</u>	<u>2003</u>
Decrease in Unrestricted Net Assets	\$ (76,537)	\$ (90,410)
Adjustments to Reconcile Decrease in Unrestricted Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	132,151	134,955
(Increase) Decrease in:		
Accounts Receivable	(1,240)	1,848
Prepaid Expenses	(2,744)	645
Increase (Decrease) in:		
Accounts Payable	(104)	(1,460)
Accrued Expenses - Other	1,326	(1,891)
Refundable Customer Deposits	<u>2,100</u>	<u>1,801</u>
<u>TOTAL ADJUSTMENTS</u>	<u>131,489</u>	<u>135,898</u>
<u>Net Cash Provided by Operating Activities</u>	<u>54,952</u>	<u>45,488</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of Property and Equipment	<u>(120,960)</u>	<u>(160,621)</u>
<u>Net Cash Used by Investing Activities</u>	<u>(120,960)</u>	<u>(160,621)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Net Service Connection Fees Collected	16,000	16,900
Decrease in Designated Funds	16,596	27,084
Principal Payments on Long-Term Debt	(25,600)	(24,500)
Proceeds from Grants	<u>82,903</u>	<u>131,478</u>
<u>Net Cash Provided by Financing Activities</u>	<u>89,899</u>	<u>150,962</u>
<u>NET INCREASE IN CASH</u>	<u>23,891</u>	<u>35,829</u>
<u>CASH, Beginning of Year</u>	<u>175,571</u>	<u>139,742</u>
<u>CASH, End of Year</u>	<u>\$ 199,462</u>	<u>\$ 175,571</u>

The accompanying notes to the financial statements are an integral part of these statements.

SANDY HOOK WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Sandy Hook Water District ("District") was created by an Order and Judgment entered by the County Court of Elliott County, Kentucky on January 1, 1957. Members of the governing Board of Commissioners are appointed by the Elliott County Court.

The more significant accounting policies of the District are as follows:

PROPERTY AND DEPRECIATION

The Districts property and equipment is recorded at cost. Depreciation is provided using the straight-line method for financial reporting over the estimated useful lives of the respective assets, ranging from 5 to 50 years. Maintenance and repairs are charged as incurred; major renewals and betterments are capitalized.

INCOME TAXES

The District qualifies as a tax-exempt organization under Section 501(c) (12) of the Internal Revenue Code and therefore has no provision for federal income taxes.

ORGANIZATION AND BASIS OF PRESENTATION

Net assets of the District and changes therein are classified and reported as follows:

Unrestricted - Unrestricted net assets may be designated for specific purposes by action of the Board of Water Commissioners.

Temporarily Restricted - Net assets whose use by the District is subject to restrictions that can be fulfilled by actions of the District pursuant to those restrictions or that expire by the passage of time such as the sinking fund, required by the Rural Development for repayment of debt.

Permanently Restricted - Permanently restricted net assets result from grants received from external funding sources, such as Rural Development, to finance the periodic expansions of the water distribution systems.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

SANDY HOOK WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 2 - RESTRICTED CASH, RESERVE REQUIREMENTS/TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2004, temporarily restricted net assets consisted of the following:

Reserve Fund (Depreciation Fund); required by Rural Development (RD) for repairs to the facilities.	\$ 44,210
Service Connection Fees; collected as contributions to the construction of Phase III expansion project	3,657
Construction Fund; required by RD for construction of Phase III expansion project	1
Sinking Fund; required by RD for repayment of debt.	9,823
Public Now Fund; required by RD for Coal Development Fund project	142
<u>TOTAL</u>	<u>\$ 57,833</u>

NOTE 3 - PROPERTY AND EQUIPMENT

At December 31, 2004, and 2003, property and equipment consisted of the following:

	<u>2004</u>	<u>2003</u>
Land	\$ 46,298	\$ 43,798
Wells and Springs	78,895	35,992
Electric Pumping Equipment	96,877	93,279
Transmission and Distribution	4,730,877	4,710,516
Treatment Plant	420,275	420,275
Structure and Equipment	143,624	143,624
Miscellaneous Equipment	145,300	133,622
Office Building	26,000	26,000
Furniture and Fixtures	3,897	3,897
Office Building Improvements	16,288	16,288
Construction in Progress	39,920	
<u>TOTAL PROPERTY AND EQUIPMENT</u>	5,748,251	5,627,291
Less: Accumulated Depreciation	(1,305,461)	(1,173,310)
<u>NET PROPERTY AND EQUIPMENT</u>	<u>\$4,442,790</u>	<u>\$4,453,981</u>

SANDY HOOK WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004
(CONTINUED)

NOTE 4 - LONG-TERM DEBT

The following is a summary of long-term debt at December 31:

Secured by the water distribution system and related assets and payable to:

	<u>2004</u>	<u>2003</u>
Rural Development (RD) in graduating annual principal payments including interest at the rate of 3.75% per annum	\$ 31,000	\$ 38,000
RD in graduating annual principal payments including interest at the rate of 6.25% per annum	205,000	208,000
RD in graduating annual principal payments including interest at the rate of 5% per annum	263,000	268,000
RD in graduating annual principal payments including interest at the rate of 5% per annum	60,700	61,800
RD in graduating annual principal payments including interest at the rate of 4.5% per annum	232,000	235,500
RD in graduating principal payments including interest at the rate of 4.5% per annum	<u>484,000</u>	<u>490,000</u>
	<u>\$1,275,700</u>	<u>\$1,301,300</u>

Following are maturities of long-term debt:

2005	
2006	\$ - 0 -
2007	28,100
2008	29,200
2009	29,200
Thereafter	32,300
	<u>1,156,900</u>
TOTAL	<u>\$1,275,700</u>

Interest costs of \$63,086 and \$64,799 were incurred for the years ended December 31, 2004 and 2003, respectively. The interest paid on a cash basis was \$63,086 and \$64,799 for the years ended December 31, 2004 and 2003, respectively.

SANDY HOOK WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004
(CONTINUED)

NOTE 5 - CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

As of December 31, 2004, the District had deposits of \$310,678 confirmed by financial institutions. Of this amount, \$166,705 was covered by federal depository insurance and the remainder of \$143,973 was secured by collateral held by Peoples Bank with a par value of \$275,000 and a market value of \$276,921.

SANDY HOOK WATER DISTRICT
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	<u>2004</u>		<u>2003</u>	
	<u>Transmission and Distribution</u>	<u>General and Administrative</u>	<u>Transmission and Distribution</u>	<u>General and Administrative</u>
Wages	\$ 66,270	\$ 51,504	\$ 65,784	\$ 51,181
Water Analysis	1,903		1,030	
Meters	3,889		2,228	
Supplies	15,126	2,129	15,190	1,839
Repairs and Maintenance	18,594		20,719	
Vehicle Expense	7,808		7,963	
Telephone and Utilities		37,319		38,738
Postage and Freight		2,355		2,546
Payroll Taxes	5,359	4,150	5,372	4,180
Taxes and Licenses		12,955		16,212
Legal and Professional		6,366		5,440
Insurance		34,362		30,365
Travel Expenses		85		102
Dues and Subscriptions		401		371
Advertising		551		498
Miscellaneous Expense		153		766
Contract Labor	634		1,595	
Seminars and Training			453	
Engineering Fees				3,319
Bad Debts		1,345		1,390
<u>TOTALS</u>	<u>\$ 119,583</u>	<u>\$ 153,675</u>	<u>\$ 120,334</u>	<u>\$ 156,947</u>

Griffith, DeLaney, Hillman & Company

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INDEPENDENT AUDITORS' REPORT OF COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

March 1, 2005

To the Board of Water Commissioners
Sandy Hook Water District
Sandy Hook, Kentucky

We have audited the financial statements of Sandy Hook Water District, (a nonprofit organization) as of and for the year ended December 31, 2004, and have issued our report thereon dated March 1, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Sandy Hook Water District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sandy Hook Water District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely effect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

To the Board of Water Commissioners
March 1, 2005
Page 2

The following reportable condition was noted:

Because of the size of Sandy Hook Water District and its small number of employees, it is not possible from a practical perspective to achieve segregation of duties in many areas. As a result, a highly structured internal control system cannot exist. Management and the Board of Water Commissioners should remain aware of the inherent risks resulting from the reliance that is placed on the integrity of the employees and the need to provide appropriate supervision.

A material weakness is a condition in which the design or operation of one or more of the internal control elements does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the reportable condition described above is not a material weakness.

This report is intended solely for the information of the Board of Water Commissioners, management and the U.S. Department of Agriculture Rural Development and is not intended to be and should not be used by anyone other than these specified parties.

Griffith, DeLaney, Hillman + Company
GRIFFITH, DELANEY, HILLMAN & COMPANY

SANDY HOOK WATER DISTRICT				
PLANT ACCOUNTS				
		Commodity	Demand	Customer
Land and Land Rights	\$ 46,298		\$ 46,298	
Structures and Improvements	183,313		183,313	
Wells and Springs	78,895		78,895	
Pumping Equipment	96,877		96,877	
Water Treatment	421,499		421,499	
Trans. & Dist. Mains	4,730,877		4,730,877	
Meters and Installations	2,965			2,965
Hydrants	1,054			1,054
Subtotal	\$ 5,561,778	\$ -	\$ 5,557,759	\$ 4,019
Percentage			0.9993	0.0007
Other Plant	82,359		82,299	60
Office Furniture and Equip.	16,385		16,373	12
Transportation Equip.	47,809		47,774	35
Total	\$ 5,708,331		\$ 5,704,206	\$ 4,125
Note: The account for meters and meter installations appear to be to low.				

SANDY HOOK WATER DISTRICT				
ALLOCATION OF DEPRECIATION				
		Commodity	Demand	Customer
Structures and Improvements	5,199		5,199	
Wells and Springs	1,530		1,530	
Pumping Equipment	6,086		6,086	
Water Treatment	11,028		11,028	
Trans. & Dist. Mains	94,380		94,380	
Meters and Installations	-			-
Hydrants	-			-
Subtotal	\$ 118,223	\$ -	\$ 118,223	\$ -
Percentage			1.0000	
Other Plant	4,251		4,251	-
Office Furniture and Equip.	557		557	-
Transportation Equip.	9,120		9,120	-
Total	\$ 132,151		\$ 132,151	\$ -
Note: No depreciation was shown in annual report for meters and hydrants				

SANDY HOOK WATER DISTRICT				
ALLOCATION OF COSTS				
Operating Expenses		Commodity	Demand	Customer
Salaries	\$ 125,441		\$ 87,809	\$ 37,632
Christmas Bonus	400		280	120
Retirement	3,490		2,443	1,047
Purchased Power	37,319	37,319		
Materials and Supplies	43,996		35,197	8,799
Contractual - Accounting	6,366			6,366
Contractual - Other	634		634	
Bad Debt	1,345			1,345
Subtotal	37,319	37,319	126,363	55,310
Percentage Less Commodity	181,672		0.6956	0.3044
Transportation	7,808		5,431	2,377
Insurance - General Liability	34,362		23,901	10,461
Advertising	551		383	168
Miscellaneous	639		444	195
Regulatory Assessment	662		460	202
Taxes other than Income	22,464		15,625	6,839
Depreciation	132,151		121,579	10,572
Interest	63,086		58,039	5,047
Principal	25,600		23,552	2,048
Debt Coverage	17,737		16,318	1,419
Total Expenses	\$ 524,052	\$ 37,319	\$ 392,096	\$ 94,637
Less Other Income	20,643			20,643
Revenue Required From Rates	\$ 503,409	\$ 37,319	\$ 392,096	\$ 73,994
It is estimated that 30% of salaries are for meter reading, billing and collecting.				
Approximately 80 percent of materials and supplies were for treatment and transmission and distribution.				
Plant and depreciation were not allocated properly to meters and hydrants in the annual report. An estimated percentage has been used for this analysis based on other studies of similar size utilities.				

SANDY HOOK WATER DISTRICT					
COST OF SERVICE STUDY (50% of Depreciation Funded)					
		2,000	8,000	40,000	50,000
Actual Usage	52,636,200	20,910,090	23,557,980	5,076,660	3,091,470
Percentage		0.3973	0.4476	0.0964	0.0587
Weighted for Demand	89,711,742	41,820,180	37,692,768	7,107,324	3,091,470
Percentage		0.4662	0.4202	0.0792	0.0345
Commodity	\$ 37,319	\$ 14,825	\$ 16,703	\$ 3,599	\$ 2,192
Demand	331,307	154,442	139,200	26,247	11,417
Customer	68,708	68,708			
Total Expenses	\$ 437,334	\$ 237,976	\$ 155,902	\$ 29,847	\$ 13,609
Bills	13,472				
Rates		\$ 17.66	\$ 6.62	\$ 5.88	\$ 4.40
Current Rates		14.64	4.90	4.31	3.13
% Increase		0.21	0.35	0.36	0.41

SANDY HOOK WATER DISTRICT

PROPOSED RATES - 50 PERCENT DEPRECIATION FUNDED

	Bills	Gallons	2,000	8,000	40,000	50,000
2,000	4,715	3,660,090	3,660,090			
8,000	8,010	34,227,190	16,020,000	18,207,190		
40,000	586	6,410,910	1,172,000	4,688,000	550,910	
50,000	29	2,296,570	58,000	232,000	1,160,000	846,570
	13,340	46,594,760	20,910,090	23,127,190	1,710,910	846,570

RECOMMENDED RATES - 50 PERCENT DEPRECIATION FUNDED

	Bills	Gallons	Proposed Rates	Revenue	Current	Percentage Inc.
2,000	13,340	20,910,090	\$ 17.60	\$ 234,784	\$ 14.64	0.20
8,000		23,127,190	6.62	153,102	4.90	0.35
40,000		1,710,910	5.88	10,060	4.31	0.36
50,000		846,570	4.40	3,725	3.13	0.41
Total 5/8	13,340	46,594,760		\$ 401,671		
1 Inch	24	119,240		1,103.50		
1 1/2 Inch	24	1,846,800		9,658	5,000 Gallons	
2 Inch	72	3,921,500		22,594	\$ 29.34	\$ 37.46
3 Inch	12	153,900		1,680	0.28	Percentage Inc.
Total Water	13,472	52,636,200		\$ 436,707		
Fire Hydrants	15	206,250	48.00	720		
	13,487	52,842,450		\$ 437,427		

SANDY HOOK WATER DISTRICT						
PROPOSED RATES AND REVENUE						
1 INCH CONNECTIONS						
	Bills	Gallons	5,000	5,000	40,000	50,000
5,000	14	37,500	37,500			
5,000	6	34,090	30,000	4,090		
40,000	4	47,650	20,000	20,000	7,650	
50,000	-	-	-	-	-	-
	24	119,240	87,500	24,090	7,650	-
PROPOSED RATES AND REVENUE						
	Bills	Gallons	Rate	Revenue		
5,000	24	87,500	\$ 37.46	\$ 899		
5,000		24,090	6.62	159		
40,000		7,650	5.88	45		
50,000		-	4.40	-		
	24	119,240		\$ 1,103		

SANDY HOOK WATER DISTRICT						
PROPOSED RATES AND REVENUE						
1 1/2 INCH CONNECTIONS						
	Bills	Gallons	10,000	40,000	50,000	
10,000	-	-	-			
40,000	3	109,200	109,200	-		
50,000	21	1,737,600	210,000	840,000	687,600	
	24	1,846,800	319,200	840,000	687,600	
PROPOSED RATES AND REVENUE						
	Bills	Gallons	Rate	Revenue		
10,000	24	319,200	\$ 70.56	\$ 1,693		
40,000		840,000	5.88	4,939		
50,000		687,600	4.40	3,025		
	24	1,846,800		\$ 9,658		

SANDY HOOK WATER DISTRICT					
PROPOSED RATES AND REVENUE					
2 INCH CONNECTIONS					
	Bills	Gallons	20,000	30,000	50,000
20,000	26	351,000	351,000		
30,000	11	263,200	220,000	43,200	
50,000	35	3,307,300	700,000	1,050,000	1,557,300
	72	3,921,500	1,271,000	1,093,200	1,557,300
PROPOSED RATES AND REVENUE					
	Bills	Gallons	Rate	Revenue	
20,000	72	1,271,000	\$ 129.36	\$ 9,314	
30,000		1,093,200	5.88	6,428	
50,000		1,557,300	4.40	6,852	
	72	3,921,500		\$ 22,594	

SANDY HOOK WATER DISTRICT					
PROPOSED RATES AND REVENUE					
3 INCH CONNECTIONS					
	Bills	Gallons	30,000	20,000	50,000
30,000	12	153,900	153,900		
20,000	-	-	-	-	
50,000	-	-	-	-	-
	12	153,900	153,900	-	-
PROPOSED RATES AND REVENUE					
	Bills	Gallons	Rate	Revenue	
30,000	12	153,900	\$ 188.16	\$ 2,258	
20,000		-	5.88	-	
50,000		-	4.40	-	
	12	153,900		\$ 2,258	