



NEBO WATER DISTRICT

P.O. BOX 147
NEBO, KENTUCKY 42441
Phone (270) 249-3709
Fax (270) 249-3714

February 20, 2007

Public Service Commission
Attn: Mr. Jack Kaninberg
211 Sower Blvd.
P. O. Box 615
Frankfort, KY 40602-0615

RECEIVED

FEB 22 2007

PUBLIC SERVICE
COMMISSION

Dear Mr. Kaninberg:

Case No. 2007-00081

Please find enclosed a copy of the proposed rate application for Nebo Water District.

I have also enclosed a copy of the first newspaper printing along with the affidavit for that printing. I will send the copy of the second and third affidavit after the third printing has taken place.

If you should have any questions please contact me at the number listed above.

Sincerely

Linda Neal

Linda Neal
Office Manager

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
FEB 22 2007
PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

**THE APPLICATION OF THE NEBO WATER
DISTRICT FOR APPROVAL OF INCREASED
RATES FOR WATER SERVICE**

)
) **CASE NO. 2007-00081**
)

STATEMENT AND NOTICE

Nebo Water District ("Nebo"), by counsel, pursuant to KRS 278.180 and KRS 278.190, hereby petitions the Commission for approval of a proposed increase in its water rates and charges. In support of its application, Nebo respectfully states as follows:

1. Nebo is a non-profit water district that has been engaged in the distribution and sale of water. It currently provides water service to approximately 1,468 customers in Hopkins County in Kentucky. Nebo is organized under KRS Chapter 74; attached are its articles of incorporation and any amendments thereto. Nebo's principal office, place of business, and mailing address is P.O. Box 147, Nebo, Kentucky 42441.

2. The proposed increase in the rates and charges is necessary for Nebo to meet its operating expenses, to maintain financial viability, and to continue to provide adequate service.

3. As authorized by KRS 278.192 (1), and for the purpose of justifying the reasonableness of the proposed general increase in rates, Nebo has utilized an historical test period consisting of the twelve (12) consecutive calendar months ending December 31, 2005.

4. Nebo's annual reports are on file with the Public Service Commission as required by 807 KAR 5:006, Section 3(1).

5. Nebo 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 result in increased annual revenues of \$94,564, which is an increase of 13.69 percent over normalized revenues from water sales of \$690,792.

6. The proposed tariffs (Exhibit No. 1) are 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.

7. Nebo 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 No. 8 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 2-17, 2007.

8. 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.

9. As required by 807 KAR 5:001, Section 10, (4), (f), Nebo will post a copy of its Customer Notice (Exhibit No. 8) at its place of business on 2-17, 2007 and it will remain posted until the Public Service Commission has determined Nebo's rates.

10. The list of the documents filed in support of Nebo'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, Nebo 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 Nebo, Kentucky this 2-16-07

NEBO WATER DISTRICT

By 
Chairman

LAW FIRM OR ATTORNEY

By _____
(Attorney's Name)
(Attorney's Address)
(Post Office Box)
_____, Kentucky 4xxxx
(270) xxx-xxxx

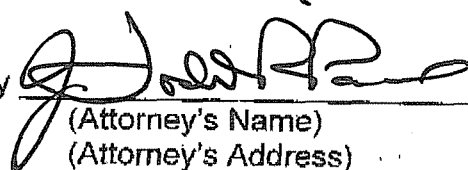
WHEREFORE, the Applicant, Nebo Water District requests that the Public Service Commission of Kentucky grant to the Applicant its proposal to increase its rates and charges as set forth in this Petition.

Dated at Nebo, Kentucky this 2-16-07

NEBO WATER DISTRICT

By 
Chairman

LAW FIRM OR ATTORNEY

By 
(Attorney's Name)
(Attorney's Address)
(Post Office Box)
_____, Kentucky 4xxxx
(270) xxx-xxxx

The Messenger

AFFIDAVIT OF PUBLICATION

I, Maureen Mauland

of the Messenger Newspaper, published at Madisonville, Kentucky and having the largest general circulation of any newspaper in Hopkins County, Kentucky, do hereby certify that from my own knowledge and a

check of files of this newspaper that the advertisement of Legal

NEBO WATER DISH for City of NEBO

was inserted in the The Messenger

on the following dates:

DATE: 2-17-07 AD DIMENSION 4x 3 1/2 Classified Display

DATE: AD DIMENSION

DATE: AD DIMENSION

DATE: AD DIMENSION

SIGNATURE Maureen Mauland

Subscribed and Sworn to before me by Maureen Mauland

this 19th day of February 20 07.

Notary Public Dina R. Dieckmann

My Commission Expires October 3, 2009

houses for sale

INSURE! 4BR, 900! for listings 1951 ext R158

RE by owner: er, quiet dead- it, 2 or 3 BR, ir plan, new ures, flooring, ge outside stor- ing, fenced l, landscaping, \$34,000. Pos- er financing 7-0535.

FOR Sale, 295 .n. New! Com- May. 3 BR, 2 oom, \$165,000, 871-3595, leave 3.

LOW PRICE!!



LAND Ford Rd. use For Sale **196,900.00** rooms, 2 baths, 1/2 ft. 5 minutes to .. yet live in the "country". kitchen, newly re- ted, new heating ing system, new heater, finished ent, Sits privately on +8- ac. ead @ 821-3710 r 339-4076

PRICE newly re- d 3BR, 1BA, asement, fenced er 2 acres, Daw- gs, \$62,500 797- 875-1355

mobile homes for sale

DNVILLE - 1998 4 BR, 2 BA, dou- e on permanent tion, 1.97 acres, rber carpet & li- l. Two car garage top driveway. will be qualify for as 5% down fi- g at bank. Shown t. Priced below sal at \$88,000, call '48 after 4pm.

459 commercial buildings

COMMERCIAL BUILD- ING For Sale: Located in high traffic area at 616 W. Noel Priced \$22,500. Call 836-0594.

Classifieds get the job done.

501 auto's

REDUCED!! 2001 YAMAHA Grizzly \$4400 836-0696

506 golf equipment

1987 YAMAHA golf cart, gas engine, \$1895.00 will trade for 4 wheeler in good cond, 824-3824.

TROVER HEALTH SYSTEM

Excellent Care, Ever Time

CERTIFIED NURSES ASSISTANTS

Full time positions open on day shift and 12 hour shifts from 7 p.m. to 7 a.m. Must be certified. High school diploma or GED preferred. Must be willing to obtain GED within one year. Apply online and call 825-6648 for more information regarding Hospital C.N.A. testing that is required.

Excellent Pay, Benefits & Bonus

Human Resources
200 Clinic Drive
Madisonville, KY 42431
1-800-500-0144
EOE/M/F



Apply online at:
www.troverfoundation.org

Personalize a special birthday wish . Call 824-3300 for prices.

Staff Accountant

- Bachelor's Degree in Accounting or related field is required and proficient in Microsoft Office applications. Prefer two or more years of accounting experience with advanced accounting responsibilities in nonprofit healthcare. CPA preferred. Excellent benefits package. Monday-Friday days.

Apply online at:
www.troverfoundation.org

- Human Resources
- 200 Clinic Drive
- Madisonville, KY 42431
- 1-800-500-0144
- EOE/M/F



NOTICE

Nebo Water District has filed an application with the Public Service Commission to increase its rates for water service

	Monthly Water Rates		
	Current	Proposed	% Change
First 2,000 Gallons	\$13 18 Minimum Bill	\$15 89 Minimum Bill	20 56%
Next 2,000 Gallons	6 09 Per 1,000 Gallons	6 15 Per 1,000 Gallons	0 99%
Next 6,000 Gallons	5 09 Per 1,000 Gallons	5 70 Per 1,000 Gallons	11 98%
Next 10,000 Gallons	4 59 Per 1,000 Gallons	5 27 Per 1,000 Gallons	14 81%
Over 20,000 Gallons	4 09 Per 1,000 Gallons	4 82 Per 1,000 Gallons	17 85%

	Minimum Bills		
	Current	Proposed	% Change
5/8" x 3/4" Meter	\$13 18 First 2,000 Gallons	\$15 89 First 2,000 Gallons	20 56%
1" Meter	25 36 First 4,000 Gallons	28 19 First 4,000 Gallons	11 16%
1 1/2" Meter	55 90 First 10,000 Gallons	62 39 First 10,000 Gallons	11 61%
2" Meter	101 80 First 20,000 Gallons	115 09 First 20,000 Gallons	13 06%
3" Meter	142 70 First 30,000 Gallons	163 29 First 30,000 Gallons	14 43%
4" Meter	224 50 First 50,000 Gallons	259 69 First 50,000 Gallons	15 67%

The rates contained in this notice are the rates proposed by the Nebo Water District. However, the Public Service Commission may order rates to be charged that are higher or lower than the rates proposed in this notice. Any corporation, association, body public, or person may request leave to intervene, by motion within thirty (30) days after notice of the proposed rate change is given. A motion to intervene shall be in writing, shall be submitted to the Executive Director, Public Service Commission, Post Office Box 615, Frankfort, KY 40602, and shall set forth the grounds for the motion, including the status and interest of the party movant. Copies of the application may be obtained at no charge from the District office. Upon request from an intervenor, the Company shall furnish to the intervenor a copy of the application and supporting documents.

Today's Crossword

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 has 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.	NA – Nebo 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 – Nebo WD 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 – Nebo WD 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	Statement that notice given, see subsections (3) and (4) of	Application – Page No. 2.

Filing Requirement Index Historical Test Period Rate Case

Filing Requirements	Filing Requirement Description	Location or Absence Reason
Section 10(1)(b)(9)	807 KAR 5:001, Section 10 with copy.	Exhibit No. 8.
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.	Written notice was filed on _____, 2007.
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.	N/A - less than \$1 million. Also, Nebo does not intend to submit testimony as Commission Staff assisted with this application.
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.	Application – Page No. 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. 7 (Cost-of-Service Study).
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 – Nebo 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.

Filing Requirement Index Historical Test Period Rate Case

Filing Requirements	Filing Requirement Description	Location or Absence Reason
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 Coverage.
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 2005 Audit Report is attached as Exhibit 9.
807 KAR 5:001 Section 10 (6)(l):	The most recent FERC or FCC audit reports.	N/A to 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 to 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.	Exhibit No. 6.
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.	Word
807 KAR 5:001 Section 10 (6)(p)	Prospectuses of most recent stock or bond offerings.	N/A to 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	N/A to 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. date.	Nebo WD requests a waiver from this filing requirement as it does not produce monthly managerial reports on a routine basis, and their production at this time would result in additional expense.
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 to a Water District
807 KAR 5:001 Section 10 (6)(t)	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: 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

<p>807 KAR 5:001 Section 10 (6)(u)</p>	<p>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.</p>	<p>Exhibit No. 7.</p>
<p>807 KAR 5:001 Section 10 (6)(v)</p>	<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. 	<p>N/A to a Water District</p>
<p>807 KAR 5:001 Section 10 (7)(a)</p>	<p>Detailed income statement and balance sheet reflecting impact of all proposed adjustments</p>	<p>Exhibit No. 3.</p>
<p>807 KAR 5:001 Section 10 (7)(b)</p>	<p>Most recent capital construction budget containing at least period of time as proposed for any pro forma adjustment for plant additions.</p>	<p>NA – There are no pro forma adjustments for plant additions.</p>

Filing Requirement Index Historical Test Period Rate Case

Filing Requirements	Filing Requirement Description	Location or Absence Reason
<p>807 KAR 5:001 Section 10 (7)(c)</p>	<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 	<p>NA – There are no pro forma adjustments for plant additions.</p>

Filing Requirement Index Historical Test Period Rate Case

Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 10 (7)(e)	forma adjustments for plant additions and retirements; 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. 4.

Exhibit Index

<u>Exhibit Title</u>	<u>Number</u>
Proposed Tariff	1
Comparison of Proposed & Current Tariff	2
Pro Forma Financial Statements	3
Pro Forma Adjustment Descriptions/Revenue Requirements Determination	4
Billing Analysis	5
Analysis of Depreciation	6
Cost of Service Study	7
Customer Notification	8
2005 Audit Report	9

Nebo Water District

Proposed Tariff

FOR Hopkins County, Kentucky
Community, Town or City

P.S.C. KY. NO. _____

_____ SHEET NO. _____

NEBO WATER DISTRICT
(Name of Utility)

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

_____ SHEET NO. _____

RATES AND CHARGES

MONTHLY WATER RATES

First	2,000 Gallons	\$15.89	Minimum Bill
Next	2,000 Gallons	6.15	Per 1,000 Gallons
Next	6,000 Gallons	5.70	Per 1,000 Gallons
Next	10,000 Gallons	5.27	Per 1,000 Gallons
Over	20,000 Gallons	4.82	Per 1,000 Gallons

MINIMUM BILLS

5/8 Inch X 3/4 Inch	\$15.89	First	2,000 Gallons
1 Inch	28.19	First	4,000 Gallons
1-1/2 Inch	62.39	First	10,000 Gallons
2 Inch	115.09	First	20,000 Gallons
3 Inch	163.29	First	30,000 Gallons
4 Inch	259.69	First	50,000 Gallons

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE _____
Month / Date / Year

ISSUED BY _____
(Signature of Officer)

TITLE _____

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

Nebo Water District

Comparison of Current & Proposed Tariff

FOR Hopkins County, Kentucky
Community, Town or City

P.S.C. KY. NO. _____

_____ SHEET NO. _____

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

_____ SHEET NO. _____

NEBO WATER DISTRICT
(Name of Utility)

RATES AND CHARGES

MONTHLY WATER RATES

First	2,000 Gallons	\$15.89	13.18 Minimum Bill
Next	2,000 Gallons	6.15	6.09 Per 1,000 Gallons
Next	6,000 Gallons	5.70	5.09 Per 1,000 Gallons
Next	10,000 Gallons	5.27	4.59 Per 1,000 Gallons
Over	20,000 Gallons	4.82	4.09 Per 1,000 Gallons

MINIMUM BILLS

5/8 Inch X 3/4 Inch	\$15.89	13.18 First 2,000 Gallons
1 Inch	28.19	25.36 First 4,000 Gallons
1-1/2 Inch	62.39	55.90 First 10,000 Gallons
2 Inch	115.09	101.80 First 20,000 Gallons
3 Inch	163.29	142.70 First 20,000 Gallons
4 Inch	259.69	224.50 First 20,000 Gallons

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE _____
Month / Date / Year

ISSUED BY _____
(Signature of Officer)

TITLE _____

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

Nebo WD Exhibit 3 – Income Statement Showing Impact of Proposed Increase	2005	Adjustment	Adjusted
Water Sales Revenue	\$646,660	\$29,724 \$94,564	\$770,948
Other Operating Revenue	\$14,408	0	\$14,408
Total Operating Revenue	\$661,068	\$124,288	\$785,356
Employee Salaries	\$45,854	\$10,306	\$56,160
Officer Salaries	\$10,800	0	\$10,800
Employee Pensions/Benefits	\$13,651	0	\$13,651
Purchased Water	\$334,911	\$30,090	\$365,001
Purchased Power	\$10,327	0	\$10,327
Materials/Supplies	\$53,827	(\$18,038)	\$35,789
Contractual Services-Eng.	\$5,352	(\$2,676)	\$2,676
Contract Services-Acct.	\$7,000	0	\$7,000
Contract Services-Legal	\$50	0	\$50
Contract Services-Other	\$83,510	\$20,800 (\$30,666)	\$73,644
Rental-Equipment	\$6,814	(\$1,384)	\$5,430
Transportation Exp.	\$9,591	\$600	\$10,191
Insurance-Gen. Liability	0	0	0
Insurance-Workers' Comp	\$3,389	\$2,945	\$6,334
Insurance-Other	\$6,924	(\$967)	\$5,957
Advertising	\$2,368	0	\$2,368
Bad Debt	\$958	0	\$958
Misc. Exp.	\$15,146	(\$951)	\$14,195
Tot. Water Util. Exp.	\$610,472	\$10,059	\$620,531
Depreciation Expense	\$96,671	(\$734) \$1,061	\$96,998
Amortization Expense	0	\$317	\$317
Taxes OT Income	\$10,230	\$339	\$10,569
Total Op. Expenses	\$717,373	\$11,042	\$728,415
<i>Total Operating Income</i>	<i>(\$56,305)</i>	<i>\$113,246</i>	<i>\$56,941</i>
Interest Income	\$13,347	(\$4,004)	\$9,343
Nonutility Income	\$23,800	0	\$23,800
Debt Amortization Expense	(\$540)	0	(\$540)
Interest Expense	(\$40,575)	\$4,593	(\$35,982)
Net Income	(\$60,273)	\$113,835	\$53,562

NEBO WATER DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
DECEMBER 31, 2005

	Business-type Activities <u>Enterprise Fund</u>
Assets	
Current Assets	
Cash and cash equivalents	\$ 437,289
Accounts receivable	50,254
Inventories	23,206
Prepaid insurance	<u>4,293</u>
Total current assets	<u>515,042</u>
Noncurrent Assets	
Restricted cash	187,614
Capital assets	3,125,913
Less accumulated depreciation	(1,730,468)
Unamortized bond issue costs	<u>11,070</u>
Total noncurrent assets	<u>1,594,129</u>
Total assets	<u>2,109,171</u>
Liabilities	
Current Liabilities	
Accounts payable	23,099
Accrued expenses	3,728
Compensated absences	990
Current portion of bonds payable	<u>36,000</u>
Total current liabilities	<u>63,817</u>
Noncurrent Liabilities	
Noncurrent portion of bonds payable	<u>733,000</u>
Total noncurrent liabilities	<u>733,000</u>
Total liabilities	<u>796,817</u>
Net Assets	
Contributed capital	1,457,159
Retained earnings (deficit)	
Reserved for restricted assets	156,457
Unreserved	<u>(301,262)</u>
Total net assets	<u>\$ 1,312,354</u>

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

Nebo WD Exhibit 4	2005	Adjustment	Ref.	Adjusted
Water Sales Revenue	\$646,660	\$29,724	(A)	\$676,384
Other Operating Revenue	\$14,408	0		\$14,408
Total Operating Revenue	\$661,068	\$29,724		\$690,792
Employee Salaries	\$45,854	\$10,306	(B)	\$56,160
Officer Salaries	\$10,800	0		\$10,800
Employee Pensions/Benefits	\$13,651	0		\$13,651
Purchased Water	\$334,911	\$30,090	(C)	\$365,001
Purchased Power	\$10,327	0		\$10,327
Materials/Supplies	\$53,827	(\$18,038)	(D)	\$35,789
Contractual Services-Eng.	\$5,352	(\$2,676)	(E)	\$2,676
Contract Services-Acct.	\$7,000	0		\$7,000
Contract Services-Legal	\$50	0		\$50
Contract Services-Other	\$83,510	\$20,800 (\$30,666)	(F)	\$73,644
Rental-Equipment	\$6,814	(\$1,384)	(G)	\$5,430
Transportation Exp.	\$9,591	\$600	(H)	\$10,191
Insurance-Gen. Liability	0	0		0
Insurance-Workers' Comp	\$3,389	\$2,945	(I)	\$6,334
Insurance-Other	\$6,924	(\$967)	(J)	\$5,957
Advertising	\$2,368	0		\$2,368
Bad Debt	\$958	0		\$958
Misc. Exp.	\$15,146	(\$951)	(K)	\$14,195
Tot. Water Util. Exp.	\$610,472	\$10,059		\$620,531
Depreciation Expense	\$96,671	(\$734) \$1,061	(L)	\$96,998
Amortization Expense	0	\$317	(M)	\$317
Taxes OT Income	\$10,230	\$339	(N)	\$10,569
Total Op. Expenses	\$717,373	\$11,042		\$728,415
<i>Total Operating Income</i>	<i>(\$56,305)</i>	<i>\$18,682</i>		<i>(\$37,623)</i>
Interest Income	\$13,347	(\$4,004)	(O)	\$9,343
Nonutility Income	\$23,800	0		\$23,800
Debt Amortization Expense	(\$540)	0		(\$540)
Interest Expense	(\$40,575)	\$4,593		(\$35,982)
Net Income	(\$60,273)	\$19,271		(\$41,002)

Revenue Requirement

\$ 728,415 - Proforma Operating Expenses

\$ 540 - Debt Amortization Expense

\$ 89,544 - Debt Service Coverage (1.2 x \$74,620 Debt Service)

\$ 818,499 - Revenue Requirement

(\$690,792) - Less Normalized Revenues

(\$ 9,343) - Unrestricted Interest Income

(\$ 23,800) - Nonutility Income

\$ 94,564 - Justified Increase (13.69% increase over normalized revenues)

Nebo Debt Service Coverage	2007	2008	2009	3-yr. avg.
1979 RD				
Principal	\$28,000	\$30,000	\$32,000	\$30,000
Interest	\$20,100	\$18,600	\$17,000	\$18,567
Total	\$48,100	\$48,600	\$49,000	\$48,567
2001 KRWC				
Principal	\$10,000	\$11,000	\$11,000	\$10,667
Interest	\$15,882	\$15,394	\$14,882	\$15,386
Total	\$25,882	\$26,394	\$25,882	\$26,053
			Total	\$74,620

Explanatory Notes:

A. Normalized Revenues as determined by Commission Staff's billing analysis.

B. Proforma Salaries and Wages Expense for two full-time employees as of July 2006.

Employee Title	Hourly and Weekly Amount	Proforma	2005	Adjustment
1. Office Manager	\$12 x 40=\$480	\$24,960	\$28,551	(\$3,591)
2. Manager	\$15 x 40=\$600	\$31,200	\$17,280	\$13,920
Other Wages		0	\$443	(\$443)
Reported		\$56,160	\$45,854	\$10,306

C. Purchased Water Expense was adjusted to restrict allowable purchased water expense including 15% line loss rather than the 20% line loss experienced in 2005, as follows:

Nebo WD Purchased Water	2005
Purchases (Th. Gallons)	154,632,000
%	100%
Purchased Water Expense	\$334,911
Sales (Gallons) (%)	123,376,000
Other Use	230,000
Subtotal	123,606,000
Line Loss (20.06%)	31,026,000
Total	154,632,000
Rate \$2.51 per thousand	\$2.51
Total if 15% line loss (123,606/85%)	145,418,820
Purchased Water Expense	\$365,001
2005 Purchased Water Exp.	\$334,911
Proforma Increase	\$30,090
Adjustment for excess line loss \$2.51 x 9,213,180	(\$23,125)

D. Materials and Supplies Expense was adjusted to remove several items that were capital in nature and to allow their recovery in depreciation expense, as follows:

Date	Item	Amount	Life (yrs.)	Depreciation Exp.
5/6	Ditch Witch-Trencher Parts	\$854.42	5	\$170.88
9/15	Sullivan Constr.-Road Bore	\$2,400.00	40	\$60.00
9/21	Sullivan Constr.-Road Bore	\$2,400.00	40	\$60.00
1/26	Wemhoener-54 meters @ \$31.85	\$1,719.90	10	\$171.99
3/9	Wemhoener-24 meters @ \$31.85	\$764.40	10	\$76.44
4/6	Wemhoener-10 meters @ \$71.78	\$717.80	10	\$71.78
6/14	Wemhoener-10 meters @ \$71.78	\$717.80	10	\$71.78
9/12	Wemhoener-Line Extension	\$6,247.85	40	\$156.20
9/21	Wemhoener –Dotiki Mine Tap	\$1,963.63	10	\$196.36
"	"	\$136.34	10	\$13.63
"	"	\$116.00	10	\$11.60
	Total	\$18,038.14		\$1,060.66

E. Contractual Services – Engineering Expense was adjusted to allow for a two-year average of engineering services related to line extensions.

F. Contractual Services – Other Expense was adjusted to reflect the wages of certain water district employees whose salaries and wages were classified in Contract Services – Other expense as of July 2006.

Employee Title	Notes	Pro forma	2005	Difference
3. Field Worker	None–Hired 4/06	\$20,800	0	\$20,800
4. Field Worker	T&D	\$36,000	\$55,171	(\$19,171)
5. Field Worker	T&D – no longer employed	0		
6. Meter Reader	Meter Reader	\$14,400	\$14,500	(\$100)
		\$71,200	\$69,671	\$1,529
Other Contract Services		\$2,444		
Total Pro Forma Amount		\$73,644		

G. Rental Equipment Expense was adjusted to take a two-year average for backhoe rentals.

H. Transportation Expense was adjusted to allow the Office Manager \$1,800 per year vs. \$1,200 paid in 2005 for gas expense related to miscellaneous duties.

I. Workers Compensation Insurance Expense was adjusted to reflect pro forma costs.

J. Other Insurance Expense was adjusted to reflect pro forma costs.

K. Miscellaneous Expense was adjusted to remove a nonrecurring charge for a \$951 trash pump.

L. Depreciation Expense was increased by \$1,061 to allow for recovery of the capital items removed from Materials and Supplies Expense, and decreased to remove items that will be fully depreciated at the end of 2006, as follows

Date	Item	Cost	2005 Deprec.	Proforma Deprec.	Adjustment
7/96	Office Shelves	\$912.00	\$91.20	0	\$91.20
7/01	Telephone	\$129.00	\$25.80	0	\$25.80
7/96	Carpet	\$1,030.00	\$103.00	0	\$103.00
7/99	Meters	\$3,600.00	\$514.29	0	\$514.29
				Total	\$734.29

M. Amortization Expense was adjusted to allow a three-year recovery period for the \$951 Trash Pump removed from Miscellaneous Expense.

N. Taxes Other Than Income Expense was adjusted to allow for pro forma FICA taxes at 7.65% x Salaries of \$138,157 for the employees and Commissioners.

O. Interest Income was adjusted for ratemaking purposes to remove the interest earned on restricted cash, which was 30% of total cash.

Nebo Water District

Billing Analysis

CURRENT RATES

BILLING ANALYSIS FOR: NEBO WATER DISTRICT
 TEST PERIOD FROM 1/1/2005 - 12/31/2005
 USAGE TABLE
 METER SIZE: 5/8 INCH X 3/4 INCH

CLASS:		BILLS	GALLONS	2,000	6,000	10,000	20,000	
USAGE		3,869	3,821,300	3,821,300				
FIRST	2,000							
NEXT	2,000	5,537	17,049,510	11,074,000	5,975,510			
NEXT	6,000	7,045	41,979,900	14,090,000	13,799,900			
NEXT	10,000	805	10,491,500	1,610,000	1,610,000	4,830,000	2,441,500	
OVER	20,000	132	4,497,000	264,000	792,000	1,320,000	1,857,000	
TOTAL		17,388	77,839,210	30,859,300	21,939,510	19,421,900	3,761,500	1,857,000

REVENUE TABLE

REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	2,000	17,388	30,859,300	\$13.18 \$229,173.84
NEXT	2,000	21,939,510	6.09	133,611.62
NEXT	6,000	19,421,900	5.09	98,857.47
NEXT	10,000	3,761,500	4.59	17,265.29
OVER	20,000	1,857,000	4.09	7,595.13

TOTAL 17,388 77,839,210 \$486,503.34

BILLING ANALYSIS FOR: NEBO WATER DISTRICT
 TEST PERIOD FROM 1/1/2005 - 12/31/2005
 USAGE TABLE
 METER SIZE: 1 INCH

	CLASS: USAGE	BILLS	GALLONS	FIRST 4,000	NEXT 6,000	NEXT 10,000	OVER 20,000
FIRST	4,000	35	49,700	49,700			
NEXT	6,000	40	262,400	160,000	102,400		
NEXT	10,000	8	103,300	32,000	48,000	23,300	
OVER	20,000	16	547,600	64,000	96,000	160,000	227,600

TOTAL		99	963,000	305,700	246,400	183,300	227,600
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REVENUE TABLE

REVENUE BY RATE INCREMENT

		BILLS	GALLONS	RATE	REVENUE
FIRST	4,000	99	305,700	\$25.36	\$2,510.64
NEXT	6,000		246,400	5.09	1,254.18
NEXT	10,000		183,300	4.59	841.35
OVER	20,000		227,600	4.09	930.88

TOTAL		99	963,000		\$5,537.05
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BILLING ANALYSIS FOR: NEBO WATER DISTRICT
 TEST PERIOD FROM 1/1/2005 - 12/31/2005
 USAGE TABLE
 METER SIZE: 1 1/2 INCH

	CLASS USAGE	BILLS	GALLONS	FIRST 10,000	NEXT 10,000	OVER 20,000
FIRST	10,000	8	41,300	41,300		
NEXT	10,000	8	111,400	80,000	31,400	
OVER	20,000	8	389,700	80,000	80,000	229,700

TOTAL		24	542,400	201,300	111,400	229,700
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REVENUE TABLE

REVENUE BY RATE INCREMENT

		BILLS	GALLONS	RATE	REVENUE
FIRST	10,000	24	201,300	\$55.90	\$1,341.60
NEXT	10,000		111,400	4.59	511.33
OVER	20,000		229,700	4.09	939.47

TOTAL		24	542,400		\$2,792.40
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BILLING ANALYSIS FOR: NEBO WATER DISTRICT
 TEST PERIOD FROM 1/1/2005 - 12/31/2005
 USAGE TABLE
 METER SIZE: 2 INCH

CLASS:				FIRST	OVER
	USAGE	BILLS	GALLONS	20,000	20,000
FIRST	20,000	33	217,900	217,900	
OVER	20,000	51	6,868,000	1,020,000	5,848,000

TOTAL		84	7,085,900	1,237,900	5,848,000
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REVENUE TABLE

REVENUE BY RATE INCREMENT

		BILLS	GALLONS	RATE	REVENUE
FIRST	20,000	84	1,237,900	\$101.80	\$8,551.20
OVER	20,000		5,848,000	4.09	23,918.32

TOTAL		84	7,085,900		\$32,469.52
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BILLING ANALYSIS FOR: NEBO WATER DISTRICT
 TEST PERIOD FROM 1/1/2005 - 12/31/2005
 USAGE TABLE
 METER SIZE: 4 INCH

CLASS:		BILLS	GALLONS	FIRST	OVER
USAGE				50,000	50,000
FIRST	50,000	0	0	0	
OVER	50,000	24	36,333,000	1,200,000	35,133,000

TOTAL		24	36,333,000	1,200,000	35,133,000
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REVENUE TABLE

REVENUE BY RATE INCREMENT

		BILLS	GALLONS	RATE	REVENUE
FIRST	50,000	24	1,200,000	\$224.50	\$5,388.00
OVER	50,000		35,133,000	4.09	143,693.97

TOTAL		24	36,333,000		\$149,081.97
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TEST PERIOD FROM 01/01/2005 to 12/31/2005

CURRENT RATES

	Bills	Gallons	Revenue
5/8 x 3/4 Inch	17,388	77,839,210	\$486,503
1"	99	963,000	\$5,537
1.5"	24	542,400	\$2,792
2"	84	7,085,900	\$32,470
4"	24	36,333,000	\$149,082
TOTAL	17,619	122,763,510	\$676,384

Nebo Water District

Billing Analysis

PROPOSED RATES

BILLING ANALYSIS FOR: NEBO WATER DISTRICT
 TEST PERIOD FROM 1/1/2005 - 12/31/2005

USAGE TABLE

METER SIZE: 5/8 INCH X 3/4 INCH
 PROPOSED RATES

CLASS:

USAGE	BILLS	GALLONS	2,000	2,000	6,000	10,000	20,000
FIRST	2,000	3,869	3,821,300	3,821,300	2,000	6,000	10,000
NEXT	2,000	5,537	17,049,510	11,074,000	5,975,510		
NEXT	6,000	7,045	41,979,900	14,090,000	14,090,000	13,799,900	
NEXT	10,000	805	10,491,500	1,610,000	1,610,000	4,830,000	2,441,500
OVER	20,000	132	4,497,000	264,000	264,000	792,000	1,320,000
TOTAL		17,388	77,839,210	30,859,300	21,939,510	19,421,900	3,761,500

REVENUE TABLE

REVENUE BY RATE INCREMENT

USAGE	BILLS	GALLONS	RATE	REVENUE
FIRST	2,000	17,388	\$15.89	\$276,295.32
NEXT	2,000	21,939,510	6.15	134,927.99
NEXT	6,000	19,421,900	5.70	110,704.83
NEXT	10,000	3,761,500	5.27	19,823.11
OVER	20,000	1,857,000	4.82	8,950.74

TOTAL 17,388 77,839,210 \$550,701.98

BILLING ANALYSIS FOR: NEBO WATER DISTRICT
 TEST PERIOD FROM 1/1/2005 - 12/31/2005
 USAGE TABLE
 METER SIZE: 1 INCH
 PROPOSED RATES

	CLASS: USAGE	BILLS	GALLONS	FIRST 4,000	NEXT 6,000	NEXT 10,000	OVER 20,000
FIRST	4,000	35	49,700	49,700			
NEXT	6,000	40	262,400	160,000	102,400		
NEXT	10,000	8	103,300	32,000	48,000	23,300	
OVER	20,000	16	547,600	64,000	96,000	160,000	227,600

TOTAL		99	963,000	305,700	246,400	183,300	227,600
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REVENUE TABLE

REVENUE BY RATE INCREMENT

		BILLS	GALLONS	RATE	REVENUE
FIRST	4,000	99	305,700	\$28.19	\$2,790.81
NEXT	6,000		246,400	5.70	1,404.48
NEXT	10,000		183,300	5.27	965.99
OVER	20,000		227,600	4.82	1,097.03

TOTAL		99	963,000		\$6,258.31
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BILLING ANALYSIS FOR: NEBO WATER DISTRICT
 TEST PERIOD FROM 1/1/2005 - 12/31/2005
 USAGE TABLE
 METER SIZE: 1 1/2 INCH
 PROPOSED RATES

	CLASS USAGE	BILLS	GALLONS	FIRST 10,000	NEXT 10,000	OVER 20,000
FIRST	10,000	8	41,300	41,300		
NEXT	10,000	8	111,400	80,000	31,400	
OVER	20,000	8	389,700	80,000	80,000	229,700

TOTAL		24	542,400	201,300	111,400	229,700
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REVENUE TABLE

REVENUE BY RATE INCREMENT

		BILLS	GALLONS	RATE	REVENUE
FIRST	10,000	24	201,300	\$62.39	\$1,497.36
NEXT	10,000		111,400	5.27	587.08
OVER	20,000		229,700	4.82	1,107.15

TOTAL		24	542,400		\$3,191.59
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BILLING ANALYSIS FOR: NEBO WATER DISTRICT
 TEST PERIOD FROM 1/1/2005 - 12/31/2005
 USAGE TABLE
 METER SIZE: 2 INCH
 PROPOSED RATES

CLASS:				FIRST	OVER
	USAGE	BILLS	GALLONS	20,000	20,000
FIRST	20,000	33	217,900	217,900	
OVER	20,000	51	6,868,000	1,020,000	5,848,000

TOTAL		84	7,085,900	1,237,900	5,848,000
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REVENUE TABLE

REVENUE BY RATE INCREMENT

		BILLS	GALLONS	RATE	REVENUE
FIRST	20,000	84	1,237,900	\$115.09	\$9,667.56
OVER	20,000		5,848,000	4.82	28,187.36

TOTAL		84	7,085,900		\$37,854.92
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BILLING ANALYSIS FOR: NEBO WATER DISTRICT

TEST PERIOD FROM 1/1/2005 - 12/31/2005

USAGE TABLE

METER SIZE: 4 INCH

PROPOSED RATES

CLASS:				FIRST	OVER
	USAGE	BILLS	GALLONS	50,000	50,000
FIRST	50,000	0	0	0	
OVER	50,000	24	36,333,000	1,200,000	35,133,000

TOTAL		24	36,333,000	1,200,000	35,133,000
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REVENUE TABLE

REVENUE BY RATE INCREMENT

		BILLS	GALLONS	RATE	REVENUE
FIRST	50,000	24	1,200,000	\$259.69	\$6,232.56
OVER	50,000		35,133,000	4.82	169,341.06

TOTAL		24	36,333,000		\$175,573.62
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NORMALIZED BILLING ANALYSIS SUMMARY FOR: NEBO WATER DISTRICT
TEST PERIOD FROM 01/01/2005 to 12/31/2005
PROPOSED RATES

	Bills	Gallons	Revenue
5/8 x 3/4 Inch	17,388	77,839,210	\$550,702
1"	99	963,000	\$6,258
1.5"	24	542,400	\$3,192
2"	84	7,085,900	\$37,855
4"	24	36,333,000	\$175,574
TOTAL	17,619	122,763,510	\$773,580

*Northwater District
Suppression Schedule*

Date: _____ Prepared By: _____
 Reviewed By: _____
 Unit: _____ Paper: (3)

Shawnee & Camp

Date	Description	Unit	Sec	Qty	Unit	APC	Agence	APMC	APMC	APMC	APMC
10/13	Asphalt	197000	17A	30	M/S	10014/B	45067	45067	45067	45067	45067
10/13	Asphalt	207000	17A	10	M/S	207000	3815	3815	3815	3815	3815
10/13	Asphalt	217000	17A	20	M/S	217000	24250	24250	24250	24250	24250
10/13	Asphalt	227000	17A	20	M/S	227000	57600	57600	57600	57600	57600
10/13	Asphalt	172000	17A	30	M/S	172000	10300	10300	10300	10300	10300
10/13	Asphalt	11854.51	17A	30	M/S	11854.51	24250	24250	24250	24250	24250
10/13	Asphalt	36156	17A	20	M/S	36156	19761	19761	19761	19761	19761
11											
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Yolo Water District
 Reparatment Schedule

Asset Acquisition

Date: _____
 Prepared By: _____
 Reviewed By: _____
 Work Paper No. _____

Line	Description	Cost	Useful Life	Depreciation Method	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10
1	Office Equipment	12,000	5	SL	2,400	2,400	2,400	2,400	2,400					
2	Office Furniture	8,000	10	SL	800	800	800	800	800	800	800	800	800	800
3	Computer System	10,000	5	SL	2,000	2,000	2,000	2,000	2,000					
4	Printer	500	3	SL	167	167	167							
5	Scanner	300	3	SL	100	100	100							
6	Software Licenses	2,000	5	SL	400	400	400	400	400					
7	Telephone System	1,500	5	SL	300	300	300	300	300					
8	Office Chair	100	5	SL	20	20	20	20	20					
9	Office Desk	500	5	SL	100	100	100	100	100					
10	Office Paper	100	5	SL	20	20	20	20	20					
11	Office Supplies	500	5	SL	100	100	100	100	100					
12	Office Cleaning	1,000	5	SL	200	200	200	200	200					
13	Office Security	2,000	5	SL	400	400	400	400	400					
14	Office Insurance	1,500	5	SL	300	300	300	300	300					
15	Office Maintenance	1,000	5	SL	200	200	200	200	200					
16	Office Repairs	500	5	SL	100	100	100	100	100					
17	Office Utilities	1,000	5	SL	200	200	200	200	200					
18	Office Security System	2,000	5	SL	400	400	400	400	400					
19	Office Security System	1,500	5	SL	300	300	300	300	300					
20	Office Security System	1,000	5	SL	200	200	200	200	200					
21	Office Security System	500	5	SL	100	100	100	100	100					
22	Office Security System	500	5	SL	100	100	100	100	100					
23	Office Security System	500	5	SL	100	100	100	100	100					
24	Office Security System	500	5	SL	100	100	100	100	100					
25	Office Security System	500	5	SL	100	100	100	100	100					
26	Office Security System	500	5	SL	100	100	100	100	100					
27	Office Security System	500	5	SL	100	100	100	100	100					
28	Office Security System	500	5	SL	100	100	100	100	100					
29	Office Security System	500	5	SL	100	100	100	100	100					
30	Office Security System	500	5	SL	100	100	100	100	100					
31	Office Security System	500	5	SL	100	100	100	100	100					
32	Office Security System	500	5	SL	100	100	100	100	100					
33	Office Security System	500	5	SL	100	100	100	100	100					
34	Office Security System	500	5	SL	100	100	100	100	100					
35	Office Security System	500	5	SL	100	100	100	100	100					
36	Office Security System	500	5	SL	100	100	100	100	100					
37	Office Security System	500	5	SL	100	100	100	100	100					
38	Office Security System	500	5	SL	100	100	100	100	100					
39	Office Security System	500	5	SL	100	100	100	100	100					
40	Office Security System	500	5	SL	100	100	100	100	100					
41	Office Security System	500	5	SL	100	100	100	100	100					
42	Office Security System	500	5	SL	100	100	100	100	100					
43	Office Security System	500	5	SL	100	100	100	100	100					
44	Office Security System	500	5	SL	100	100	100	100	100					
45	Office Security System	500	5	SL	100	100	100	100	100					
46	Office Security System	500	5	SL	100	100	100	100	100					
47	Office Security System	500	5	SL	100	100	100	100	100					
48	Office Security System	500	5	SL	100	100	100	100	100					
49	Office Security System	500	5	SL	100	100	100	100	100					
50	Office Security System	500	5	SL	100	100	100	100	100					
51	Office Security System	500	5	SL	100	100	100	100	100					
52	Office Security System	500	5	SL	100	100	100	100	100					
53	Office Security System	500	5	SL	100	100	100	100	100					
54	Office Security System	500	5	SL	100	100	100	100	100					
55	Office Security System	500	5	SL	100	100	100	100	100					
56	Office Security System	500	5	SL	100	100	100	100	100					
57	Office Security System	500	5	SL	100	100	100	100	100					
58	Office Security System	500	5	SL	100	100	100	100	100					
59	Office Security System	500	5	SL	100	100	100	100	100					
60	Office Security System	500	5	SL	100	100	100	100	100					

*John Walter P...
 Representative*

Case No. 178
 Filed 10/10/00
 Page 13

	Case No.	Case Name	Case No.	Case Name	Case No.	Case Name	Case No.	Case Name	Case No.	Case Name
1	178	178	178	178	178	178	178	178	178	178
2	178	178	178	178	178	178	178	178	178	178
3	178	178	178	178	178	178	178	178	178	178
4	178	178	178	178	178	178	178	178	178	178
5	178	178	178	178	178	178	178	178	178	178
6	178	178	178	178	178	178	178	178	178	178
7	178	178	178	178	178	178	178	178	178	178
8	178	178	178	178	178	178	178	178	178	178
9	178	178	178	178	178	178	178	178	178	178
10	178	178	178	178	178	178	178	178	178	178
11	178	178	178	178	178	178	178	178	178	178
12	178	178	178	178	178	178	178	178	178	178
13	178	178	178	178	178	178	178	178	178	178
14	178	178	178	178	178	178	178	178	178	178
15	178	178	178	178	178	178	178	178	178	178
16	178	178	178	178	178	178	178	178	178	178
17	178	178	178	178	178	178	178	178	178	178
18	178	178	178	178	178	178	178	178	178	178
19	178	178	178	178	178	178	178	178	178	178
20	178	178	178	178	178	178	178	178	178	178
21	178	178	178	178	178	178	178	178	178	178
22	178	178	178	178	178	178	178	178	178	178
23	178	178	178	178	178	178	178	178	178	178
24	178	178	178	178	178	178	178	178	178	178
25	178	178	178	178	178	178	178	178	178	178
26	178	178	178	178	178	178	178	178	178	178
27	178	178	178	178	178	178	178	178	178	178
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29	178	178	178	178	178	178	178	178	178	178
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31	178	178	178	178	178	178	178	178	178	178
32	178	178	178	178	178	178	178	178	178	178
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37	178	178	178	178	178	178	178	178	178	178
38	178	178	178	178	178	178	178	178	178	178
39	178	178	178	178	178	178	178	178	178	178
40	178	178	178	178	178	178	178	178	178	178

John White Report
Approximate Schedule

John White Report

Date: _____
 Prepared for: _____
 Reviewed by: _____
 Work Page No. _____

Act	Account	Cost	Acc	Adj	Est	Wkst	Wkst	Wkst	Wkst	Wkst	Wkst
1	1/81	2452000	198		2452000						
2	1/82	82100			82100						
3	1/83	99400			99400						
4	1/84	42400			42400						
5	1/85	7850			7850						
6	1/86	14600			14600						
7	1/87	132400			132400						
8	1/88	98000			98000						
9	1/89	1915300			1915300						
10	1/81	275100			275100						
11	1/82	1146400			1146400						
12	1/83	734000			734000						
13	1/84	820250			820250						
14	1/85	1274600			1274600						
15	1/86	1491450			1491450						
16	1/87	1401430			1401430						
17	1/88	1845800			1845800						
18	1/89	822800			822800						
19	1/91	944647			944647						
20	1/92	769720			769720						
21	1/93	648111			648111						
22	1/94	1027135			1027135						
23	1/95	821700			821700						
24	1/96	1124400			1124400						
25	1/97	935800			935800						
26	1/98	397500			397500						
27	1/99	204000			204000						
28	1/99	100000			100000						
29	1/99	240000			240000						
30	1/99	180000			180000						
31	1/99	180000			180000						
32	1/99	180000			180000						
33	1/99	180000			180000						
34	1/99	180000			180000						
35	1/99	180000			180000						
36	1/99	180000			180000						
37	1/99	180000			180000						
38	1/99	180000			180000						
39	1/99	180000			180000						
40	1/99	180000			180000						

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1127137

1123129

1123600

Walter White
Hydroponics

Hydroponics

Form No. 1001
 of 1001
 of 1001

Date	Description	Cost	Unit	Qty	Unit Price	Total	Unit Price	Total	Unit Price	Total	Unit Price	Total
1/1/81	Hydroponics	2000.00		1	2000.00							
1/1/81	Hydroponics	3087.04		1	3087.04							
1/1/81	Hydroponics	4000.00		1	4000.00							
1/1/81	Hydroponics	5000.00		1	5000.00							
1/1/81	Hydroponics	6000.00		1	6000.00							
1/1/81	Hydroponics	7000.00		1	7000.00							
1/1/81	Hydroponics	8000.00		1	8000.00							
1/1/81	Hydroponics	9000.00		1	9000.00							
1/1/81	Hydroponics	10000.00		1	10000.00							
1/1/81	Hydroponics	11000.00		1	11000.00							
1/1/81	Hydroponics	12000.00		1	12000.00							
1/1/81	Hydroponics	13000.00		1	13000.00							
1/1/81	Hydroponics	14000.00		1	14000.00							
1/1/81	Hydroponics	15000.00		1	15000.00							
1/1/81	Hydroponics	16000.00		1	16000.00							
1/1/81	Hydroponics	17000.00		1	17000.00							
1/1/81	Hydroponics	18000.00		1	18000.00							
1/1/81	Hydroponics	19000.00		1	19000.00							
1/1/81	Hydroponics	20000.00		1	20000.00							
1/1/81	Hydroponics	21000.00		1	21000.00							
1/1/81	Hydroponics	22000.00		1	22000.00							
1/1/81	Hydroponics	23000.00		1	23000.00							
1/1/81	Hydroponics	24000.00		1	24000.00							
1/1/81	Hydroponics	25000.00		1	25000.00							
1/1/81	Hydroponics	26000.00		1	26000.00							
1/1/81	Hydroponics	27000.00		1	27000.00							
1/1/81	Hydroponics	28000.00		1	28000.00							
1/1/81	Hydroponics	29000.00		1	29000.00							
1/1/81	Hydroponics	30000.00		1	30000.00							
1/1/81	Hydroponics	31000.00		1	31000.00							
1/1/81	Hydroponics	32000.00		1	32000.00							
1/1/81	Hydroponics	33000.00		1	33000.00							
1/1/81	Hydroponics	34000.00		1	34000.00							
1/1/81	Hydroponics	35000.00		1	35000.00							
1/1/81	Hydroponics	36000.00		1	36000.00							
1/1/81	Hydroponics	37000.00		1	37000.00							
1/1/81	Hydroponics	38000.00		1	38000.00							
1/1/81	Hydroponics	39000.00		1	39000.00							
1/1/81	Hydroponics	40000.00		1	40000.00							
1/1/81	Hydroponics	41000.00		1	41000.00							
1/1/81	Hydroponics	42000.00		1	42000.00							
1/1/81	Hydroponics	43000.00		1	43000.00							
1/1/81	Hydroponics	44000.00		1	44000.00							
1/1/81	Hydroponics	45000.00		1	45000.00							
1/1/81	Hydroponics	46000.00		1	46000.00							
1/1/81	Hydroponics	47000.00		1	47000.00							
1/1/81	Hydroponics	48000.00		1	48000.00							
1/1/81	Hydroponics	49000.00		1	49000.00							
1/1/81	Hydroponics	50000.00		1	50000.00							
1/1/81	Hydroponics	51000.00		1	51000.00							
1/1/81	Hydroponics	52000.00		1	52000.00							
1/1/81	Hydroponics	53000.00		1	53000.00							
1/1/81	Hydroponics	54000.00		1	54000.00							
1/1/81	Hydroponics	55000.00		1	55000.00							
1/1/81	Hydroponics	56000.00		1	56000.00							
1/1/81	Hydroponics	57000.00		1	57000.00							
1/1/81	Hydroponics	58000.00		1	58000.00							
1/1/81	Hydroponics	59000.00		1	59000.00							
1/1/81	Hydroponics	60000.00		1	60000.00							
1/1/81	Hydroponics	61000.00		1	61000.00							
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1/1/81	Hydroponics	67000.00		1	67000.00							
1/1/81	Hydroponics	68000.00		1	68000.00							
1/1/81	Hydroponics	69000.00		1	69000.00							
1/1/81	Hydroponics	70000.00		1	70000.00							
1/1/81	Hydroponics	71000.00		1	71000.00							
1/1/81	Hydroponics	72000.00		1	72000.00							
1/1/81	Hydroponics	73000.00		1	73000.00							
1/1/81	Hydroponics	74000.00		1	74000.00							
1/1/81	Hydroponics	75000.00		1	75000.00							
1/1/81	Hydroponics	76000.00		1	76000.00							
1/1/81	Hydroponics	77000.00		1	77000.00							
1/1/81	Hydroponics	78000.00		1	78000.00							
1/1/81	Hydroponics	79000.00		1	79000.00							
1/1/81	Hydroponics	80000.00		1	80000.00							
1/1/81	Hydroponics	81000.00		1	81000.00							
1/1/81	Hydroponics	82000.00		1	82000.00							
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1/1/81	Hydroponics	86000.00		1	86000.00							
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1/1/81	Hydroponics	94000.00		1	94000.00							
1/1/81	Hydroponics	95000.00		1	95000.00							
1/1/81	Hydroponics	96000.00		1	96000.00							
1/1/81	Hydroponics	97000.00		1	97000.00							
1/1/81	Hydroponics	98000.00		1	98000.00							
1/1/81	Hydroponics	99000.00		1	99000.00							
1/1/81	Hydroponics	100000.00		1	100000.00							

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*Also check District
Operational Schedule*

Inventory Report

Date: _____ Prepared By: _____
 Revised By: _____ Work Paper No. _____

1	2	3	4	5	6	7	8	9	10
Qty	Description	Unit	Qty	Price	Ext. Price	Qty	Price	Ext. Price	Qty
1	1/4" Ply	178445	51	10	510				
2	1/2" Ply	300000	21	10	210				
3	3/4" Ply	178700	51	10	510				
4	1" Ply	178400	51	10	510				
5	1 1/2" Ply	178400	51	10	510				
6	2" Ply	178400	51	10	510				
7									
8									
9									
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12									
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Nebo Water District

Cost of Service Study

Allocation of Plant Value	Sheet 1
Allocation of Depreciation	Sheet 2
Allocation of O/M Expenses	Sheet 3
Allocation of Cost of Service	Sheet 4
Calculation of Water Rates	Sheet 5
Verification of Rates	Sheet 6
Proposed Rates	Sheet 7
Comparison of Rates – 5/8 Inch x 3/4 Inch Meter	Sheet 8
Comparison of Rates – 1 Inch Meter	Sheet 9
Comparison of Rates – 1 1/2 Inch Meter	Sheet 10
Comparison of Rates – 2 Inch Meter	Sheet 11
Comparison of Rates – 3 Inch Meter	Sheet 12
Comparison of Rates – 4 Inch Meter	Sheet 13

Allocation of Plant Value				
Nebo Water District				
	Total	Commodity	Demand	Customer
Land & Land Rights	\$38,258		\$38,258	
Structures and Improvements	58,811		58,811	
Pumping Equipment	73,138		73,138	
Distribution Reservoirs & Standpipes	532,223		532,223	
Transmission & Distribution Mains	1,884,798		1,884,798	
Meters & Meter Installations	406,012			406,012
Subtotal	\$2,993,240		\$2,587,228	\$406,012
Hydrants	\$27,367		\$23,645	\$3,722
Office Furniture & Equipment	30,598		26,437	4,161
Tools, Shop & Garage Equipment	931		804	127
Power Operated Equipment	66,740		57,663	9,077
Communication Equipment	7,037		6,080	957
Subtotal	\$132,673		\$114,629	\$18,044
Total	\$3,125,913		\$2,701,857	\$424,056
Allocation Percentages	100%		86.4%	13.6%

Source: PSC Annual Report 2005

Allocation of Depreciation				
Nebo Water District				
	Total	Commodity	Demand	Customer
Structures and Improvements	\$27,646		\$27,646	
Pumping Equipment	23,702		23,702	
Distributions Reservoirs & Standpipes	213,113		213,113	
Transmission & Distribution Mains	1,004,594		1,004,594	
Meters & Meter Installations	379,647			379,647
Subtotal	\$1,648,702		\$1,269,055	\$379,647
Allocation Percentages	100%		77.0%	23.0%
Office Furniture & Equipment	\$30,232		\$23,279	\$6,953
Hydrants	15,569		11,988	3,581
Power Operated Equipment	35,965		27,693	8,272
Subtotal	\$81,766		\$35,267	\$10,534
Total	\$1,730,468		\$1,304,322	\$390,181
Allocation Percentages	100%		77.0%	23.0%

Source: PSC Annual Report 2005

Allocation of Operation & Maintenance Expense

Nebo Water District

	Total	Commodity	Demand	Customer
Purchased Water	\$365,001	\$365,001		
Purchased Power	\$10,327	\$10,327		
Materials & Supplies	35,789		\$35,789	
Salaries - Office Manager	24,960			\$24,960
Taxes OT Income - Office Manager	1,909			\$1,909
Employee Pensions/Benefits	13,651		7,645	\$6,006
Insurance - Workers Comp	6,334		3,547	\$2,787
Contract Services - Meter Reader	14,400			\$14,400
Taxes OT Income - Meter Reader	1,102			\$1,102
Contract Services - Maintenance	52,000		52,000	
Taxes OT Income - Maintenance	3,978		3,978	
Bad Debt	958			\$958
Advertising	2,368			\$2,368
Contract Services - Eng.	2,676		2,676	
Subtotal	\$535,453	\$375,328	\$105,635	\$54,490
Less Commodity	\$375,328			
Total	\$160,125		\$105,635	\$54,490
Allocation Percentages	100%		66%	34%
Transportation	\$10,191		\$6,726	\$3,465
Insurance Expense	5,957		3,932	2,025
Miscellaneous	14,195		9,369	4,826
Rental Equipment	5,430		3,584	1,846
Contract Services - McCoy & McCoy Labs	2,444		1,613	831
Salaries - Superintendent	36,000		23,760	12,240
Taxes OT Income - Superintendent	2,754		1,818	936
Salaries & Wages - Officers	10,800		7,128	3,672
Taxes OT Income - Officers	826		545	281
Contract Services - Acct.	7,000		4,620	2,380
Contract Services - Legal	50		33	17
Debt Amortization Expense	540		356	184
Amortization Expense	317		209	108
Subtotal	\$96,504		\$63,693	\$32,811
Total Operating Expenses	\$631,957	\$375,328	\$169,328	\$87,301

Allocation of Cost of Service				
Nebo Water District				
	Total	Commodity	Demand	Customer
Operation & Maintenance	\$631,957	\$375,328	\$169,328	\$87,301
Debt Service ¹	89,544		77,366	12,178
Depreciation ²	96,998		74,688	22,310
General Water Service Cost	\$818,499	\$375,328	\$321,382	\$121,789
Less:				
Interest Income	(\$9,343)			(\$9,343)
Other Operating Revenue	(\$14,408)			(\$14,408)
Nonutility Income	(\$23,800)			(\$23,800)
Revenue Required from Rates	\$770,948	\$375,328	\$321,382	\$74,238

NOTES:

¹Debt Service has been allocated on a percentage of Plant Value from the Allocation of Plant Value Sheet.

²Depreciation has been allocated on a percentage of Depreciation from the Allocation of Depreciation Sheet.

Calculation of Water Rates
Nebo Water District

	Total	First 2,000 gallons	Next 2,000 gallons	Next 6,000 gallons	Next 10,000 gallons	Over 20,000 gallons
Actual Water Sales:						
Thousand Gallons	122,763,510	31,235,600	22,327,410	20,338,900	4,846,300	44,015,300
Percent	100%	25.44%	18.19%	16.57%	3.95%	35.85%
Weighted Sales for Demand:						
Thousand Gallons	182,125,693	62,471,200	39,072,968	30,508,350	6,057,875	44,015,300
Percent	100%	34.30%	21.45%	16.75%	3.33%	24.17%
Allocation of Volumetric Costs:						
Commodity	\$375,328	\$95,483	\$68,272	\$62,192	\$14,925	\$134,555
Demand	321,382	110,234	68,936	53,831	10,702	77,678
Customer	74,238	74,238				
Total	\$ 770,948	\$279,955	\$137,208	\$116,023	\$25,527	\$212,233
Number of Bills	17,619					
Proposed Rates		\$15.89	\$6.15	\$5.70	\$5.27	\$4.82

Verification of Rates				
Nebo Water District				
	Bills	Gallons	Rate	Revenue
<u>5/8 x 3/4 Inch Meter</u>				
First 2,000 gallons	17,388	30,859,300	\$15.89	\$276,295
Next 2,000 gallons		21,939,510	6.15	134,928
Next 6,000 gallons		19,421,900	5.70	110,705
Next 10,000 gallons		3,761,500	5.27	19,823
Over 20,000 gallons		1,857,000	4.82	8,951
<u>1 Inch Meter</u>				
First 4,000 gallons	99	305,700	\$28.19	\$2,791
Next 6,000 gallons		246,400	5.70	1,404
Next 10,000 gallons		183,300	5.27	966
Over 20,000 gallons		227,600	4.82	1,097
<u>1 1/2 Inch Meter</u>				
First 10,000 gallons	24	201,300	\$62.39	\$ 1,497
Next 10,000 gallons		111,400	5.27	587
Over 20,000 gallons		229,700	4.82	1,107
<u>2 Inch Meter</u>				
First 20,000 gallons	84	1,237,900	\$115.09	\$9,668
Over 20,000 gallons		5,848,000	4.82	28,187
<u>3 Inch Meter</u>				
First 30,000 gallons	0	0	\$163.29	\$0
Over 30,000 gallons		0	4.82	-
<u>4 Inch Meter</u>				
First 50,000 gallons	24	1,200,000	259.69	6,233
Over 50,000 gallons		35,133,000	4.82	169,341
Total Revenue from Rates	17,619	122,763,510		\$773,580

Nebo Water District			
Proposed Cost of Service Monthly Water Rates			
5/8 Inch x 3/4 Inch Meter			
First 2,000 gallons		\$15.89	Minimum bill
Next 2,000 gallons		6.15	per 1,000 gallons
Next 6,000 gallons		5.70	per 1,000 gallons
Next 10,000 gallons		5.27	per 1,000 gallons
Over 20,000 gallons		4.82	per 1,000 gallons
1 Inch Meter			
First 4,000 gallons		\$28.19	Minimum bill
Next 6,000 gallons		5.70	per 1,000 gallons
Next 10,000 gallons		5.27	per 1,000 gallons
Over 20,000 gallons		4.82	per 1,000 gallons
1 1/2 Inch Meter			
First 10,000 gallons		\$62.39	Minimum bill
Next 10,000 gallons		5.27	per 1,000 gallons
Over 20,000 gallons		4.82	per 1,000 gallons
2 Inch Meter			
First 20,000 gallons		\$115.09	Minimum bill
Over 20,000 gallons		4.82	per 1,000 gallons
3 Inch Meter			
First 30,000 gallons		\$163.29	Minimum bill
Over 30,000 gallons		4.82	per 1,000 gallons
4 Inch Meter			
First 50,000 gallons		259.69	Minimum bill
Over 50,000 gallons		4.82	per 1,000 gallons

Comparison of Rates 5/8 Inch x 3/4 Inch				
Nebo Water District				
Gallon Usage	Current Rates	Cost of Service Rates	Increase	Percentage
2,000	\$13.18	\$15.89	2.71	20.6%
3,000	19.27	22.04	2.77	14.4%
4,000	25.36	28.19	2.83	11.2%
5,000	30.45	33.89	3.44	11.3%
6,000	35.54	39.59	4.05	11.4%
7,000	40.63	45.29	4.66	11.5%
8,000	45.72	50.99	5.27	11.5%
9,000	50.81	56.69	5.88	11.6%
10,000	55.90	62.39	6.49	11.6%
15,000	78.85	88.74	9.89	12.5%
20,000	101.80	115.09	13.29	13.1%
25,000	122.25	139.19	16.94	13.9%
30,000	142.70	163.29	20.59	14.4%
35,000	163.15	187.39	24.24	14.9%
40,000	183.60	211.49	27.89	15.2%
50,000	224.50	259.69	35.19	15.7%
75,000	326.75	380.19	53.44	16.4%
100,000	429.00	500.69	71.69	16.7%
150,000	633.50	741.69	108.19	17.1%
200,000	838.00	982.69	144.69	17.3%
250,000	1,042.50	1,223.69	181.19	17.4%

Comparison of Rates		
Current Rates		Cost of Service Study
Block Usage	Rate	Rates
First 2,000 gallons	\$13.18	\$15.89
Next 2,000 gallons	6.09	6.15
Next 6,000 gallons	5.09	5.70
Next 10,000 gallons	4.59	5.27
Over 20,000 gallons	4.09	4.82

Effect on Customer Average Bill - 5,000 Gallons Usage			
Current Rates	Proposed Rates	Amount Increase	% Increase
\$30.45	\$33.89	\$3.44	11.30%

Comparison of Rates - 1 Inch Meter				
Nebo Water District				
Gallon Usage	Current Rates	Cost of Service Rates	Increase	Percentage
4,000	\$25.36	\$28.19	2.83	11.2%
5,000	30.45	33.89	3.44	11.3%
10,000	55.90	62.39	6.49	11.6%
15,000	78.85	88.74	9.89	12.5%
20,000	101.80	115.09	13.29	13.1%
25,000	122.25	139.19	16.94	13.9%
30,000	142.70	163.29	20.59	14.4%
35,000	163.15	187.39	24.24	14.9%
40,000	183.60	211.49	27.89	15.2%
50,000	224.50	259.69	35.19	15.7%
75,000	326.75	380.19	53.44	16.4%
100,000	429.00	500.69	71.69	16.7%
150,000	633.50	741.69	108.19	17.1%
200,000	838.00	982.69	144.69	17.3%
250,000	1,042.50	1,223.69	181.19	17.4%

Comparison of Rates		
Current Rates		Cost of Service Study
Block Usage	Rate	Rates
First 4,000 gallons	\$25.36	\$28.19
Next 6,000 gallons	5.09	5.70
Next 10,000 gallons	4.59	5.27
Over 20,000 gallons	4.09	4.82

Comparison of Rates - 1 1/2 Inch Meter				
Nebo Water District				
Gallon Usage	Current Rates	Cost of Service Rates	Increase	Percentage
10,000	\$55.90	\$62.39	6.49	11.6%
15,000	78.85	88.74	9.89	12.5%
20,000	101.80	115.09	13.29	13.1%
25,000	122.25	139.19	16.94	13.9%
30,000	142.70	163.29	20.59	14.4%
35,000	676.25	758.59	82.34	12.2%
40,000	183.60	211.49	27.89	15.2%
50,000	224.50	259.69	35.19	15.7%
75,000	326.75	380.19	53.44	16.4%
100,000	429.00	500.69	71.69	16.7%
150,000	633.50	741.69	108.19	17.1%
200,000	838.00	982.69	144.69	17.3%
250,000	1,042.50	1,223.69	181.19	17.4%

Comparison of Rates		
Current Rates		Cost of Service Study
Block Usage	Rate	Rates
First 10,000 gallons	\$55.90	\$62.39
Next 10,000 gallons	4.59	5.27
Over 20,000 gallons	4.09	4.82

Comparison of Rates - 2 Inch Meter				
Nebo Water District				
Gallon Usage	Current Rates	Cost of Service Rates	Increase	Percentage
20,000	\$101.80	\$115.09	\$13.29	13.1%
25,000	122.25	139.19	16.94	13.9%
30,000	142.70	163.29	20.59	14.4%
35,000	163.15	187.39	24.24	14.9%
40,000	183.60	211.49	27.89	15.2%
50,000	224.50	259.69	35.19	15.7%
75,000	326.75	380.19	53.44	16.4%
100,000	429.00	500.69	71.69	16.7%
150,000	633.50	741.69	108.19	17.1%
200,000	838.00	982.69	144.69	17.3%
250,000	1,042.50	1,223.69	181.19	17.4%
500,000	2,065.00	2,428.69	363.69	17.6%

Comparison of Rates		
Block Usage	Current Rates	Cost of Service Rates
First 20,000 gallons	\$101.80	\$115.09
Over 20,000 gallons	4.09	4.82

Comparison of Rates - 3 Inch Meter				
Nebo Water District				
Gallon Usage	Current Rates	Cost of Service Rates	Increase	Percentage
30,000	\$142.70	\$163.29	20.59	14.4%
35,000	163.15	187.39	24.24	14.9%
40,000	183.60	211.49	27.89	15.2%
50,000	224.50	259.69	35.19	15.7%
75,000	326.75	380.19	53.44	16.4%
100,000	429.00	500.69	71.69	16.7%
150,000	633.50	741.69	108.19	17.1%
200,000	838.00	982.69	144.69	17.3%
250,000	1,042.50	1,223.69	181.19	17.4%
500,000	2,065.00	2,428.69	363.69	17.6%

Comparison of Rates		
Block Usage	Current Rates	Cost of Service Rates
First 30,000 gallons	\$142.70	\$163.29
Over 30,000 gallons	4.09	4.82

Comparison of Rates - 4 Inch Meter				
Nebo Water District				
Gallon Usage	Current Rates	Cost of Service Rates	Increase	Percentage
50,000	\$224.50	\$259.69	35.19	15.7%
75,000	326.75	380.19	53.44	16.4%
100,000	429.00	500.69	71.69	16.7%
150,000	633.50	741.69	108.19	17.1%
200,000	838.00	982.69	144.69	17.3%
250,000	1,042.50	1,223.69	181.19	17.4%
500,000	2,065.00	2,428.69	363.69	17.6%
1,000,000	4,110.00	4,838.69	728.69	17.7%
2,000,000	8,200.00	9,658.69	1,458.69	17.8%
3,000,000	12,290.00	14,478.69	2,188.69	17.8%
4,000,000	16,380.00	19,298.69	2,918.69	17.8%

Comparison of Rates		
Block Usage	Current Rates	Cost of Service Rates
First 50,000 gallons	\$224.50	\$259.69
Over 50,000 gallons	4.09	4.82

Nebo Water District

Customer Notice

NOTICE

Nebo Water District has filed an application with the Public Service Commission to increase its rates for water service.

<u>Monthly Water Rates</u>			
	<u>Current</u>	<u>Proposed</u>	<u>% Change</u>
First 2,000 Gallons	\$13.18 Minimum Bill	\$15.89 Minimum Bill	20.56%
Next 2,000 Gallons	6.09 Per 1,000 Gallons	6.15 Per 1,000 Gallons	0.99%
Next 6,000 Gallons	5.09 Per 1,000 Gallons	5.70 Per 1,000 Gallons	11.98%
Next 10,000 Gallons	4.59 Per 1,000 Gallons	5.27 Per 1,000 Gallons	14.81%
Over 20,000 Gallons	4.09 Per 1,000 Gallons	4.82 Per 1,000 Gallons	17.85%

<u>Minimum Bills</u>			
	<u>Current</u>	<u>Proposed</u>	<u>% Change</u>
5/8" x 3/4" Meter	\$13.18 First 2,000 Gallons	\$15.89 First 2,000 Gallons	20.56%
1" Meter	25.36 First 4,000 Gallons	28.19 First 4,000 Gallons	11.16%
1 1/2" Meter	55.90 First 10,000 Gallons	62.39 First 10,000 Gallons	11.61%
2" Meter	101.80 First 20,000 Gallons	115.09 First 20,000 Gallons	13.06%
3" Meter	142.70 First 30,000 Gallons	163.29 First 30,000 Gallons	14.43%
4" Meter	224.50 First 50,000 Gallons	259.69 First 50,000 Gallons	15.67%

The rates contained in this notice are the rates proposed by the Nebo Water District. However, the Public Service Commission may order rates to be charged that are higher or lower than the rates proposed in this notice.

Any corporation, association, body politic, or person may request leave to intervene, by motion within thirty (30) days after notice of the proposed rate change is given. A motion to intervene shall be in writing, shall be submitted to the Executive Director, Public Service Commission, Post Office Box 615, Frankfort, KY 40602, and shall set forth the grounds for the motion, including the status and interest of the party movant. Copies of the application may be obtained at no charge from the District office. Upon request from an intervenor, the Company shall furnish to the intervenor a copy of the application and supporting documents.

Nebo Water District



Michael L. Overby, CPA, PLLC

Certified Public Accountant

401 South Broadway
Providence, KY. 42450

INDEPENDENT AUDITOR'S REPORT

To The Commissioners
Nebo Water District
Nebo, Kentucky

I have audited the financial statements of the governmental activities, business-type activities, major funds, and remaining fund information, which collectively comprise the basic financial statements, of the Nebo Water District ("District") as of and for the year ended December 31, 2005, as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and remaining fund information of the District at December 31, 2005, and the changes in financial position and cash flows, where applicable, of those activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the District's basic financial statements. The individual fund statements described in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by me in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, I have also issued a report dated January 20, 2006, on my consideration of internal control over financial reporting and my test of its compliance with certain provisions of laws, regulations, grants and contracts. 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 assessing the results of my audit.

The Nebo Water District has not presented the management's discussion and analysis section that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of the basic financial statements.

January 20, 2006

**NEBO WATER DISTRICT
STATEMENT OF NET ASSETS
DECEMBER 31, 2005**

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ -	\$ 437,289	\$ 437,289
Accounts receivable	-	50,254	50,254
Inventories	-	23,206	23,206
Prepaid insurance	-	4,293	4,293
Total current assets	<u>-</u>	<u>515,042</u>	<u>515,042</u>
Noncurrent Assets			
Restricted cash	-	187,614	187,614
Capital assets, net of depreciation	-	1,395,445	1,395,445
Unamortized bond issue costs	-	11,070	11,070
Total noncurrent assets	<u>-</u>	<u>1,594,129</u>	<u>1,594,129</u>
Total assets	<u>-</u>	<u>2,109,171</u>	<u>2,109,171</u>
Liabilities			
Current Liabilities			
Accounts payable	-	23,099	23,099
Accrued expenses	-	3,728	3,728
Compensated absences	-	990	990
Current portion of bonds payable	-	36,000	36,000
Total current liabilities	<u>-</u>	<u>63,817</u>	<u>63,817</u>
Noncurrent Liabilities			
Noncurrent portion of bonds payable	-	733,000	733,000
Total noncurrent liabilities	<u>-</u>	<u>733,000</u>	<u>733,000</u>
Total liabilities	<u>-</u>	<u>796,817</u>	<u>796,817</u>
Net Assets			
Contributed capital	-	1,457,159	1,457,159
Retained earnings (deficit)	-	-	-
Reserve for unrestricted assets	-	456,457	456,457
Unrestricted	-	(301,262)	(301,262)
Total net assets	<u>\$ -</u>	<u>\$ 1,612,354</u>	<u>\$ 1,612,354</u>

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

**NEBO WATER DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS	TOTAL
Fundctions/programs								
Governmental activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business-type activities								
Water	<u>758,488</u>	<u>661,068</u>	<u>23,800</u>			<u>(73,620)</u>		<u>(73,620)</u>
Total business-type activities	<u>758,488</u>	<u>661,068</u>	<u>23,800</u>			<u>(73,620)</u>		<u>(73,620)</u>
Total government	<u>\$ 758,488</u>	<u>\$ 661,068</u>	<u>\$ 23,800</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(73,620)</u>		<u>(73,620)</u>
General Revenues:								
Interest income								<u>13,347</u>
Total General Revenue								<u>13,347</u>
Change in Net Assets								<u>(60,273)</u>
Net assets, beginning								<u>1,372,627</u>
Net assets, ending								<u>\$ 1,312,354</u>

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

**NEBO WATER DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
DECEMBER 31, 2005**

	<u>Business-type Activities Enterprise Fund</u>
Assets	
Current Assets	
Cash and cash equivalents	\$ 437,289
Accounts receivable	50,254
Inventories	23,206
Prepaid insurance	<u>4,293</u>
Total current assets	<u>515,042</u>
Noncurrent Assets	
Restricted cash	187,614
Capital assets	3,125,913
Less accumulated depreciation	(1,730,468)
Unamortized bond issue costs	<u>11,070</u>
Total noncurrent assets	<u>1,594,129</u>
Total assets	<u>2,109,171</u>
Liabilities	
Current Liabilities	
Accounts payable	23,099
Accrued expenses	3,728
Compensated absences	990
Current portion of bonds payable	<u>36,000</u>
Total current liabilities	<u>63,817</u>
Noncurrent Liabilities	
Noncurrent portion of bonds payable	<u>733,000</u>
Total noncurrent liabilities	<u>733,000</u>
Total liabilities	<u>796,817</u>
Net Assets	
Contributed capital	1,457,159
Retained earnings (deficit)	
Reserved for restricted assets	156,457
Unreserved	<u>(301,262)</u>
Total net assets	<u>\$ 1,312,354</u>

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

NEBO WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
PROPRIETARY FUND
DECEMBER 31, 2005

	Business-type Activities <u>Enterprise Fund</u>
Operating Revenues:	
Charges for services	\$ 646,660
Other income	<u>14,408</u>
Total operating revenues	<u>661,068</u>
Operating Expenses:	
Purchased water	334,911
Purchased power	10,327
Salaries and wages	56,654
Contract services	95,912
Depreciation	96,672
Material and supplies	46,536
Insurance	23,964
Payroll taxes	10,230
Miscellaneous expense	8,233
Utilities	6,912
Equipment rent	6,814
Office expense	7,291
Bad debt expense	958
Vehicle expense	9,591
Advertising	<u>2,368</u>
Total operating expenses	<u>717,373</u>
Operating income (loss)	<u>(56,305)</u>
Nonoperating revenues (expenses):	
Interest income	13,347
Interest expense	(40,575)
Amortization of bond issue costs	(540)
Tap on fees	<u>23,800</u>
Total nonoperating revenues (expenses)	<u>(3,968)</u>
Change in net assets	(60,273)
Total net assets, beginning	<u>1,372,627</u>
Total net assets, ending	<u>\$ 1,312,354</u>

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

NEBO WATER DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Business-type Activities Enterprise Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 646,660
Payments to suppliers	(564,047)
Payments to employees	(56,654)
Other receipts (payments)	<u>12,671</u>
Net cash provided by operating activities	<u>38,630</u>
Cash Flows from Capital and Related Financing Activities	
Principal paid on bonds payable	(35,000)
Interest paid on bonds payable	(40,575)
Capital contributions from customers	<u>23,800</u>
Net cash (used) in capital and related financing activities	<u>(51,775)</u>
Cash Flows from Investing Activities	
Interest income	<u>13,347</u>
Net increase in cash and cash equivalents	202
Balances, beginning of year	<u>624,702</u>
Balances, ending of year	<u>\$ 624,904</u>

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

NEBO WATER DISTRICT
 STATEMENT OF CASH FLOWS, Continued
 PROPRIETARY FUND
 FOR THE YEAR ENDED DECEMBER 31, 2005

		Business-type Activities Enterprise Fund
Reconciliation of operating income loss to net cash (used in) operating activities		
Operating (loss)	\$	(56,305)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation and amortization		96,672
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable		(2,193)
(Increase) decrease in inventory		(1,040)
(Increase) decrease in prepaid insurance		(1,448)
Increase (decrease) in accounts payable		1,426
Increase (decrease) in accrued expense		2,238
Increase (decrease) in compensated absences		(720)
Net cash provided by operating activities	\$	<u>38,630</u>

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

**NEBO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2005**

Note 1. **Summary of Significant Accounting Policies**

A. **Financial Reporting Entity.**

The Nebo Water District (the "District") was created on September 2, 1965, under the provisions of chapter 74 of the Kentucky Revised Statutes of the Commonwealth of Kentucky. The principal office of the District is located in Nebo, Kentucky. The District is comprised of three commissioners who are appointed by the Hopkins County Judge Executive and provides water to customers in Hopkins County, Kentucky.

B. **Basis of Presentation.**

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all activities of the District. The government-wide financial statements are divided into two types: governmental activities and business-type activities. The District only has business-type activities due to its reliance to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expense of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers as applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Fund Financial Statements:

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliances.

Governmental funds are those funds through which most governmental functions typically are financial. The District does not maintain governmental funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. Operating expenses for the proprietary funds include the costs of operational and contracted services, revenues and expenses no meeting this definition are reported as non-operating revenues and expenses.

C. **Measurement Focus/Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made regardless of the measurement focus applied.

The government-wide statements and the fund financial statements for the proprietary funds are reported using the economic resources measurement focus and the accrued basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized when earned including unbilled water service which is accrued. Expenses are recognized at the time the liability is incurred.

D. **Cash and Investments**

For the purpose of the proprietary fund of the Nebo Water District, cash on hand, cash in bank and certificates of deposits are considered to be cash and cash equivalents.

Unrestricted cash is available to be expended for normal operating costs. Restricted cash is limited to payments of bond principal and interest, emergency capital improvements, and construction projects.

State statute requires that all deposits and investments in financial institutions be fully collateralized by U. S. Government obligations or its agencies and instrumentalities or direct obligations of Kentucky or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. The District's deposits, including certificates of deposit, were fully collateralized as required by state statutes at December 31, 2005.

At year end, bank balances at First United Bank totaled \$64,035. These balances were covered by FDIC Insurance in the amount of \$100,000. Also at year end bank balances at Sacramento Deposit Bank totaled \$543,204. Of the balance \$100,000 was covered by FDIC insurance and \$525,682 of additional securities (valued at market) was pledged as collateral for deposits exceeding FDIC limits.

E. **Inventory**

Inventory is stated at the lower of cost or market. Cost is determined primarily by the first in first-out method.

F. **Capital Assets**

Capital assets, which include property, plant and equipment are reported in the business-type activities column in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance is recorded as expenses. Renewals and betterments are capitalized. Depreciation is provided in the proprietary fund in an amount sufficient to relate the cost of the depreciable assets, to operations over their estimated lives on the straight-line basis. The service lives range from 3 to 50 years.

Note 2. **Capital Assets**

Capital asset activity for the year ended December 31, 2005, was as follows:

	<u>Balances</u> <u>January 1</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balances</u> <u>December 31</u>
Business-type Activities:				
Land and land rights	\$ 38,258	\$ -	\$ -	\$ 38,258
Structures and improvements	58,811	-	-	58,811
Distribution reservoirs	532,223	-	-	532,223
Transmission mains	1,884,798	-	-	1,884,798
Water meters	406,012	-	-	406,012
Hydrants	27,367	-	-	27,367
Office equipment	30,598	-	-	30,598
Tools and shop equipment	67,671	-	-	67,671
Pumping equipment	73,138	-	-	73,138
Communication equipment	<u>7,037</u>	<u>-</u>	<u>-</u>	<u>7,037</u>
Total capital assets	3,125,913	-	-	3,125,913
Less accumulated depreciation	<u>(1,633,797)</u>	<u>-</u>	<u>-</u>	<u>(1,730,468)</u>
Business-type Activities:				
Capital Assets, Net	<u>\$ 1,492,116</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,395,445</u>

Note 3. **Noncurrent Liabilities**

At December 31, 2005, noncurrent liabilities consisted of the following:

	<u>Business-type</u>
Bonds payable (series of 1979) payable to the United States of America, Rural Development, formerly Farmers Home Administration, in the amount of \$845,000 maturing in annual installments through 2009. Interest is payable semi-annually On January 1 and July 1 at 5% per annum and principal is payable annually on January 1.	\$ 457,000
Bonds payable (Series of 2001) payable to the Kentucky Rural Water Corporation in the amount of \$343,000 maturing in annual installments through 2005. Interest is payable semi-annually on January 1 and July 1 at an average of 4.87% per annum and principal is payable annually on January 1.	<u>312,000</u>
Total	769,000
Less amount due in one year	<u>(36,000)</u>
Amount due in more than one year	<u>\$ 733,000</u>

The following is a summary of the revenue bond transaction of the District for the year ended December 31, 2005:

	Balances 12/31/04	Additions	Reductions	Balances 12/31/05
1979 Series	\$ 483,000	\$ 0	\$ 26,000	\$ 457,000
2001 Series	<u>321,000</u>	<u>0</u>	<u>9,000</u>	<u>312,000</u>
Total	<u>\$ 804,000</u>	<u>\$ 0</u>	<u>\$ 35,000</u>	<u>\$ 769,000</u>

The following is a bond retirement schedule for each issue:

Series of 1979

Year Ending December 31	Bonds Due	Interest Due	Total	Bonds Outstanding End of Year
2005	\$ 0	\$ 0	\$ 0	\$ 457,000
2006	27,000	21,500	48,500	430,000
2007	28,000	20,100	48,100	402,000
2008	30,000	18,600	48,600	372,000
2009	32,000	17,000	49,000	340,000
2010	34,000	15,300	49,300	306,000
2011	35,000	13,550	48,550	271,000
2012	36,000	11,750	47,750	235,000
2013	37,000	9,900	46,900	198,000
2014	38,000	8,000	46,000	160,000
2015	40,000	6,000	46,000	120,000
2016	40,000	4,000	44,000	80,000
2017	40,000	2,000	42,000	40,000
2018	<u>40,000</u>	<u>0</u>	<u>40,000</u>	0
	<u>\$ 457,000</u>	<u>\$ 147,700</u>	<u>\$ 604,700</u>	

Series of 2001

Year ending December 31	Bonds Due	Interest Due	Total	Bonds Outstanding End of Year
2005	\$ 0	\$ 0	\$ 0	\$ 312,000
2006	9,000	16,301	25,301	303,000
2007	10,000	15,882	25,882	293,000
2008	11,000	15,394	26,394	282,000
2009	11,000	14,882	25,882	271,000

2010	11,000	14,343	25,343	260,000
2011	12,000	13,751	25,751	248,000
2012	12,000	13,133	25,133	236,000
2013	13,000	12,489	25,489	223,000
2014	13,000	11,795	24,795	210,000
2015	14,000	11,050	25,050	196,000
2016	15,000	10,248	25,248	181,000
2017	16,000	9,392	25,392	165,000
2018	17,000	8,480	25,480	148,000
2019	18,000	7,514	25,514	130,000
2020	19,000	6,491	25,491	111,000
2021	20,000	5,452	25,452	91,000
2022	21,000	4,396	25,396	70,000
2023	22,000	3,289	25,289	48,000
2024	23,000	2,130	25,130	25,000
2025	<u>25,000</u>	<u>894</u>	<u>25,894</u>	0
	<u>\$ 312,000</u>	<u>\$ 197,306</u>	<u>\$ 509,306</u>	

Note 4. **Purchase Contracts**

The District entered into a purchase agreement with the City of Madisonville, Kentucky. The District is billed monthly for the water usage.

Note 5. **Litigation**

The District attorney is unaware of any pending litigation against the District.

Note 6. **Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchased commercial insurance for all risks of loss. Settled claim have not exceed this commercial coverage in any of the past three fiscal years.

SUPPLEMENTARY INFORMATION



Michael L. Overby, CPA, PLLC

Certified Public Accountant

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Providence, KY. 42450*

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

To the Commissioners
Nebo Water District
Nebo, Kentucky

I have audited the financial statements of the Nebo Water District, as of and for the year ended December 31, 2005, and have issued my report thereon dated January 20, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America 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 Nebo Water District's general purpose financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my 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 my audit, I considered Nebo Water District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. However, I noted other matters involving the internal control over financial reporting that I have reported to management of Nebo Water District, in a separate letter dated January 20, 2006.

This report is intended for the information of the Commissioners and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



Michael R. Conboy, Esq.

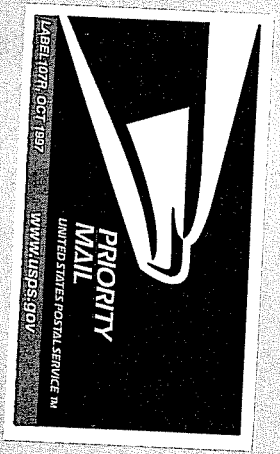
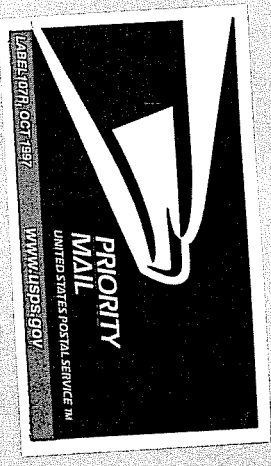
January 20, 2006

NEBO WATER DISTRICT

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NEBO WATER DISTRICT
P. O. Box 147
Nebo, Kentucky 42441



Public Service Commission
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