

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**RECEIVED**

APR 21 2008

PUBLIC SERVICE  
COMMISSION

**IN THE MATTER OF:**

**THE APPLICATION OF THE REID VILLAGE  
WATER DISTRICT FOR APPROVAL OF  
INCREASED RATES FOR WATER SERVICE**

)  
) **CASE NO. 2008-**00146  
)

**STATEMENT AND NOTICE**

Reid Village Water District ("Reid Village"), 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, Reid Village respectfully states as follows:

1. Reid Village is a non-profit water district that has been engaged in the distribution and sale of water. It currently provides water service to approximately 1,082 customers in Montgomery County in Kentucky. Reid Village is organized under KRS Chapter 74. Reid Village's principal office, place of business, and mailing address is 862 Winchester Road, Mt. Sterling, Kentucky 40353.

2. The proposed increase in the rates and charges is necessary for Reid Village 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, Reid Village has utilized an historical test period consisting of the twelve (12) consecutive calendar months ending December 31, 2006.

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

5. Reid Village 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 \$56,306, which is an increase of 14.42 percent over normalized revenues from water sales of \$390,367.

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. Reid Village 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 4-16, 2008.

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), Reid Village will post a copy of its Customer Notice (Exhibit No. 8) at its place of business on 4-11, 2008 and it will remain posted until the Public Service Commission has determined Reid Village's rates.

10. The list of the documents filed in support of Reid Village'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, Reid Village 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 Mt. Sterling, Kentucky this 4-3-8.

REID VILLAGE WATER DISTRICT

By   
Chairman

LAW FIRM OR ATTORNEY

By \_\_\_\_\_  
(Attorney's Name)  
(Attorney's Address)  
(Post Office Box)  
\_\_\_\_\_, Kentucky 4xxxx  
(859) xxx-xxxx

THE DISTRICT WAS ASSISTED WITH THE RATE CASE BY THE COMMISSION STAFF. AT THE TIME OF FILING THE DISTRICT HAD NOT MADE THE DECISION TO ADD THE NONRECURRING CHARGES. WE HAVE SEEN THE NECESSITY AND WANT TO ADD THOSE CHARGES. ATTACHED IS THE NON-RECURRING CHARGE COST JUSTIFICATION AND THE PROPOSED NEW TARIFF.



**AVERAGE METER CONNECTION EXPENSE  
COST JUSTIFICATION**

Name of Utility REID VILLAGE 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>Unit Quantity</u>	<u>Cost</u>	<u>Total Cost</u>
1. Water Meter	<u>1</u>	<u>39.00</u>	<u>39.00</u>
2. Meter Yoke	<u>1</u>	<u>88.86</u>	<u>88.86</u>
3. Corporation Stop	<u>1</u>	<u>27.24</u>	<u>27.24</u>
4. Meter Box and Top	<u>1</u>	<u>49.00</u>	<u>49.00</u>
5. Miscellaneous Fittings	<u>3</u>	<u>1.33</u>	<u>3.99</u>
6. Other (Itemize)			
<u>BRONZE SADDLE</u>	<u>1</u>	<u>21.20</u>	<u>21.20</u>
<u>1" CTS TUBING</u>	<u>30'</u>	<u>.34/ft</u>	<u>10.40</u>
_____	_____	_____	_____

TOTAL MATERIALS EXPENSE  
(add total cost)

\$ 239.69

C. **Service Pipe Expense**

Type of Service Pipe 1" CTS Polyethylene Size of Service Pipe 1"

	<u>Unit Quantity</u>	<u>Cost</u>	<u>Total Cost</u>
1. Short Side Service	<u>8'</u>	<u>.34</u>	<u>2.72</u>
2. Long Side Service	<u>30'</u>	<u>.34</u>	<u>10.20</u>
AVERAGE SERVICE PIPE EXPENSE (add total cost and divide by 2)			<u>\$ 6.46</u>

D. **Installation Labor Expense**

	<u>Total Hours</u>	<u>Hourly Rate</u>	<u>Total Cost</u>
1. Short Side Service	<u>4</u>	<u>20.00</u>	<u>80.00</u>
2. Long Side Service	<u>10</u>	<u>20.00</u>	<u>200.00</u>
AVERAGE INSTALLATION LABOR EXPENSE (add total cost and divide by 2)			<u>\$ 140.00</u>

E. **Installation Equipment Expense**

	<u>Total Hours</u>	<u>Hourly Rate</u>	<u>Total Cost</u>
1. Short Side Service	<u>2</u>	<u>40.00</u>	<u>80.00</u>
2. Long Side Service	<u>5</u>	<u>67.50</u>	<u>337.50</u>
AVERAGE INSTALLATION EQUIPMENT EXPENSE (add total cost and divide by 2)			<u>\$ 208.75</u>

**F. Installation Miscellaneous Expense**

	<u>Total Hours</u>	<u>Hourly Rate</u>	<u>Total Cost</u>
1. Inspection	_____	_____	_____
2. Site Clean-Up	<u>2</u>	<u>20.00</u>	<u>40.00</u>
3. Other	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
AVERAGE INSTALLATION MISCELLANEOUS EXPENSE (add total cost)			\$ <u>40.00</u>

**G. Overhead Expense**

1. Installation expense (\$ \_\_\_\_\_) times  
overhead rate (\_\_\_\_%) \$ - 0 -

**H. Administrative Expense**

1. Office expense for establishing a new account  
and billing record. \$ 35.00

**I. Total Expenses**

Materials Expense \$ 239.69  
Service Pipe Expense 6.46  
Installation Labor Expense 140.00  
Installation Equipment Expense 208.75  
Installation Miscellaneous Expense 40.00  
Overhead Expense - 0 -  
Administrative Expense 35.00

**TOTAL CONNECTION EXPENSE** \$ 669.90

NONRECURRING CHARGE COST JUSTIFICATION

Type of Charge: CONNECT FEE

1. Field Expense:

A. Materials (Itemize)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ \$ \_\_\_\_\_

B. Labor (Time and Wage)

20 min @ 15.00/hr      5.00  
ONE TRIP TO METER  
Total Field Expense      \$ 5.00

2. Clerical and Office Expense

A. Supplies

\$ 5.00

B. Labor

8.00

Total Clerical and Office Expense      \$ 13.00

3. Miscellaneous Expense

A. Transportation

\$ 3.00

ONE TRIP TO METER TO  
B. Other (Itemize)      TURN ON

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ \$ 3.00

Total Miscellaneous Expense

Total Nonrecurring Charge Expense      \$ 21.00



NONRECURRING CHARGE COST JUSTIFICATION

Type of Charge: RECONNECT FEE

1. Field Expense:

A. Materials (Itemize)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ \$ \_\_\_\_\_

B. Labor (Time and Wage)

30 min @ 15.00/hr      7.50  
2 TRIPS TO METER  
Total Field Expense      \$ 7.50

2. Clerical and Office Expense

A. Supplies

\$ 5.00

B. Labor

8.00

Total Clerical and Office Expense

\$ 13.00

3. Miscellaneous Expense

A. Transportation

\$ 5.00

B. Other (Itemize) TWO TRIPS TO METER - ONE TO  
TURN OFF & ONE TO  
TURN ON

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Total Miscellaneous Expense

\$ 5.00

Total Nonrecurring Charge Expense

\$ 25.50

NONRECURRING CHARGE COST JUSTIFICATION

Type of Charge: DEPOSIT

1. Field Expense:

A. Materials (Itemize)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ \$ \_\_\_\_\_

B. Labor (Time and Wage)

\_\_\_\_\_

**Total Field Expense** \$ - 0 -

2. Clerical and Office Expense

A. Supplies \$ ~~2.00~~

B. Labor 3.00

**Total Clerical and Office Expense** \$ ~~5.00~~

3. Miscellaneous Expense

A. Transportation \$ - 0 -

B. Other (Itemize)

AVERAGE WATER BILL FOR 67.04  
5000 gal 33.52 x  
2 months = 67.04

**Total Miscellaneous Expense** \$ 67.04

**Total Nonrecurring Charge Expense** \$ ~~72.04~~  
67.04

## 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 – Reid Village 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 – Applicant 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 – Applicant 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.	Not applicable
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.	Applicant 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.
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 – Applicant 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 2006 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
	date.	
807 KAR 5:001 Section 10 (6)(r)	Monthly managerial reports providing financial results for 12 months in test period.	Applicant 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)	<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"> <li>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;</li> <li>2. Explanation of how allocator for the test period was determined; and</li> <li>3. All facts relied upon, including other regulatory approval, to demonstrate that each amount charged, allocated or paid during test period was reasonable;</li> </ol>	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.	Not applicable.
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"> <li>1. Jurisdictional separations study consistent with Part 36 of the FCC's rules and regulations; and</li> <li>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"> <li>(a) Based on current and reliable data from a single time period; and</li> <li>(b) Using generally recognized fully allocated, embedded, or incremental cost principles.</li> </ol> </li> </ol>	N/A to a Water District
807 KAR 5:001 Section 10 (7)(a)	Detailed income statement and balance sheet reflecting impact of all proposed adjustments	Exhibit No. 3.
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 – There are no pro forma adjustments 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"> <li>1. Starting date of the construction of each major component of plant;</li> <li>2. Proposed in-service date;</li> <li>3. Total estimated cost of construction at completion;</li> <li>4. Amount contained in construction work in progress at end of test period;</li> <li>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;</li> <li>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;</li> <li>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</li> <li>8. Impact on depreciation expense of all proposed pro</li> </ol>	NA – There are no pro forma adjustments 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)(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**

<b><u>Exhibit Title</u></b>	<b><u>Number</u></b>
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
2006 CPA Audit Report	9



# **Reid Village Water District**

## TARIFF

### Proposed Rates

FOR: Montgomery County  
Community, Town or City

P.S.C. KY. NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

CANCELLING P.S.C. KY. NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

Reid Village Water District  
(Name of Utility)

RATES

Monthly Rates

First	2,000	gallons	\$17.67	Minimum bill
Next	1,000	gallons	5.59	per 1,000 gallons
Next	2,000	gallons	5.13	per 1,000 gallons
Next	5,000	gallons	4.66	per 1,000 gallons
Over	10,000	gallons	4.18	per 1,000 gallons

RECONNECT FEE 25.00  
CONNET FEE 20.00  
DEPOSIT 65.00  
TAP-ON 650.00

DATE OF ISSUE \_\_\_\_\_  
Month / Date / Year

DATE EFFECTIVE \_\_\_\_\_  
Month / Date / Year

ISSUED BY Don Walker  
(Signature of Officer)

TITLE Chairman

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. \_\_\_\_\_ DATED \_\_\_\_\_



**Reid Village Water District**

TARIFF

**Strike Through Comparison**



FOR Montgomery County  
Community, Town or City

P.S.C. KY. NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

CANCELLING P.S.C. KY. NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

Reid Village Water District  
(Name of Utility)

RATES

Monthly Rates

First	2,000	gallons	<del>\$16.75</del> Minimum bill	\$17.67	Minimum bill
Next	1,000	gallons	4.00 per 1,000 gallons	5.59	per 1,000 gallons
Next	2,000	gallons	3.90 per 1,000 gallons	5.13	per 1,000 gallons
Next	5,000	gallons	3.80 per 1,000 gallons	4.66	per 1,000 gallons
Over	10,000	gallons	3.50 per 1,000 gallons	4.18	per 1,000 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 \_\_\_\_\_



<b>Reid Village WD Exhibit 3 Income Statement with Adjustments</b>	<b>2006</b>	<b>Adjustments</b>	<b>Ref.</b>	<b>Adjusted</b>
Water Sales Revenue	\$367,038	\$7,548 \$56,306		\$430,892
Other Operating Revenue	\$15,781	0		\$15,781
<b>Water Sales Revenue</b>	<b>\$382,819</b>	<b>\$63,854</b>	<b>A</b>	<b>\$446,673</b>
Employee Salaries	\$93,850	\$19,394	<b>B</b>	\$113,244
Officer Salaries	\$3,500	0		\$3,500
Pensions and Benefits	\$22,936	\$2,593	<b>C</b>	\$25,529
Purchased Water	\$137,247	\$11,908	<b>D</b>	\$149,155
Water Testing	0	\$1,068	<b>E</b>	\$1,068
Materials/Supplies	\$11,460	\$38,969 (\$12,106) (\$1,721)	<b>F</b>	\$36,602
Contract Services -- Accounting	\$2,300	0		\$2,300
Rental -- Building	\$4,800	0		\$4,800
Transportation Expense	\$4,917	0		\$4,917
Insurance Expense - Other	\$8,410	0		\$8,410
Miscellaneous Expense	\$52,520	(\$47,237)	<b>G</b>	\$5,283
<i>Tot. Water Utility Expense</i>	<i>\$341,940</i>	<i>\$12,868</i>		<i>\$354,808</i>
Depreciation Expense	\$22,668	\$242 \$5,163	<b>H</b>	\$28,073
Taxes Other Than Income	\$7,431	\$1,500	<b>I</b>	\$8,931
<b>Total Op. Expenses</b>	<b>\$372,039</b>	<b>\$19,773</b>		<b>\$391,812</b>
<i>Total Operating Income</i>	<i>\$10,780</i>	<i>\$44,081</i>		<i>\$54,861</i>
Interest Income	\$997	0		\$997
Interest Expense	\$42,184	(\$6,403)	<b>J</b>	\$35,781
Net Income	(\$30,407)	\$50,484		\$20,077

**Revenue Requirement:**

\$ 391,812 - Adjusted Operating Expenses

\$ 55,858 - Debt Service (see below)

\$ 447,670 - Revenue Requirement

(\$390,367) - Less Normalized Revenues

(\$ 997) - Less Interest Income

**\$ 56,306 - Proposed Increase (14.42% increase over normalized revenue)**

**Debt Service:**

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>Total</b>
Principal - RD \$400,000 issued 2006	\$4,400	\$4,600	\$4,800	
Principal - RD \$411,000 issued 1997	\$6,000	\$6,000	\$6,500	
Total Principal	\$10,400	\$10,600	\$11,300	\$32,300
			3-yr. avg. principal	\$10,766.67
			Plus Interest	\$35,781.25
			Total	\$46,547.92
			X 1.2 DSC =	<b>\$55,858</b>

**Reference Notes:**

**A. Normalized Revenues** as determined by Commission Staff's billing analysis, plus the proposed revenue increase of \$56,306

**B. Employee Wages and Salaries Expense** was adjusted to reflect current employee salaries.

**C. Employee Pensions and Benefits Expense** was adjusted to reflect current health insurance rates.

**D. Purchased Water Expense** was adjusted to reflect normalized purchases of 72,055.856 gallons at the current purchased water rate of \$2.07 per thousand gallons.

**E. Water Testing Expense** of \$1,068 was reclassified from Miscellaneous Expense.

**F. Materials and Supplies Expense** was adjusted for three items. The first was to reclassify various materials and supplies expenses totaling \$38,969 from Miscellaneous Expenses to this account. The second was to remove various capital or nonrecurring expenditures totaling \$12,106 from the account and to allow for their recovery in Depreciation Expense, as follows:

Date	Amount	Account and Vendor	Item
Feb. 9	\$1,212.76	Maint. Supplies - Utility Service	Meters, etc.
July 12	\$902.92	Maint. Supplies - Utility Service	Meters, etc.
July 12	\$1,480.00	Maint. Work - Keath Plumbing	Set meters, replace line
Aug. 15	\$1,992.54	Maint. Supplies - Utility Service	Meters, etc.
Aug. 15	\$1,625.20	Maint. Supplies - USA Bluebook	Pressure recorder and chemical fee pump
Sept. 15	\$751.86	Maint. Supplies - Utility Service	Gate valve and 2" hydrant
Sept. 15	\$600.00	Maint. Work - Keath Plumbing	Set meter
Oct. 18	\$3,540.32	Maint. Work - Wilson Equipment	Backhoe; power shuttle and torque conv.
	<b>\$12,105.60</b>	<b>Total - Depreciate at 2%</b>	

The third was to remove a charge of \$1,721 that was incurred in 2005 but not paid until 2006.

**G. Miscellaneous Expense** was adjusted for three reasons. The first was to reclassify Materials and Supplies expenses of \$38,969 to that account; the second was to reclassify water testing expenses of \$1,068 to that account; and the third was to remove \$7,200 of compensation paid to employees in 2006 that is now reflected in pro forma salaries expense.

**H. Depreciation** was adjusted for two items. The first was an adjustment of \$242 to allow depreciation expense at a 2% rate on the \$12,106 of capital items removed from Materials and Supplies Expense. The second was to allow increase depreciation expense by \$5,163 to reflect a full year's depreciation on plant added in 2006.

**I. Taxes Other Than Income Expense** was adjusted to include FICA tax at a 7.65% rate on proforma salaries of \$116,744.

**J. Interest Expense** was adjusted to reflect pro forma Interest Expense on two Rural Development loans.

Reid Village Water District  
Statement of Net Assets  
Proprietary Fund  
December 31, 2006

ASSETS

Current Assets	
Cash and cash equivalents - unrestricted	\$ 83,894
Cash and cash equivalents - restricted	31,599
Accounts receivable - net of allowance for doubtful accounts	39,257
Prepaid expenses	<u>4,194</u>
Total Current Assets	<u>158,944</u>
Noncurrent Assets	
Capital assets:	
Plant, equipment and lines	1,396,030
Less accumulated depreciation	<u>(359,792)</u>
Total Noncurrent Assets	<u>1,036,238</u>
Total Assets	<u><u>\$ 1,195,182</u></u>

LIABILITIES

Current Liabilities	
Accrued expenses	\$ 22,084
Bonds payable	16,200
Payable from restricted assets	<u>7,556</u>
Total Current Liabilities	<u>45,840</u>
Noncurrent Liabilities	
Bonds payable	<u>860,300</u>
Total Noncurrent Liabilities	<u>860,300</u>
Total Liabilities	<u>906,140</u>

NET ASSETS

Invested in capital assets, net of related debt	159,738
Restricted net assets	21,243
Unrestricted net assets	<u>108,061</u>
Total Net Assets	<u><u>\$ 289,042</u></u>

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



<b>Reid Village WD Exhibit 4</b>	<b>2006</b>	<b>Adjustments</b>	<b>Ref.</b>	<b>Adjusted</b>
Water Sales Revenue	\$367,038	\$7,548		\$374,586
Other Operating Revenue	\$15,781	0		\$15,781
<b>Water Sales Revenue</b>	<b>\$382,819</b>	<b>\$7,548</b>	<b>A</b>	<b>\$390,367</b>
Employee Salaries	\$93,850	\$19,394	<b>B</b>	\$113,244
Officer Salaries	\$3,500	0		\$3,500
Pensions and Benefits	\$22,936	\$2,593	<b>C</b>	\$25,529
Purchased Water	\$137,247	\$11,908	<b>D</b>	\$149,155
Water Testing	0	\$1,068	<b>E</b>	\$1,068
Materials/Supplies	\$11,460	\$38,969 (\$12,106) (\$1,721)	<b>F</b>	\$36,602
Contract Services – Accounting	\$2,300	0		\$2,300
Rental – Building	\$4,800	0		\$4,800
Transportation Expense	\$4,917	0		\$4,917
Insurance Expense - Other	\$8,410	0		\$8,410
Miscellaneous Expense	\$52,520	(\$47,237)	<b>G</b>	\$5,283
<i>Tot. Water Utility Expense</i>	<i>\$341,940</i>	<i>\$12,868</i>		<i>\$354,808</i>
Depreciation Expense	\$22,668	\$242 \$5,163	<b>H</b>	\$28,073
Taxes Other Than Income	\$7,431	\$1,500	<b>I</b>	\$8,931
<b>Total Op. Expenses</b>	<b>\$372,039</b>	<b>\$19,773</b>		<b>\$391,812</b>
<i>Total Operating Income</i>	<i>\$10,780</i>	<i>(\$12,225)</i>		<i>(\$1,445)</i>
Interest Income	\$997	0		\$997
Interest Expense	\$42,184	(\$6,403)	<b>J</b>	\$35,781
Net Income	(\$30,407)	(\$5,822)		(\$36,229)

**Revenue Requirement:**

\$ 391,812 - Adjusted Operating Expenses

\$ 55,858 – Debt Service (see below)

\$ 447,670 - Revenue Requirement

(\$390,367) - Less Normalized Revenues

(\$ 997) - Less Interest Income

**\$ 56,306 - Proposed Increase (14.42% increase over normalized revenue)**

**Debt Service:**

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>Total</b>
Principal - RD \$400,000 issued 2006	\$4,400	\$4,600	\$4,800	
Principal - RD \$411,000 issued 1997	\$6,000	\$6,000	\$6,500	
Total Principal	\$10,400	\$10,600	\$11,300	\$32,300
			3-yr. avg. principal	\$10,766.67
			Plus Interest	\$35,781.25
			Total	\$46,547.92
			X 1.2 DSC =	<b>\$55,858</b>

**Reference Notes:**

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

**B. Employee Wages and Salaries Expense** was adjusted to reflect current employee salaries.

**C. Employee Pensions and Benefits Expense** was adjusted to reflect current health insurance rates.

**D. Purchased Water Expense** was adjusted to reflect normalized purchases of 72,055.856 gallons at the current purchased water rate of \$2.07 per thousand gallons.

**E. Water Testing Expense** of \$1,068 was reclassified from Miscellaneous Expense.

**F. Materials and Supplies Expense** was adjusted for three items. The first was to reclassify various materials and supplies expenses totaling \$38,969 from Miscellaneous Expenses to this account. The second was to remove various capital or nonrecurring expenditures totaling \$12,106 from the account and to allow for their recovery in Depreciation Expense, as follows:

Date	Amount	Account and Vendor	Item
Feb. 9	\$1,212.76	Maint. Supplies - Utility Service	Meters, etc.
July 12	\$902.92	Maint. Supplies - Utility Service	Meters, etc.
July 12	\$1,480.00	Maint. Work - Keath Plumbing	Set meters, replace line
Aug. 15	\$1,992.54	Maint. Supplies - Utility Service	Meters, etc.
Aug. 15	\$1,625.20	Maint. Supplies - USA Bluebook	Pressure recorder and chemical fee pump
Sept. 15	\$751.86	Maint. Supplies - Utility Service	Gate valve and 2" hydrant
Sept. 15	\$600.00	Maint. Work - Keath Plumbing	Set meter
Oct. 18	\$3,540.32	Maint. Work - Wilson Equipment	Backhoe; power shuttle and torque conv.
	<b>\$12,105.60</b>	<b>Total – Depreciate at 2%</b>	

The third was to remove a charge of \$1,721 that was incurred in 2005 but not paid until 2006.

**G. Miscellaneous Expense** was adjusted for three reasons. The first was to reclassify Materials and Supplies expenses of \$38,969 to that account; the second was to reclassify water testing expenses of \$1,068 to that account; and the third was to remove \$7,200 of compensation paid to employees in 2006 that is now reflected in pro forma salaries expense.

**H. Depreciation** was adjusted for two items. The first was an adjustment of \$242 to allow depreciation expense at a 2% rate on the \$12,106 of capital items removed from Materials and Supplies Expense. The second was to allow increase depreciation expense by \$5,163 to reflect a full year's depreciation on plant added in 2006.

**I. Taxes Other Than Income Expense** was adjusted to include FICA tax at a 7.65% rate on proforma salaries of \$116,744.

**J. Interest Expense** was adjusted to reflect pro forma Interest Expense on two Rural Development loans.





# **Reid Village Water District**

Billing Analysis

Test Year

**Billing Analysis for: Reid Village Water District**  
**Test Period From: January through December 2006**

	USAGE	BILLS	GALLONS	FIRST 2,000	NEXT 1,000	NEXT 2,000	NEXT 5,000	OVER 10000
FIRST	2,000	2946	3,039,440	3,039,440				
NEXT	1,000	2112	5,338,400	4,224,000	1,114,400			
NEXT	2,000	3850	15,140,690	7,700,000	3,850,000	3,590,690		
NEXT	5,000	3464	22,865,420	6,928,000	3,464,000	6,928,000	5,545,420	
OVER	10,000	608	18,261,610	1,216,000	608,000	1,216,000	3,040,000	12,181,610
		12980	64,645,560	23,107,440	9,036,400	11,734,690	8,585,420	12,181,610

**REVENUE BY RATE INCREMENT**

		BILLS	GALLONS	RATE	REVENUE
FIRST	2,000	12980	23,107,440	\$16.75	\$217,415
NEXT	1,000		9,036,400	4.00	36,146
NEXT	2,000		11,734,690	3.90	45,765
NEXT	5,000		8,585,420	3.80	32,625
OVER	10,000		12,181,610	3.50	42,636
	TOTAL	12980	64,645,560		\$374,586

# **Reid Village Water District**

## Billing Analysis

### **PROPOSED RATES**

**Billing Analysis for: Reid Village Water District**  
**Test Period From: January through December 2006**

	USAGE	BILLS	GALLONS	FIRST 2,000	NEXT 1,000	NEXT 2,000	NEXT 5,000	OVER 10000
FIRST	2,000	2946	3,039,440	3,039,440				
NEXT	1,000	2112	5,338,400	4,224,000	1,114,400			
NEXT	2,000	3850	15,140,690	7,700,000	3,850,000	3,590,690		
NEXT	5,000	3464	22,865,420	6,928,000	3,464,000	6,928,000	5,545,420	
OVER	10,000	608	18,261,610	1,216,000	608,000	1,216,000	3,040,000	12,181,610
		<u>12980</u>	<u>64,645,560</u>	<u>23,107,440</u>	<u>9,036,400</u>	<u>11,734,690</u>	<u>8,585,420</u>	<u>12,181,610</u>

**REVENUE BY RATE INCREMENT**

		BILLS	GALLONS	RATE	REVENUE
FIRST	2,000	12980	23,107,440	\$17.67	\$229,357
NEXT	1,000		9,036,400	5.59	50,513
NEXT	2,000		11,734,690	5.13	60,199
NEXT	5,000		8,585,420	4.66	40,008
OVER	10,000		12,181,610	4.18	50,919
TOTAL		12980	64,645,560		\$430,996



## Exhibit 6 - Reid Village Water District Depreciation

*Note: Reid Village Water District's depreciation expense is calculated using a composite rate of 2% on all plant. The reported Depreciation Expense was \$17,572 in 2005 and \$22,668 in 2006. In 2006, significant plant additions of \$460,487 were made, the details of which are shown below:*

Plant Accounts	2006 beg.	Additions	2006 end	Notes
Land	\$43,000	0	\$43,000	
Structures	\$174,766	\$422,410	\$597,176	Tower Project
T&D Mains	\$621,069	0	\$621,069	
Meters & Installations	\$45,838	\$11,451	\$57,289	Hays Pipe-\$6,396 Clark Energy-\$1,621 Acct Payable-\$3,434
Other Plant & Misc. Equip.	\$9,000	\$3,614	\$12,614	Ditch Witch Trenching
Office Furn. & Equipment	\$3,123	\$1,053	\$4,176	Computer-\$1,053
Transportation Equipment	\$38,747	\$21,959	\$60,706	Chevy Truck-\$20,680 Barneys-\$1,279
<b>Total</b>	<b>\$935,543</b>	<b>\$460,487</b>	<b>\$1,396,030</b>	

*The reported depreciation expense did not include a full year's depreciation on those additions, which if normalized increases the expense by \$5,162.50, as follows:*

2006 Deprec. Exp.	Explanation	Adjustment	Adjusted
\$17,624.30	Expense before 2006 additions	0	
\$ 4,697.39	1% depreciation on tower addition of \$469,738 (partial-year)	\$4,697.39	
\$ 396.43	1% depreciation on other additions (truck, computer, etc)	\$396.43	
\$ 0	No depreciation was taken on end-of-year account payable of \$3,434 added to 2006 plant	\$68.68	
<b>\$22,668.12</b>	<b>Reported 2006 Depreciation Exp.</b>	<b>\$5,162.50</b>	<b>\$27,830.62</b>

*In addition, PSC Staff removed the following capital items totaling \$12,105.60 from 2006 Materials and Supplies Expenses and has added them to plant, resulting in additional depreciation expense of \$242.11 on those items using a 2% rate:*

		Vendor	Description
Feb. 9	\$1,212.76	Utility Service	Meters, etc.
July 12	\$902.92	Utility Service	Meters, etc.
July 12	\$1,480.00	Keath Plumbing	Set meters, replace line
Aug. 15	\$1,992.54	Utility Service	Meters, etc.
Aug. 15	\$1,625.20	USA Bluebook	Pressure recorder and chemical feed pump
Sept. 15	\$751.86	Utility Service	Gate valve and 2" hydrant
Sept. 15	\$600.00	Keath Plumbing	Set meter
Oct. 18	\$3,540.32	Wilson Equipment	Loader Backhoe; replace power shuttle and torque converter
	<b>\$12,105.60</b>		

*Adding the \$242.11 to the adjusted expense of \$27,830.62 results in pro forma depreciation expense of \$28,072.73.*





**Reid Village Water District**

**COST OF SERVICE STUDY**

Allocation of Plant Value				
	<b>Total</b>	<b>Commodity</b>	<b>Demand</b>	<b>Customer</b>
Land & Land Rights	\$43,000		\$43,000	
Structures and Improvements	597,176		597,176	
Transmission & Distribution Mains	621,069		621,069	
Meters & Meter Installations	57,289			57,289
<b>Subtotal</b>	<b>\$1,318,534</b>		<b>\$1,261,245</b>	<b>\$57,289</b>
Office Furniture & Equipment	\$4,176		\$3,996	\$180
Other Plant & Equipment	12,614		12,072	542
Transportation	60,706		58,096	2,610
<b>Subtotal</b>	<b>\$77,496</b>		<b>\$74,164</b>	<b>\$3,332</b>
<b>Total</b>	<b>\$1,396,030</b>		<b>\$1,335,409</b>	<b>\$60,621</b>
Allocation Percentages	100%		95.7%	4.3%

Source: 2006 PSC Annual Report

Allocation of Depreciation				
	<b>Total</b>	<b>Commodity</b>	<b>Demand</b>	<b>Customer</b>
Transmission & Distribution Mains	342,399		342,399	
Meters & Meter Installations	12,428			12,428
Subtotal	\$354,827		\$342,399	\$12,428
Office Furniture & Equipment	\$636		\$614	\$22
Other Plant & Equipment	1,075		1,037	38
Transportation	3,254		3,140	114
Subtotal	\$4,965		\$4,791	\$174
<b>Total</b>	<b>\$359,792</b>		<b>\$347,190</b>	<b>\$12,602</b>
<b>Allocation Percentages</b>	<b>100%</b>		<b>96.5%</b>	<b>3.5%</b>

Source: 2006 PSC Annual Report

Allocation of Operation & Maintenance Expense				
	Total	Commodity	Demand	Customer
Salaries	\$109,038		\$42,065	\$66,973
Employee Pensions & Benefits	24,508		9,446	15,062
Purchased Water	149,155	149,155		
Water Testing	1,068	1,068		
Materials & Supplies	36,602		36,602	
Subtotal	\$320,371	\$150,223	\$88,113	\$82,035
Less Commodity	\$150,223			
Total	\$170,148		\$88,113	\$82,035
Allocation Percentages	100%		51.79%	48.21%
Salaries & Wages- Admin	\$4,206		\$2,178	\$2,028
Salaries & Wages-Officers	3,500		1,813	1,687
Employees Pen. & Bene. - Admin	1,021		529	492
Transportation	4,917		2,547	2,370
Insurance - Other	8,410		4,356	4,054
Contract Services - Accounting	2,300		1,191	1,109
Rental Expense	4,800		2,486	2,314
Misc. Expense	5,283		2,736	2,547
Taxes Other than Income Taxes	8,931		4,625	4,306
Subtotal	\$43,368		\$22,461	\$20,907
<b>Operating Expenses</b>	<b>\$363,739</b>	<b>\$150,223</b>	<b>\$110,574</b>	<b>\$102,942</b>

Source: PSC Field Review

Allocation of Cost of Service				
	<b>Total</b>	<b>Commodity</b>	<b>Demand</b>	<b>Customer</b>
Operation & Maintenance	\$363,739	\$150,223	\$110,574	\$102,942
Debt Service	55,858		53,456	2,402
Depreciation	28,073		27,090	983
General Water Service Cost	447,670	\$150,223	191,120	106,327
Less Other Revenues:				
Other Operating Revenues	15,781			15,781
Interest Income	997			997
Total Other Revenues	16,778			16,778
<b>Revenue Required from Rates</b>	<b>\$430,892</b>	<b>\$150,223</b>	<b>\$191,120</b>	<b>\$89,549</b>

NOTES:

Debt Service has been allocated on a percentage of Plant Value.

Depreciation has been allocated on a percentage of Depreciation Allocation.

Calculation of Water Rates						
	Total	First 2,000 gallons	Next 1,000 gallons	Next 2,000 gallons	Next 5,000 gallons	Over 10,000 gallons
Actual Water Sales:						
Thousand Gallons	64,645,560	23,107,440	9,036,400	11,734,690	8,585,420	12,181,610
Percent	100%	35.7%	14.0%	18.2%	13.3%	18.8%
Weighted Sales for Demand:						
		2	1.75	1.5	1.25	1
Thousand Gallons	102,544,000	46,214,880	15,813,700	17,602,035	10,731,775	12,181,610
Percent	100%	45.07%	15.42%	17.17%	10.47%	11.88%
Allocation of Volumetric Costs:						
Commodity	\$150,223	\$53,630	\$21,031	\$27,341	\$19,980	\$28,242
Demand	191,120	86,138	29,471	32,815	20,010	22,705
Customer	89,549	89,549				
Total	\$430,892	\$229,317	\$50,502	\$60,156	\$39,990	\$50,947
Number of Bills	12,980					
<b>Cost of Service Rates</b>		<b>\$17.67</b>	<b>\$5.59</b>	<b>\$5.13</b>	<b>\$4.66</b>	<b>\$4.18</b>

Verification of Rates				
	<b>Bills</b>	<b>Gallons</b>	<b>Rate</b>	<b>Revenue</b>
First 2,000 gallons	12,980	23,107,440	\$17.67	229,357
Next 1,000 gallons		9,036,400	5.59	50,513
Next 2,000 gallons		11,734,690	5.13	60,199
Next 5,000 gallons		8,585,420	4.66	40,008
Over 10,000 gallons		12,181,610	4.18	50,919
Total Revenue from Rates				\$430,996
Other Income:				
Other Operating Revenues				15,781
Interest Income				997
<b>Total Operating Revenue</b>	<b>12,980</b>	<b>64,645,560</b>		<b>\$447,774</b>

Comparison of Rates				
Gallon Usage	Current Rates	Cost of Service Rates	Increase	Percentage
2,000	\$16.75	\$17.67	\$0.92	5.5%
3,000	\$20.75	\$23.26	\$2.51	12.1%
4,000	\$24.65	\$28.39	\$3.74	15.2%
5,000	\$28.55	\$33.52	\$4.97	17.4%
6,000	\$32.35	\$38.18	\$5.83	18.0%
7,000	\$36.15	\$42.84	\$6.69	18.5%
8,000	\$39.95	\$47.50	\$7.55	18.9%
9,000	\$43.75	\$52.16	\$8.41	19.2%
10,000	\$47.55	\$56.82	\$9.27	19.5%
15,000	\$65.05	\$77.72	\$12.67	19.5%
20,000	\$82.55	\$98.62	\$16.07	19.5%
25,000	\$100.05	\$119.52	\$19.47	19.5%
30,000	\$117.55	\$140.42	\$22.87	19.5%
35,000	\$135.05	\$161.32	\$26.27	19.5%
40,000	\$152.55	\$182.22	\$29.67	19.4%
50,000	\$187.55	\$224.02	\$36.47	19.4%
75,000	\$275.05	\$328.52	\$53.47	19.4%
100,000	\$362.55	\$433.02	\$70.47	19.4%
150,000	\$537.55	\$642.02	\$104.47	19.4%
250,000	\$887.55	\$1,060.02	\$172.47	19.4%
500,000	\$1,762.55	\$2,105.02	\$342.47	19.4%
1,000,000	\$3,512.55	\$4,195.02	\$682.47	19.4%

Comparison of Rates		
Block Usage	Current Rates	Proposed rates
First 2,000 gallons	\$16.75	\$17.67
Next 1,000 gallons	4.00	5.59
Next 2,000 gallons	3.90	5.13
Next 5,000 gallons	3.80	4.66
Over 10,000 gallons	3.50	4.18

Effect on Customer Average Bill - 5,000 Gallons Usage			
Current Rates	Proposed Rates	Amount Increase	% Increase
\$28.55	\$33.52	\$4.97	17.40%





**Reid Village Water District**

**PUBLIC NOTICE**

## NOTICE

Reid Village Water District has filed an application with the Public Service Commission to increase its rates for water service. The proposed effective date of the change is

Summer, 2008

### Monthly Rate:

	<u>Current</u>	<u>Proposed</u>	<u>% Increase</u>
First 2,000 Gallons	\$16.75	\$17.67	5.50%
Next 1,000 Gallons	4.00	5.59	39.75%
Next 2,000 Gallons	3.90	5.13	31.54%
Next 5,000 Gallons	3.80	4.66	22.63%
Over 10,000 Gallons	3.50	4.18	19.43%

The monthly bill for a customer using an average of 5,000 gallons per month will increase \$4.97 from \$28.55 to \$33.52 or 17.40%.

The rates contained in this notice are the rates proposed by the Reid Village 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 at 862 Winchester Road, Mt. Sterling, KY 40353. Upon request from an intervenor, the District shall furnish to the intervenor a copy of the application and supporting documents.

Reid Village Water District

	<u>CURRENT</u>	<u>PROPOSED</u>	<u>% INCREASE</u>
RECONNECT FEE	15.00	25.00	66.68%
CONNECT FEE	10.00	20.00	100.0%
DEPOSIT	50.00	65.00	30%
TAP ON	390.00	650.00	66.69%



REID VILLAGE  
WATER DISTRICT

**JOHN T. LANE AND ASSOCIATES, LLC**  
CERTIFIED PUBLIC ACCOUNTANT  
**219 YOUNG LANE, SUITE 2**  
**MT. STERLING, KY 40353**

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John T. Lane and Associates, LLC  
Certified Public Accountant  
219 Young Lane, Suite 2  
Mt. Sterling, Kentucky 40353  
(859) 498-9915

Member:  
American Institute of CPA's  
Kentucky Society of CPA's

## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Reid Village Water District  
Mt. Sterling, Kentucky

I have audited the accompanying financial statements listed in the Table of Contents of the business-type activities of the Reid Village Water District as of and for the year ended December 31, 2006 which comprises the District's basic financial statements. 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 States of America 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the respective financial statements referred to above present fairly in all material respects, the financial position of the business-type activities of the Reid Village Water District, as of December 31, 2006, and the respective changes in financial position and cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated June 4, 2007 on my consideration of the Reid Village Water District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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 my audit.

Management has elected to omit the Management Discussion and Analysis which is supplemental information required by the Governmental Accounting Standards Board.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Reid Village Water District's basic financial statements. The schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the financial statements of the Reid Village Water District. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office Management and Budget Circular A-133, Audits of States, Local Government and Non-Profit Organizations and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, if fairly presented in all material respects in relation to the basic financial statements taken as a whole.

  
\_\_\_\_\_  
JOHN T. LANE

June 4, 2007

This report contains 18 pages.



Reid Village Water District  
Statement of Net Assets  
Proprietary Fund  
December 31, 2006

ASSETS

Current Assets	
Cash and cash equivalents - unrestricted	\$ 83,894
Cash and cash equivalents - restricted	31,599
Accounts receivable - net of allowance for doubtful accounts	39,257
Prepaid expenses	<u>4,194</u>
Total Current Assets	<u>158,944</u>
Noncurrent Assets	
Capital assets:	
Plant, equipment and lines	1,396,030
Less accumulated depreciation	<u>(359,792)</u>
Total Noncurrent Assets	<u>1,036,238</u>
Total Assets	<u><u>\$ 1,195,182</u></u>

LIABILITIES

Current Liabilities	
Accrued expenses	\$ 22,084
Bonds payable	16,200
Payable from restricted assets	<u>7,556</u>
Total Current Liabilities	<u>45,840</u>
Noncurrent Liabilities	
Bonds payable	<u>860,300</u>
Total Noncurrent Liabilities	<u>860,300</u>
Total Liabilities	<u>906,140</u>

NET ASSETS

Invested in capital assets, net of related debt	159,738
Restricted net assets	21,243
Unrestricted net assets	<u>108,061</u>
Total Net Assets	<u><u>\$ 289,042</u></u>

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

Reid Village Water District  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Fund  
December 31, 2006

Revenues		
User fees		\$ 367,038
Other water revenue		<u>15,781</u>
 Total Revenues		 <u>382,819</u>
 Expenses		
Water purchased		137,247
Vehicle expense		4,917
Salaries		93,850
Office expense		29,149
Insurance		8,410
Water samples		1,068
Taxes and benefits		30,367
Plant improvements		13,319
Miscellaneous		17,284
Outside services		2,300
Depreciation		22,668
Supplies		<u>11,460</u>
 Total Operating Expenses		 <u>372,039</u>
 Operating Income (Loss)		 <u>10,780</u>
 Nonoperating Revenues (Expenses)		
Tap fees		7,020
Grant revenue		125,000
Interest income		997
Interest expense		<u>(42,184)</u>
 Net Nonoperating Revenues (Expenses)		 <u>90,833</u>
 Net Income (Loss)		 101,613
 Total Net Assets - beginning		 <u>187,429</u>
 Total Net Assets - ending		 <u><u>\$ 289,042</u></u>

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

Reid Village Water District  
Statement of Cash Flows  
Proprietary Fund Type  
December 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating revenues	\$ 380,320
Cash paid to employees	(93,850)
Cash paid for general and administrative expenses	<u>(249,958)</u>
Net Cash provided by operating activities	<u>36,512</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest earned	997
Customer deposits	<u>996</u>
Net Cash provided by investing activities	<u>1,993</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:	
Loan receipts	641,026
Grant funds	125,000
Bond payments	(299,354)
Tap fees	7,020
Purchase of assets	(460,487)
Interest paid	<u>(42,512)</u>
Net Cash used in capital and financing activities	<u>(29,307)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,198
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>106,295</u>
CASH AND CASH EQUIVALENTS - END OF THE YEAR	<u>\$ 115,493</u>
RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Net Operating Income	\$ 10,780
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
(Increase) in prepaid expenses	(171)
Depreciation	22,668
(Increase) in accounts receivable	(2,499)
Increase in accrued expenses	<u>5,734</u>
Net cash provided by operating activities	<u>\$ 36,512</u>

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

REID VILLAGE WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2006

The Reid Village Water District is a water utility which services areas of Montgomery County including Reid Village. Its sales are primarily to residential customers. The District is a corporate body set forth in Kentucky Revised Statutes (KRS) 74.070 which was created November, 1961. The District began operations in 1964. The District is subject to the regulatory authority of the Kentucky Public Service Commission pursuant to KRS 278.040.

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies.

**The Reporting Entity**

The District, for financial purposes, includes all of the funds relevant to the operations of the District. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Reid Village Water District.

The financial statements of the District would include those of separately administered organizations that are controlled by or dependent on the District. Control or dependence is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, accountability of fiscal matters, scope of public service, and financing relations.

Based on the foregoing criteria there are not other organizations included in these financial statements.

The District, presented as an enterprise fund, does not apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or after November 30, 1989.

**Depreciation Reserve Fund** - Monthly transfers are required to be made into this fund in the amount of \$395. Only expenditures for capital improvements or extraordinary expenses are permitted to be paid from this fund. The District had set aside \$21,188 into this fund at December 31, 2006. The required balance is \$22,680.

**Bond and Interest Sinking Fund** - Monthly transfers are required to be made into this account in an amount equal to one-sixth (1/6) of the interest becoming due on the next succeeding interest due date for all outstanding bonds and one-twelfth (1/12) of the principal of all such bonds maturing on the next succeeding due date. The required balance of the fund at December 31, 2006 was \$-0-. The District had set aside \$55.

### Enterprise Funds

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net assets (i.e., total assets net of total liabilities) are segmented into invested in capital assets, net of related debt, restricted and unrestricted components. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

### Basis of Accounting

The records of the District are maintained and the budgetary process is based on the cash basis method of accounting. Adjustments have been made to properly reflect the fund balances.

### Inventory

The cost of inventory is recorded as a disbursement at the time of payment for the purchase.

### Cash

At December 31, 2006, the carrying amount of the District's deposits was \$115,493 and the bank balance was \$146,386. Of the bank balance 100% was covered by federal deposit insurance or collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name. The District considers all investments with a maturity date of one year or less from date of purchase to be cash equivalents.

### Fixed Assets

Fixed assets purchased are capitalized at the time of purchase. Such assets are recorded at cost. Donated assets are recorded at fair market value at the date of donation. Depreciation of property and equipment is computed by the straight-line method based upon the estimated useful lives of the assets as follows:

<u>Class</u>	<u>Life</u>
Water lines, tanks	50 years
Vehicle	5 years

The District's capitalization policy is as follows: expenditures costing more than \$1000 with an estimated useful life greater than one year are capitalized: all others are expensed.

#### Budgets and Budgetary Accounting

The district follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Formal budgetary integration is employed as a management control device during the year for the enterprise funds. These budgets are adopted on a basis consistent with generally accepted accounting principles.
- b. Unused appropriations for all of the above annually budgeted funds lapse at the end of year.

#### Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets- net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are recorded as restricted when there are limitations imposed on their use by internal or external restrictions.

#### Accounts Receivable

The receivable reflected in the statements in the amount of \$39,257 are net of allowance for uncollectibles in the amount of \$-0-.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

#### Note 2 - Notes Payable

The amount shown in the accompanying financial statements as notes payable represents the District's future obligation to make loan payments from future revenues. At December 31, 2006, three separate loans had outstanding balances. Details of each of these issues are summarized as follows:

##### Note A

Lender – General Electric Credit Corporation

Balance of loan - \$101,500

Rate – 9.125%

Principal due January 1

Interest due January and July 1

Prepayment provision - subject to payment prior to its stated maturity without penalty or premium, at any time upon ten (10) days notice.

Note B

Lender – Rural Development  
Balance of loan - \$375,000  
Rate – 4.875%  
Principal due January 1  
Interest due January 1 and July 1  
Prepayment provision - subject to payment prior to its stated maturity without penalty or premium, at any time upon ten (10) days notice.

Note C

Lender – Rural Development  
Balance of loan - \$400,000  
Rate – 4.375%  
Principal due January 1  
Interest due January 1 and July 1  
Prepayment provision - subject to payment prior to its stated maturity without penalty or premium, at any time upon ten (10) days notice.

Five-Year Maturities

2007	16,200
2008	17,500
2009	18,700
2010	19,900
2011	21,000
Thereafter	<u>783,200</u>
	<u>\$876,500</u>

Note 3 - Pension Plan

The District's employees are not covered by any retirement plan.

Note 4 - Leave Policies

The District's employees are not covered by annual leave policies. They are covered by sick leave policies that provide for one day accrual per month for employees with five or more years of service and one-half day per month for employees with less than five years of service. Unused leave cannot be carried from one year to the other.

Note 5 - Changes in Fixed Assets

The following is a summary of changes in the fixed assets for the fiscal year:

	Balance 12-31-05	Addition	Retirements	Balance 12-31-06
Utility Plant and Equip.	\$935,543	\$460,487	\$-0-	\$1,396,030

Note 6 - Revenue Bonds

Water and Revenue Bonds constitute special obligations of the District solely secured by a lien on and pledge of the net revenues of the water system. The revenue bonds are collateralized by the revenue of the water system and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose. The ordinances also contain certain provisions, which require the District to maintain pledged revenues. The District must transfer monthly 1/6 of the next succeeding interest payment and 1/12 of the next succeeding principal payment from the operations and maintenance account into the bond and interest sinking account. The District also must transfer \$395 per month into a depreciation fund.

Note 7 - Restricted Cash

Restricted cash is composed of the following:

Deposit account	10,356
Depreciation reserve fund	\$21,188
Debt reserve fund	<u>55</u>
	<u>\$31,599</u>

Note 8 - Contingencies

The District is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws, and regulations governing other grants given to the District in the current and prior years. There were no examinations for the year ended December 31, 2006. Areas of noncompliance, if any, as a result of examinations would be included as a part of the "Findings and Questioned Costs" section of this report.

Note 9 - Risk Management

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance coverage for the risks to the extent deemed prudent by District management.



SUPPLEMENTAL INFORMATION

REID VILLAGE WATER DISTRICT  
Schedule of Expenditures of Federal Awards  
for the year ended December 31, 2006

<u>Program Title</u>	<u>Federal CFDA#</u>	<u>Federal Expenditures</u>
Department of Agriculture Direct Program Waste and Waste Disposal Systems for Rural Communities	10.770	\$525,000

Notes to Schedule of Expenditures of Federal Awards

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of the accrual activity of the District's federal award programs and does present transactions that would be included in financial statements of the District presented on the accrual basis of accounting as contemplated by generally accepted accounting principles.

JOHN T. LANE and ASSOCIATES, LLC  
Certified Public Accountant  
219 Young Lane, Suite 2  
Mt. Sterling, Kentucky 40353  
(859) 498-9915

Member:  
American Institute of CPA's  
Kentucky Society of CPA's

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

I have audited the financial statements of the Reid Village Water District as of and for the year ended December 31, 2006, and have issued my report thereon dated June 4, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Reid Village Water District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Reid Village Water District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Reid Village Water District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting. (06-01, 06-02, 06-03)

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe the significant deficiencies identified as 06-01 and 06-02 are material weaknesses.

The entity's response to the findings identified in my audit are described in the accompanying schedule of findings and responses. I did not audit the entity's response and accordingly, I express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, others within the organization, federal awarding agencies and pass-through entities and is intended to be and should not be used by anyone other than these specified parties.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Reid Village Water District's 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 06-04, 06-05 and 06-06.

  
\_\_\_\_\_  
JOHN T. LANE

June 4, 2007

John T. Lane and Associates, LLC  
Certified Public Accountant  
219 Young Lane, Suite 2  
Mt. Sterling, Kentucky 40353  
(859) 498-9915

Member:  
American Institute of CPA's  
Kentucky Society of CPA's

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133

Reid Village Water District  
Mt. Sterling, Kentucky

Compliance and Other Matters

I have audited the compliance of the Reid Village Water District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2006. The Reid Village Water District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, grant agreements and other matters applicable to its major federal program is the responsibility of the Reid Village Water District's management. My responsibility is to express an opinion on the Reid Village Water District's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Reid Village Water District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the Reid Village Water District's compliance with those requirements.

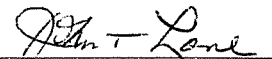
In my opinion, the Reid Village Water District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

Internal Control Over Compliance

The management of the Reid Village Water District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, grant agreements and other matters applicable to federal programs. In planning and performing my audit, I considered the Reid Village Water District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
\_\_\_\_\_  
JOHN T. LANE

June 4, 2007

Reid Village Water District  
 COMPARATIVE STATEMENT OF REVENUES AND EXPENSES  
 for the years ended December 31, 2005 and 2006

	<u>2005</u>	<u>2006</u>
Revenues		
User fees	\$ 331,616	\$ 367,038
Other water revenue	17,316	15,781
	<u>348,932</u>	<u>382,819</u>
Total Revenues		
Expenses		
Water purchased	128,800	137,247
Vehicle expense	3,532	4,917
Salaries	84,850	93,850
Office expense	31,604	29,149
Insurance	7,698	8,410
Water samples	635	1,068
Taxes and benefits	27,720	30,367
Plant improvements	9,806	13,319
Miscellaneous	12,558	17,284
Outside services	2,250	2,300
Depreciation	17,572	22,668
Supplies	3,200	11,460
	<u>330,225</u>	<u>372,039</u>
Total Operating Expenses		
Operating Income (Loss)	<u>18,707</u>	<u>10,780</u>
Nonoperating Revenues (Expenses)		
Tap fees	2,340	7,020
Grant revenue	-	125,000
Gain/(Loss) on sale of fixed assets	(1,074)	-
Interest income	944	997
Interest expense	(28,954)	(42,184)
	<u>(26,744)</u>	<u>90,833</u>
Net Nonoperating Revenues (Expenses)		
Net Income (Loss)	<u>\$ (8,037)</u>	<u>\$ 101,613</u>

REID VILLAGE WATER DISTRICT  
Mt. Sterling, Kentucky  
Schedule of Findings, Questioned Costs and Responses  
December 31, 2006

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the Reid Village Water District.
2. No reportable conditions relating to the audit of the financial statements or the major federal award programs are reported in the Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in accordance with OMB Circular A-133.
3. Instances of noncompliance material to the financial statements of the Reid Village Water District were disclosed during the audit.
4. The auditor's report on compliance for the major federal award programs for the Reid Village Water District expresses an unqualified opinion.
5. There are audit findings.
6. The program tested as a major program is the Waste and Waste Disposal Systems for Rural Communities, CFDA 10.770.
7. The threshold for distinguishing Types A and B programs was \$300,000.
8. The Reid Village Water District was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

06-01 Lack of Segregation of Duties

Condition: The District has an inadequate segregation of duties within its internal control process.

Criteria: All governmental entities should design their internal control to provide an adequate segregation of duties.

Cause: The District does not have sufficient employees to adequately design its internal control.

Recommendation: The District should continue to design and implement its internal control policies to provide the maximum segregation of duties possible.

Response: We will do as recommended.

06-02 Lack of Understanding of GAAP

Condition: The District prepares its financial statements on the cash basis and lacks an understanding of generally accepted accounting principles.

Criteria: To prepare financial statements the entity's personnel should understand GAAP.

Cause: The entity's accounting personnel does not possess the necessary background in accounting.

Recommendation: The District cannot afford to hire personnel with adequate training.

Response: None required



06-03 Budget Process

Condition: The District's budget is prepared from actual results that are one year old.

Criteria: A budget should be prepared from information from the previous year's actual results to the extent possible.

Cause: The District prepares its cash flow statements semi-annually.

Recommendation: The District should prepare monthly reports of cash receipts and disbursements and these statements should be presented to the board.

Response: None

06-04 Improperly Prepared W-2's

Condition: The District has an unaccountable expense allowance plan that is not included in the employees W-2's.

Criteria: IRS guidelines require that these expense allowances be included as W-2 wages subject to full withholding.

Cause: Unknown

Recommendation: The District should begin including these allowances as wages subject to withholding. This recommendation was given orally for the 2005 audit.

Response: None

06-05 1099's

Condition: The District does not issue 1099's to contractors to which it pays \$600 or more in a calendar year.

Criteria: IRS requires the submission of these 1099's and provides penalties for entities who fail to do so.

Cause: Unknown

Recommendation: The District should prepare and submit 1099's as required by law.

Response: None

06-06 Reserve Account Underfunded

Condition: The reserve account is underfunded by \$1492.

Criteria: Rural Development required the reserve account to be funded at a level of \$22,680 at December 31, 2006.

Cause: Unknown

Recommendation: The District should deposit \$1492 into its reserve account immediately and continue to deposit \$395 into the account monthly.