

**CANNONSBURG WATER DISTRICT**  
1606 CANNONSBURG ROAD  
ASHLAND, KY 41102  
606-928-9808  
FAX# 606-928-4788

JUNE 11, 2004

**RECEIVED**

JUN 15 2004

**PUBLIC SERVICE  
COMMISSION**

EXECUTIVE DIRECTOR  
PUBLIC SERVICE COMMISSION  
P O BOX 615  
FRANKFORT, KY 40602-0615

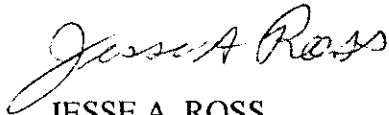
RE: RATE CASE NO. 2004-00159

DEAR EXECUTIVE DIRECTOR:

PLEASE FIND ENCLOSED THE APPLICATION FOR A REQUESTED RATE INCREASE. YOU WILL FIND ALL THE INFORMATION REQUESTED ENCLOSED, AN ORIGINAL AND 11 COPIES FOR THE COMMISSION.

IF YOU HAVE ANY QUESTIONS, PLEASE LET US KNOW.

SINCERELY,



JESSE A. ROSS  
MANAGER  
CANNONSBURG WATER DISTRICT

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

**RECEIVED**

JUN 15 2004

PUBLIC SERVICE  
COMMISSION

IN THE MATTER OF:

THE APPLICATION OF THE CANNONSBURG  
WATER DISTRICT FOR THE APPROVAL OF THE  
PROPOSED INCREASE IN RATES FOR WATER  
SERVICE

)  
) CASE NO.  
) 2004-00159  
)

**STATEMENT AND NOTICE**

The Cannonsburg Water District ("Cannonsburg"), by counsel, pursuant to KRS 278.020, KRS 278.180, KRS 278.190, and KRS 278.300, petitions the Commission for the approval of the proposed increase in the rates and charges. In support of its application, Cannonsburg respectfully states as follows:

1. Cannonsburg is a non-profit water district organized under KRS Chapter 74 and has no separate articles of incorporation or by-laws. Cannonsburg's principal office and mailing address is 1606 Cannonsburg Road, Ashland, Kentucky 41102.

2. Cannonsburg is engaged in the distribution and sale of water. As reported in its "Annual Report to the Public Service Commission for the Year Ending December 31, 2002," Cannonsburg provides water service to approximately 3,039 residential customers, 189 commercial customers, and 5 industrial customers, in Boyd County, Kentucky.

3. The proposed increase in the rates and charges is necessary for Cannonsburg to meet continuing demand for adequate service. It has been approximately 6 years since Cannonsburg has increased its base rates. In those 6 years there has been increases in the operating costs and the loss of a large industrial

customers. The increases in the cost of service and the lost revenue have not been offset by Cannonsburg's system growth. An increase in its rates is essential for Cannonsburg to maintain a reasonable level of service, to meet the expanding needs of its service area and to cover its debt service.

4. As authorized by KRS 278.192(1), and for the purpose of justifying the reasonableness of the proposed general increase in rates, Cannonsburg has utilized an historical test period consisting of the twelve (12) consecutive calendar months ending December 31, 2002.

5. Cannonsburg's annual reports, including the annual report for 2003, are on file with the Public Service Commission as required by 807 KAR 5:006, Section 3(1).

6. Cannonsburg 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 an increase in annual operating revenues from water sales of \$270,389, an increase of approximately 24.8 percent over normalized revenues from water sales of \$1,093,395. The estimated amount of increase per customer class/meter size is:

Meter Size	Dollar Increase	Percentage Increase
5/8 x 3/4 Inch Residential/Commercial	\$ 187,424	20.78%
1 Inch and 1 1/2 Inch Meter	\$ 18,435	42.92%
2 and 3 Inch Meter	\$ 55,847	50.88%
6 Inch Meter	\$ 3,198	52.82%
12 Inch Meter	\$ 3,945	54.63%
5/8 Inch - Greenup	\$ 2,907	18.03%

7. 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.

8. Cannonsburg 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. 13 in the filing requirements, for publishing once a week for three consecutive weeks in a prominent manner, the first of said publications has been made within (7) days of the date the Application is filed with the Commission.

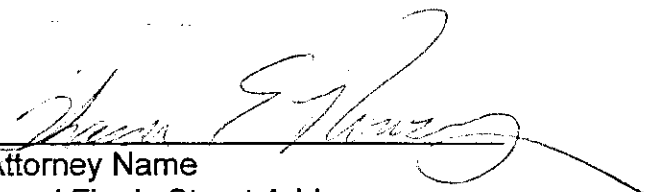
9. As required by 807 KAR 5:001, Section 10, (4), (f), Cannonsburg will post a copy of its Customer Notices (Exhibit No. 13) at its place of business on the date the Application is filed with the Commission, and it will remain posted until the Public Service Commission has determined Cannonsburg's rates.

10. The lists of the documents filed in support of Cannonsburg's application for approval of the proposed adjustment of rates or the explanations for their absence is contained in the Filing Requirement Index.

WHEREFORE, the Applicant, Cannonsburg Water District requests the Public Service Commission of Kentucky to find that the proposed rates are fair, just, and reasonable pursuant to KRS 278.030(1).

Dated at Cannonsburg, Kentucky this May 19, 200<sup>4</sup>.

Respectfully submitted,  
CANNONSBURG WATER DISTRICT

By   
Attorney Name  
Legal Firm's Street Address  
Legal Firm's City, State, & Zip  
Legal Firm's Telephone No.

*Wilson, Shuros & Hays*  
P.O. Box 807  
Ashland, KY 41105-0807  
606-524-5131

## 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 at 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 at 1 and 2.
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 at 4.
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.	Application at 1.
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 – Cannonsburg 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 – Cannonsburg 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 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 2.

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

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807 KAR 5:001 Section 10(1)(b)(9)	Statement that notice given, see subsections (3) and (4) of 807 KAR 5:001, Section 10 with copy.	Application at 4. Customer Notice Exhibit 12.
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.	Exhibit No. 14.
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 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.	Commission Staff assisted with Cannonsburg in preparing its application and therefore, prepared testimony will not be submitted.
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 at 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 6.
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 – Cannonsburg 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 5.



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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.	Cannonsburg's revenue requirement is based on debt service coverage. Exhibit 7.
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.
807 KAR 5:001 Section 10 (6)(j):	Current chart of accounts if more detailed than the Uniform System of Accounts.	Exhibit 8.
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.	Exhibit 13.
807 KAR 5:001 Section 10 (6)(l):	The most recent FERC or FCC audit reports.	N/A – Cannonsburg is a Water District.
807 KAR 5:001 Section 10 (6)m	The most recent FERC Form 1 (electric), FERC Form 2 (gas), or Automated Reporting Management Information System Report (telephone) and PSC Form T (telephone).	N/A – Cannonsburg is a Water District.
807 KAR 5:001 Section 10 (6)(n)	Summary of latest depreciation study with schedules by major plant accounts, except that telecommunications utilities adopting PSC's average depreciation rates shall provide schedule identifying current and test period depreciation rates used by major plant accounts. If filed in another PSC case refer to that case's number and style.	Exhibit 9.
807 KAR 5:001 Section 10 (6)(o)	List of all commercial or in-house computer software, programs, and models used to develop schedules and work papers associated with the filing. Include each software, program, or model; what each was used for; its supplier; brief description and specifications for the computer hardware and the operating system required to run the program.	Excel Word

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807 KAR 5:001 Section 10 (6)(q)	Annual report to shareholders, or members, and statistical supplements covering 2 years prior to application filing date.	N/A – Cannonsburg is a Water District.
807 KAR 5:001 Section 10 (6)(r)	Monthly managerial reports providing financial results for 12 months in test period.	Exhibit 10.
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 – Cannonsburg is a Water District.
807 KAR 5:001 Section 10 (6)(t)	<p>If utility had any amounts charged or allocated to it by affiliate or general or home office, or paid any monies to affiliate or general or home office during test period or during previous 3 calendar years, file:</p> <ol style="list-style-type: none"> <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.

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807 KAR 5:001 Section 10 (6)(v)	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:  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:  (a) Based on current and reliable data from a single time period; and  (b) Using generally recognized fully allocated, embedded, or incremental cost principles.	N/A – Cannonsburg is a Water District.
807 KAR 5:001 Section 10 (7)(a)	Detailed income statement and balance sheet reflecting impact of all proposed adjustments	Exhibit 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.	N/A – Construction of Cannonsburg's proposed plant addition have been completed.

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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 forma adjustments for plant additions and retirements;</li> </ol>	N/A – Construction of Cannonsburg's proposed plant addition have been completed.



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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 forma adjustments for plant additions and retirements;</li> </ol>	N/A – Construction of Cannonsburg’s proposed plant addition have been completed.

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<b>Filing Requirements</b>	<b>Filing Requirement Description</b>	<b>Location or Absence Reason</b>
807 KAR 5:001 Section 10 (7)(e)	Number of customers to be added to the test period – end level of customers and the related revenue requirements impact for all pro forma adjustments with complete details and supporting work papers.	Exhibit 5.

**Exhibit Index**

<b><u>Exhibit Title</u></b>	<b><u>Exhibit Number</u></b>
Proposed Tariff	1
Comparison – Proposed & Current Tariffs	2
Pro Forma Financial Statements	3
Pro Forma Adjustment Descriptions	4
Billing Analysis	5
Impact on Average Bill by Customer Classification	6
Revenue Requirement Determination	7
Current Chart of Accounts	8
Analysis of Depreciation	9
Monthly Managerial Reports	10
Cost of Service Study	11
Customer Notification	12
2002 Audited Financial Statements	13
Written Notification of Intent	14

**EXHIBIT NO. 1**  
**PROPOSED TARIFF**

FOR Boyd County  
Community, Town or City

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

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

Cannonsburg Water District  
(Name of Utility)

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

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

CONTENTS

RATES AND CHARGES

5/8" x 3/4" Meter

First	2,000 gallons	\$ 14.46	Minimum bill
Next	3,000 gallons	5.13	per 1,000 gallons
Next	15,000 gallons	4.75	per 1,000 gallons
Next	30,000 gallons	4.37	per 1,000 gallons
Next	50,000 gallons	4.00	per 1,000 gallons
Over	100,000 gallons	3.60	per 1,000 gallons

1 1/2" Meter

First	5,000 gallons	\$ 29.85	Minimum bill
Next	15,000 gallons	4.75	per 1,000 gallons
Next	30,000 gallons	4.37	per 1,000 gallons
Next	50,000 gallons	4.00	per 1,000 gallons
Over	100,000 gallons	3.60	per 1,000 gallons

2" and 3" Meters

First	20,000 gallons	\$ 101.10	Minimum bill
Next	30,000 gallons	4.37	per 1,000 gallons
Next	50,000 gallons	4.00	per 1,000 gallons
Over	100,000 gallons	3.60	per 1,000 gallons

6" Meter

First	50,000 gallons	\$ 232.20	Minimum bill
Next	50,000 gallons	4.00	per 1,000 gallons
Over	100,000 gallons	3.60	per 1,000 gallons

6" Meter

First	100,000 gallons	\$ 432.20	Minimum bill
Over	100,000 gallons	3.60	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 \_\_\_\_\_

**EXHIBIT NO. 2**

**COMPARISON –  
PROPOSED & CURRENT  
TARRIFFS**

Utility: Cumberland County Water District

Title: Comparison of the Proposed &amp; Current Tariffs

The comparison of the present and proposed tariff revisions of the Cannonsburg Water District is as follows:

### RATE SCHEDULE COMPARISON

		<u>EXISTING RATES</u>		<u>PROPOSED RATES</u>	
<b>5/8" x 3/4" Meter</b>					
First	2,000 gallons	\$ 14.31	Minimum bill	\$ 14.46	Minimum bill
Next	3,000 gallons	3.63	per 1,000 gallons	5.13	per 1,000 gallons
Next	15,000 gallons	3.05	per 1,000 gallons	4.75	per 1,000 gallons
Next	30,000 gallons	2.69	per 1,000 gallons	4.37	per 1,000 gallons
Next	50,000 gallons	2.54	per 1,000 gallons	4.00	per 1,000 gallons
Over	100,000 gallons	2.40	per 1,000 gallons	3.60	per 1,000 gallons
<b>1 1/2" Meter</b>					
First	5,000 gallons	\$ 25.20	Minimum bill	\$ 29.85	Minimum bill
Next	15,000 gallons	3.05	per 1,000 gallons	4.75	per 1,000 gallons
Next	30,000 gallons	2.69	per 1,000 gallons	4.37	per 1,000 gallons
Next	50,000 gallons	2.54	per 1,000 gallons	4.00	per 1,000 gallons
Over	100,000 gallons	2.40	per 1,000 gallons	3.60	per 1,000 gallons
<b>2" and 3" Meters</b>					
First	20,000 gallons	\$ 70.99	Minimum bill	\$ 101.10	Minimum bill
Next	30,000 gallons	2.69	per 1,000 gallons	4.37	per 1,000 gallons
Next	50,000 gallons	2.54	per 1,000 gallons	4.00	per 1,000 gallons
Over	100,000 gallons	2.40	per 1,000 gallons	3.60	per 1,000 gallon
<b>6" Meter</b>					
First	50,000 gallons	\$ 151.66	Minimum bill	\$ 232.20	Minimum bill
Next	50,000 gallons	2.54	per 1,000 gallons	4.00	per 1,000 gallons
Over	100,000 gallons	2.40	per 1,000 gallons	3.60	per 1,000 gallon
<b>6" Meter</b>					
First	100,000 gallons	\$ 278.84	Minimum bill	\$ 432.20	Minimum bill
Over	100,000 gallons	2.40	per 1,000 gallons	3.60	per 1,000 gallons

**EXHIBIT NO. 3**

**PRO FORMA  
FINANCIAL STATEMENTS**



Utility: Cannonsburg Water District  
 Title: Pro Forma Income Statement

	Test-Period Operations	Pro Forma Adjustments	Adj. Ref	Pro Forma Operations
<b>Operating Revenues:</b>				
Revenue - Water Sales	\$ 1,252,231	\$ (166,996)	(a)	\$ 1,085,235
Fire Protection	0	8,160	(a)	8,160
Other Water Revenue:				
Forfeited Discounts	0	23,369	(b)	23,369
Revenue - Water Sales	<u>\$ 1,252,231</u>	<u>\$ (135,467)</u>		<u>\$ 1,116,764</u>
<b>Operating Expenses:</b>				
<b>Operation &amp; Maintenance:</b>				
Salaries & Wages - Employees	\$ 303,153	\$ 28,287	(c)	\$ 331,440
Salaries & Wages - Commissioners	18,800	0		18,800
Employee Pension & Benefits	18,848	92,822	(d)	111,670
Purchased Water	515,050	(78,210)	(e)	436,840
Purchased Power	34,370	141	(f)	34,511
Materials & Supplies	117,167	(65,140)	(g)	52,027
Contractual Services - Acct.	20,170	0		20,170
Contractual Services - Mgt Fees	2,000	(2,000)	(h)	0
Contractual Services - Other	22,504	(17,288)	(i)	5,216
Transportation	16,516	0		16,516
Insurance - Gen. Liability	20,843	4,208	(j)	25,051
Insurance - Workers Comp.	5,389	5,804	(j)	11,193
Insurance - Other	64,008	(64,008)	(d)	0
Advertising	652	0		652
Bad Debt	19,031	0		19,031
Miscellaneous	38,917	(522)	(k)	38,395
Total Operation & Maintenance	<u>\$ 1,217,418</u>	<u>\$ (95,906)</u>		<u>\$ 1,121,512</u>
Depreciation	149,919	18,449	(l)	168,368
Amortization	0	1,173	(m)	1,173
<b>Taxes Other Than Income:</b>				
Public Service Com. Assessment	2,243	0		2,243
Payroll Taxes	22,633	5,859	(n)	28,492
Other Tax & License	0	0		0
Utility Operating Expenses	<u>\$ 1,392,213</u>	<u>\$ (70,425)</u>		<u>\$ 1,321,788</u>
Utility Operating Income	<u>\$ (139,982)</u>	<u>\$ (65,042)</u>		<u>\$ (205,024)</u>
Gains(Losses - Disposition of Prop.	4,876	0		4,876
Net Utility Operating Income	<u>\$ (135,106)</u>	<u>\$ (65,042)</u>		<u>\$ (200,148)</u>
<b>Other Income &amp; Deductions:</b>				
Interest Income	14,270	0		14,270
Nonutility Income	20,905	0		20,905
Total Other income & Deductions	<u>\$ 35,175</u>	<u>\$ 0</u>		<u>\$ 35,175</u>
Net Income Available for Debt Service	<u>\$ (99,931)</u>	<u>\$ (65,042)</u>		<u>\$ (164,973)</u>

Exhibit No: 3 Cannonsburg Water District  
 Utility: Pro Forma Balance Sheet  
 Title: Pro Forma Balance Sheet

	Test-Period Operations	Pro Forma Adjustments	Pro Forma Operations	<u>EQUITY CAPITAL &amp; LIABILITIES</u>	Test-Period Operations	Pro Forma Adjustments	Pro Forma Operations
<u>ASSETS &amp; OTHER DEBITS</u>							
<u>UTILITY PLANT</u>							
Utility Plant	\$ 4,547,319	\$ 24,031	\$ 4,571,350	<u>EQUITY CAPITAL</u>	\$ -	\$ -	\$ -
Less: Accumulated Depreciation	2,083,431	168,368	2,251,799	Appropriated Retained Earnings	(121,655)	99,515	(22,140)
Net Utility Plant	\$ 2,463,888	\$ (144,337)	\$ 2,319,551	Retained Earnings - Income before CIAC	2,344,202	0	2,344,202
				Donated Capital	\$ 2,222,547	\$ 99,515	\$ 2,322,062
<u>OTHER PROPERTY &amp; INVESTMENTS</u>							
Other Special Funds	\$ 407,467	\$ -	\$ 407,467	<u>LONG-TERM DEBT</u>			
				Bonds	\$ 799,000	\$ (50,333)	\$ 748,667
				Other Long Term Debt	63,639	0	63,639
				Total Long-Term Debt	\$ 862,639	\$ (50,333)	\$ 812,306
<u>CURRENT &amp; ACCRUED ASSETS</u>							
Cash	\$ 172,439	\$ 191,174	\$ 363,613	<u>CURRENT &amp; ACCRUED LIABILITIES</u>			
Accounts & Notes Receivable	366,329	0	366,329	Accounts Payable	\$ 338,950	\$ -	\$ 338,950
Materials & Supplies	60,583	0	60,583	Customer Deposits	19,624	0	19,624
Prepayments	9,232	0	9,232	Accrued Taxes	10,842	0	10,842
Accrued Interest & Dividends Receivable	0	0	0	Misc. Current & Accrued Liabilities	25,336	0	25,336
Total Current & Accrued Assets	\$ 608,583	\$ 191,174	\$ 799,757	Total Current & Accrued Liabilities	\$ 394,752	\$ -	\$ 394,752
				<u>DEFERRED DEBITS</u>			
Miscellaneous Deferred Debits	\$ -	\$ 2,345	\$ 2,345	Miscellaneous Deferred Debits			
<b>Total Assets &amp; Other Debits</b>	<b>\$ 3,479,938</b>	<b>\$ 49,182</b>	<b>\$ 3,529,120</b>	<b>Total Equity Capital &amp; Liabilities</b>	<b>\$ 3,479,938</b>	<b>\$ 49,182</b>	<b>\$ 3,529,120</b>

**EXHIBIT 4**

**PRO FORMA  
ADJUSTMENT DESCRIPTIONS**

Exhibit No: 4  
 Utility: Cannonsburg Water District  
 Title: Index of Pro Forma Adjustments - Income Statement

Adj. Ref.	Adjustment Description
(a)	<b>Revenue from Water Sales:</b> This adjustment reflects the results of Commission Staff's billing analysis, the current tariffed rate, and elimination of the industrial customer. Also, the impact of the new fire protection charge.
(b)	<b>Forfeited Discounts:</b> This adjusted corrects the mis-classification of forfeited discounts.
(c)	<b>Salaries &amp; Wages - Employees:</b> This adjusted reflects the current Staff level, the actual test-period hours worked and current wage rates.
(d)	<b>Employee Pensions &amp; Benefits:</b> This adjustment reflects the impact the pro forma payroll has on the employer retirement contribution and the 2004 employee health insurance premiums.
(e)	<b>Purchased Water:</b> This adjustment reflects the test-period water purchases adjusted for elimination of the industrial customer.
(f)	<b>Purchased Power:</b> This adjustment reflects the results of Commission Staff's analysis of the test-period electric invoices.
(g)	<b>Materials &amp; Supplies:</b> This adjustment removes a prior period purchase, capital expenditures and corrects audit adjustments.
(h)	<b>Contractual Services - Legal:</b> This adjustment reflects removes a capital expenditure.
(i)	<b>Contractual Services - Other:</b> This adjustment removes nonrecurring labor costs and a capital expenditure.
(j)	<b>Insurance:</b> This adjustment reflects the current premiums for general liability, workers compensation, vehicle and all other insurance coverages.
(k)	<b>Miscellaneous:</b> This adjustment reflects the elimination of the pagers and the new cellular telephone contract.
(l)	<b>Depreciation:</b> This adjustment reflects the normalization of the test-period plant investment and depreciation on capital expenditures removed from expenses.
(m)	<b>Amortization:</b> Non-recurring expenditures have been removed from test-period expenses have been amortized over their useful lives.
(n)	<b>Payroll Taxes:</b> This adjustment reflects the pro forma payroll and the current payroll tax rates.

Exhibit No: 4  
Utility: Cannonsburg Water District  
Adjustment: (a) Revenue from Water Sales

Normalized Revenue from Water Sales	\$ 1,085,235
Less: Reported Revenue from Water Sales	1,252,231
Pro Forma Adjustment	<u>\$ (166,996)</u>
Fire Protection - New Charge	<u>\$ 8,160</u>

Exhibit No: 4  
Utility: Cannonsburg Water District  
Adjustment: (b) Forfeited Discounts

Forfeited Discounts

\$ 23,369



Exhibit No: 4  
 Utility: Cannonsburg Water District  
 Adjustment: (d) Employee Pensions & Benefits

Position	Pro Forma Salaries & Wages	County Retirement Sys. Employer Contribution		Pro Forma Employee Insurance	Pro Forma Totals
		Rate	Amount		
Superintendent	\$ 39,928	7.34%	\$ 2,931	\$ 11,421	\$ 14,352
Backhoe Operator/Laborer	\$ 30,857	7.34%	2,265	3,896	6,161
Backhoe Operator/Laborer	\$ 32,730	7.34%	2,402	11,905	14,307
Laborer	\$ 37,826	7.34%	2,776	11,905	14,681
Office Manager/Bookkeeper	\$ 32,593	7.34%	2,392	12,846	15,238
Office Clerk	\$ 25,376	7.34%	1,863	7,582	9,445
General Manager	\$ 45,000	7.34%	3,303	241	3,544
Laborer	\$ 36,504	7.34%	2,679	6,542	9,221
Office Clerk	\$ 25,042	7.34%	1,838	9,100	10,938
Backhoe Operator/Laborer	\$ 25,584	7.34%	1,878	11,905	13,783
Totals	<u>\$ 331,440</u>		<u>\$ 24,327</u>	<u>\$ 87,343</u>	<u>\$ 111,670</u>

Pro Forma Employee Pensions & Benefits	\$ 111,670
Less: Test-Period Employee Pensions & Benefits	18,848
Pro Forma Adjustment	<u>\$ 92,822</u>
Correct Emp. Benefit Misclassification - Ins.	<u>\$ (64,008)</u>



**Exhibit No:** 4  
**Utility:** Cannonsburg Water District  
**Adjustment:** (e) Purchased Water

**Unaccounted for Water Loss Percentage**

	439,822,000.0
	<u>65,175,161.0</u>
Water Produced/Purchased	<u>374,646,839.0</u>
Water Sales - Staff's Billing Analysis	237,740,900.0
Add:	
System Flushing	30,100,000.0
Fire Department	250,000.0
Other	70,926,000.0
Total Accounted for Water	<u>339,016,900.0</u>
<b>Unaccounted for Water Loss - Gallons</b>	<b><u>35,629,939.0</u></b>
Percentage of Unaccounted for Water Loss	<u>9.510%</u>
Water Loss Reciprocal (1-Percentage)	<u>90.490%</u>

**Determination of Pro Forma Purchased Water**

Water Sales Lost Customer	<u>59,720,000.0</u>
Divided by: Line Loss Reciprocal	91.63%
Disallowed Water Purchases - Gallons	65,175,161.0
Multiplied by: Rate per Gallon	\$ 0.00120
Disallowed Water Purchases	<u>\$ (78,210)</u>

Exhibit No: 4  
 Utility: Cannonsburg Water District  
 Adjustment: (f) Purchased Power

Billing Month	Kentucky Utilities	Pennyrille RECC	Bill Totals
Jan-02	\$ 123	\$ 1,782	\$ 1,782
Feb-02	\$ 85	\$ 2,002	2,002
Mar-02	\$ 87	\$ 2,169	2,169
Apr-02	\$ 77	\$ 1,936	1,936
May-02	\$ 69	\$ 2,607	2,607
Jun-02	\$ 153	\$ 2,802	2,802
Jul-02	\$ 49	\$ 3,411	3,411
Aug-02	\$ 81	\$ 3,576	3,576
Sep-02	\$ 48	\$ 3,337	3,337
Oct-02	\$ 47	\$ 3,017	3,017
Nov-02	\$ 41	\$ 3,158	3,158
Dec-02	\$ 42	\$ 3,862	3,862
Purchased Power - Invoices			\$ 34,511
Less: Reported Purchased Power			34,370
Pro Forma Adjustment			<u>\$ 141</u>

**Exhibit No:** 4  
**Utility:** Cannonsburg Water District  
**Adjustment:** (g) Materials & Supplies

Invoice #	Vendor	Description	Amount
<b><u>Reverse Journal Entries:</u></b>			
RJE-1	Reclass Interest & Servicing Fees		\$ (2,347)
AJE-3	Adj. Sales Tax Accrual		(2,782)
RJE-3	Accrued Interest Adjustment		(8,800)
	2001 Audit Adjustment	Retirement Contribution Correction	(20,001)
RJE-35	Adj. Retained Earnings to Actual		(9,157)
<b><u>Capital Expenditures:</u></b>			
09/18/02	Akin Asphalt Paving	Water line project - Driveway repair.	(4,500)
	Backhoe Repairs - Daviess Equipment(Fan Blade, Radiator, Front Support)		(3,518)
	Various Capital Expenditures - Services		(13,531)
<b><u>Prior Period:</u></b>			
	Equipment Rental - Wayne Supply		(504)
	Pro Forma Adjustment		<u>\$ (65,140)</u>

Exhibit No: 4  
Utility: Cannonsburg Water District  
Adjustment: (h) Contractual Services Mgt.

<u>Date Paid</u>	<u>Vendor</u>	<u>Description</u>	<u>Amount</u>
<b>Capital:</b>			
01/24/02	Mountain Consultants	Computer Software - Set-Up	\$ (1,000)
03/14/02	Mountain Consultants	Computer Software - Set-Up	(1,000)
<b>Pro Forma Adjustment</b>			<u>\$ (2,000)</u>

Exhibit No: 4  
 Utility: Cannonsburg Water District  
 Adjustment: (i) Contractual Services Other

Date Paid	Vendor	Description	Amount
<b>Capital:</b>			
05/07/02	Mountain Consultants	Computer Software - Set-Up	\$ (2,000)
09/06/02	Mountain Consultants	Computer Software - Set-Up	(2,000)
06/11/02	Thacker Construction	Labor - Pump Station	\$ (952)
07/03/02	Thacker Construction	Labor - Pump Station	(1,407)
<b>Capital</b>			<b>\$ (6,359)</b>
<b>Nonrecurring Contractual Labor:</b>			
08/01/02	Thacker Construction	Contractual Labor	\$ (206)
08/28/02	Thacker Construction	Contractual Labor	(1,153)
09/25/02	Thacker Construction	Contractual Labor	(1,338)
10/09/02	Thacker Construction	Contractual Labor	(1,443)
10/23/02	Thacker Construction	Contractual Labor	(1,182)
11/60/2	Thacker Construction	Contractual Labor	(1,160)
11/20/02	Thacker Construction	Contractual Labor	(1,236)
12/04/02	Thacker Construction	Contractual Labor	(928)
12/18/02	Thacker Construction	Contractual Labor	(1,203)
12/31/02	Thacker Construction	Contractual Labor	(1,080)
<b>Capital Legal</b>			<b>\$ (10,929)</b>
Pro Forma Adjustment			<b>\$ (17,288)</b>

**Exhibit No: 4**  
**Utility: Cannonsburg Water District**  
**Adjustment: (j) Insurance**

Insurance	Policy Period		Premium
	From	To	
Commercial Crime - #103627106	05/06/03	05/06/04	\$ 469
Blanket Encroachment Bond - #8011695			102
Encroachment Permit Bond - #8104081	08/14/03	08/14/04	203
Commercial Insurance - #GP09310536	04/25/03	04/25/04	24,277
Pro Forma Insurance Totals			\$ 25,051
Less: Reported Insurance Expense			20,843
Pro Forma Adjustment			\$ 4,208

Description		Pro Foam Payroll	Rate per \$100	Premium
Waterworks Operation	W	\$ 248,429	\$ 4.85	\$ 12,049
Clerical	C	101,811	\$ 0.33	336
Total Manual Premium		<u>\$ 350,240</u>		\$ 12,385
Add: Increased Limits Premium			1.70%	211
Subtotal				\$ 12,596
Multiplied by: Experience Modification			10.00%	85.00%
Modified Premium				\$ 10,707
Less: Schedule Credit			-5.00%	(619)
Standard Premium				\$ 10,088
Less: Premium Discount			-2.95%	(298)
Add: Expense Constant				140
Add: Terrorism Premium Charge		3,502.400	0.031	109
Net Premium				\$ 10,039
Kentucky Special Fund Assessment			11.50%	1,154
Pro Forma Premium				\$ 11,193
Less: Reported Premium				5,389
Pro Forma Adjustment				\$ 5,804

Exhibit No: 4  
Utility: Cannonsburg Water District  
Adjustment: (k) Cell Phone & Pager

Monthly Nextel Invoice	\$	339
Multiplied by: 12 Months		<u>12</u>
Pro Forma Cellular Telephone Exp.	\$	<u>4,068</u>
Less: Test-Period Cellular & Pager		<u>4,590</u>
Pro Forma Adjustment	\$	<u><u>(522)</u></u>

**Exhibit No: 4**  
**Utility: Cannonsburg Water District**  
**Adjustment: (I) Depreciation**

	Book Cost	Dep Life	Depreciation Expense		
			Annual	Reported	Adjustment
Software Upgrade	\$ 7,225	5	\$ 1,445	\$ 1,204	\$ 241
Telemetry System	\$ 91,921	5	\$ 18,384	\$ 6,128	12,256
3/4" Meters	\$ 4,050	15	\$ 270	\$ 90	180
5/8" & 3/4" Rebuilt Meters	\$ 3,447	15	\$ 230	\$ 57	173
2" Meter	\$ 626	15	\$ 42	\$ 7	35
Toshiba Copier	\$ 9,792	5	\$ 1,958	\$ 1,142	816
Norstar Telephone System	\$ 2,350	5	\$ 470	\$ 274	196
Desk, Hutch, File	\$ 2,001	5	\$ 400	\$ 233	167
Chair	\$ 579	5	\$ 116	\$ 39	77
Acer Computer	\$ 1,635	5	\$ 327	\$ 109	218
2 Touch Read Guns	\$ 2,245	5	\$ 449	\$ 347	102
Line Extension	\$ 982	50	\$ 20	\$ 18	2
Line Extension	\$ 9,692	50	\$ 194	\$ 64	130
Line Extension	\$ 12,052	50	\$ 241	\$ 60	181
Line Extension	\$ 11,034	50	\$ 221	\$ 37	184
Line Extension	\$ 874	50	\$ 17	\$ 3	14
Dump Truck	\$ 13,800	5	\$ 2,760	\$ 1,610	1,150
<b>Pro Forma Adjustment - Normalization</b>					<b>\$ 16,122</b>
Water line project - Driveway repair.	\$ 4,500	20			225
Various Capital Expenditures - Services	\$ 13,531	15			902
Computer Software - Setup	\$ 6,000	5			1,200
<b>Pro Forma Adjustment</b>					<b>\$ 18,449</b>



Exhibit No: 4  
Utility: Cannonsburg Water District  
Adjustment: (m) Amortization

Description	Expenditure	Amortization	
		Life	Expense
Backhoe Repairs	3,518	3	\$ 1,173

Exhibit No: 4  
 Utility: Cannonsburg Water District  
 Adjustment: (n) Payroll Taxes

Position	Pro Forma Payroll	Pro Forma Payroll Taxes			Total Payroll Taxes
		St. Unemp. \$ 7,000 0.80%	Fed. Unemp \$ 8,000 1.00%	FICA \$ 76,000 7.65%	
Superintendent	\$ 39,928	56	80	3,054	3,190
Backhoe Operator/Laborer	30,857	56	80	2,361	2,497
Backhoe Operator/Laborer	32,730	56	80	2,504	2,640
Laborer	37,826	56	80	2,894	3,030
Office Manager/Bookkeeper	32,593	56	80	2,493	2,629
Office Clerk	25,376	56	80	1,941	2,077
General Manager	45,000	56	80	3,443	3,579
Laborer	36,504	56	80	2,793	2,929
Office Clerk	25,042	56	80	1,916	2,052
Backhoe Operator/Laborer	25,584	56	80	1,957	2,093
Commissioner	6,800	54	68	520	642
Commissioner	6,000	48	60	459	567
Commissioner	6,000	48	60	459	567
<b>Pro Forma Totals</b>	<b>\$ 350,240</b>	<b>\$ 710</b>	<b>\$ 988</b>	<b>\$ 26,794</b>	<b>\$ 28,492</b>

Pro Forma Payroll Taxes	\$ 28,492
Less: Test Period Payroll Taxes	22,633
<b>Pro Forma Adjustment</b>	<b>\$ 5,859</b>

Exhibit No: 3  
 Cannonsburg Water District  
 Title: Pro Forma Balance Sheet

	<u>Test-Period Operations</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma Operations</u>	<u>Test-Period Operations</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma Operations</u>
<b><u>ASSETS &amp; OTHER DEBITS</u></b>						
<b><u>UTILITY PLANT</u></b>						
Utility Plant	\$ 4,547,319	\$ 24,031	\$ 4,571,350			
Less: Accumulated Depreciation	2,083,431	168,368	2,251,799	(121,655)	99,515	(22,140)
Net Utility Plant	<u>\$ 2,463,888</u>	<u>\$ (144,337)</u>	<u>\$ 2,319,551</u>	<u>2,344,202</u>	<u>0</u>	<u>2,344,202</u>
	<u>\$ 407,467</u>	<u>\$ -</u>	<u>\$ 407,467</u>	<u>\$ 2,222,547</u>	<u>\$ 99,515</u>	<u>\$ 2,322,062</u>
<b><u>OTHER PROPERTY &amp; INVESTMENTS</u></b>						
Other Special Funds				\$ 799,000	\$ (50,333)	\$ 748,667
				63,639	0	63,639
	\$ 172,439	\$ 191,174	\$ 363,613	<u>\$ 862,639</u>	<u>\$ (50,333)</u>	<u>\$ 812,306</u>
Cash	366,329	0	366,329			
Accounts & Notes Receivable	60,583	0	60,583			
Materials & Supplies	9,232	0	9,232			
Prepayments	0	0	0			
Accrued Interest & Dividends Receivable	0	0	0			
Total Current & Accrued Assets	<u>\$ 608,583</u>	<u>\$ 191,174</u>	<u>\$ 799,757</u>	<u>\$ 338,950</u>	<u>\$ -</u>	<u>\$ 338,950</u>
				19,624	0	19,624
				10,842	0	10,842
				25,336	0	25,336
Miscellaneous Deferred Debits	<u>\$ -</u>	<u>\$ 2,345</u>	<u>\$ 2,345</u>	<u>\$ 394,752</u>	<u>\$ -</u>	<u>\$ 394,752</u>
Total Assets & Other Debits	<u>\$ 3,479,938</u>	<u>\$ 49,182</u>	<u>\$ 3,529,120</u>	<u>\$ 3,479,938</u>	<u>\$ 49,182</u>	<u>\$ 3,529,120</u>
<b><u>CURRENT &amp; ACCRUED LIABILITIES</u></b>						
Accounts Payable				\$ 338,950	\$ -	\$ 338,950
Customer Deposits				19,624	0	19,624
Accrued Taxes				10,842	0	10,842
Misc. Current & Accrued Liabilities				25,336	0	25,336
Total Current & Accrued Liabilities				<u>\$ 394,752</u>	<u>\$ -</u>	<u>\$ 394,752</u>
<b><u>EQUITY CAPITAL &amp; LIABILITIES</u></b>						
<b><u>EQUITY CAPITAL</u></b>						
Appropriated Retained Earnings						-
Retained Earnings - Income before CIAC						(22,140)
Donated Capital						2,344,202
Total Equity Capital						<u>\$ 2,322,062</u>
<b><u>LONG-TERM DEBT</u></b>						
Bonds						
Other Long Term Debt						
Total Long-Term Debt						
<b><u>CURRENT &amp; ACCRUED LIABILITIES</u></b>						
Accounts Payable				\$ 338,950	\$ -	\$ 338,950
Customer Deposits				19,624	0	19,624
Accrued Taxes				10,842	0	10,842
Misc. Current & Accrued Liabilities				25,336	0	25,336
Total Current & Accrued Liabilities				<u>\$ 394,752</u>	<u>\$ -</u>	<u>\$ 394,752</u>
<b><u>DEFERRED DEBITS</u></b>						
Miscellaneous Deferred Debits						
Total Assets & Other Debits	<u>\$ 3,479,938</u>	<u>\$ 49,182</u>	<u>\$ 3,529,120</u>	<u>\$ 3,479,938</u>	<u>\$ 49,182</u>	<u>\$ 3,529,120</u>

Exhibit No: 4  
Utility: Cannonsburg Water District  
Title: Index of Pro Forma Adjustments - Balance Sheet

Adj. Ref.	Adjustment Description
(q)	<b>Utility Plant:</b> This adjustment reflects reclassification of capital expenditures that were expensed in test-period.
(r)	<b>Accumulated Depreciation:</b> This adjustment reflects annual depreciation of plant in service as of the test-period end.
(s)	<b>Cash:</b> This adjustment reflects the accumulated impact on the cash balance resulting from pro forma adjustments.
(t)	<b>Miscellaneous Deferred Debits:</b> This adjustment reflects the non-recurring expenditures removed from operating expenses and amortized.
(u)	<b>Retained Earnings:</b> This adjustment reflects the accumulated impact on the retained earnings balance resulting from pro forma adjustments.
(v)	<b>Long-Term Debt:</b> This adjustment reflects the average debt payment.

**Exhibit No: 4**  
**Utility: Cannonsburg Water District**  
**Adjustment: (q) Utility Plant**

	Amount
Water line project - Driveway repair.	\$ 4,500
Various Capital Expenditures - Services	13,531
Computer Software - Setup	6,000
Pro Forma Adjustment	<u>\$ 24,031</u>

**Exhibit No: 4**  
**Utility: Cannonsburg Water District**  
**Adjustment: (r) Accumulated Depreciation**

	<u>Amount</u>
Pro Forma Depreciation Expense	<u>\$ 168,368</u>

**Exhibit No: 4**  
**Utility: Cannonsburg Water District**  
**Adjustment: (s) Cash**

	<u>Amount</u>
Net Income Available for Debt Service	(164,973)
Add:	
Requested Increase	270,389
Depreciation Expense	168,368
Amortization Expense	1,173
Deduct:	
Average Debt Service	83,783
Addition to Cash	<u>\$ 191,174</u>

**Exhibit No: 4**  
**Utility: Cannonsburg Water District**  
**Adjustment: (t) Miscellaneous Deferred Debits**

	<u>Amount</u>
Backhoe Repairs	<u>\$ 3,518</u>
Less:	
Amortization	<u>(1,173)</u>
Pro Forma Adjustment	<u><u>\$ 2,345</u></u>



**Exhibit No: 4**  
**Utility: Cannonsburg Water District**  
**Adjustment: (u) Retained Earnings**

	<u>Amount</u>
Net Income Available for Debt Service	(164,973)
Add:	
Requested Increase	270,389
Plant Additions	24,031
Defferd Debits	3,516
Deduct:	
Average Interest Expense	33,448
Addition to Retained Earnings	<u>\$ 99,515</u>

**Exhibit No: 4**  
**Utility: Cannonsburg Water District**  
**Adjustment: (v) Long-Term Debt**

	<u>Amount</u>
Less:	
Principal Payment	(50,333)
Decrease - Debt Payment	<u>\$ (50,333)</u>

**EXHIBIT 5**  
**BILLING ANALYSIS**

Cannonsburg Water District  
 CN2003-00259  
 Combined Usage for All Meter Sizes

	Current Rates	Bills	Usage	Current Rate Revenue	Adjusted Usage	Proposed Rates	Proposed Rate Revenue
<b>5/8 Inch Res./Comm.</b>							
First 2,000 gallons	\$ 14.31	9,581	65,790,900	\$ 517,893.21	65,790,900	\$ 14.46	\$ 523,321.86
Next 3,000 gallons	\$ 3.63	15,512	63,184,000	229,357.92	63,184,000	\$ 5.13	324,133.92
Next 15,000 gallons	\$ 3.05	10,639	42,037,000	128,212.85	42,037,000	\$ 4.75	199,675.75
Next 30,000 gallons	\$ 2.69	365	6,113,000	16,443.97	6,113,000	\$ 4.37	26,713.81
Next 50,000 gallons	\$ 2.54	68	2,351,000	5,971.54	2,351,000	\$ 4.00	9,404.00
Over 100,000 gallons	\$ 2.40	26	1,712,000	4,108.80	1,712,000	\$ 3.60	6,163.20
<b>Total</b>		<b>36,191</b>	<b>181,187,900</b>	<b>\$ 901,988.29</b>	<b>181,187,900</b>		<b>\$ 1,089,412.54</b>
<b>1 and 1 1/2 Inch</b>							
First 5,000 gallons	\$ 25.20	290	2,348,000	\$ 15,951.60	2,348,000	\$ 29.85	\$ 18,895.05
Next 15,000 gallons	\$ 3.05	169	3,632,000	11,077.60	3,632,000	\$ 4.75	17,252.00
Next 30,000 gallons	\$ 2.69	112	3,224,000	8,672.56	3,224,000	\$ 4.37	14,088.88
Next 50,000 gallons	\$ 2.54	50	1,440,000	3,657.60	1,440,000	\$ 4.00	5,760.00
Over 100,000 gallons	\$ 2.40	12	1,499,000	3,597.60	1,499,000	\$ 3.60	5,396.40
<b>Total</b>		<b>633</b>	<b>12,143,000</b>	<b>\$ 42,956.96</b>	<b>12,143,000</b>		<b>\$ 61,392.33</b>
<b>2 and 3 Inch</b>							
First 15,000 gallons	\$ 70.99	184	6,051,000	\$ 30,667.68	6,051,000	\$ 101.10	\$ 43,675.20
Next 30,000 gallons	\$ 2.69	79	5,949,000	16,002.81	5,949,000	\$ 4.37	25,997.13
Next 50,000 gallons	\$ 2.54	55	6,817,000	17,315.18	6,817,000	\$ 4.00	27,268.00
Over 100,000 gallons	\$ 2.40	114	19,077,000	45,784.80	19,077,000	\$ 3.60	68,677.20
<b>Total</b>		<b>432</b>	<b>37,894,000</b>	<b>\$ 109,770.47</b>	<b>37,894,000</b>		<b>\$ 165,617.53</b>
<b>6 Inch</b>							
First 30,000 gallons	\$ 151.66	12	600,000	\$ 1,819.92	600,000	\$ 232.20	\$ 2,786.40
Next 50,000 gallons	\$ 2.54		600,000	1,524.00	600,000	\$ 4.00	2,400.00
Over 100,000 gallons	\$ 2.40		1,130,000	2,712.00	1,130,000	\$ 3.60	4,068.00
<b>Total</b>		<b>12</b>	<b>2,330,000</b>	<b>\$ 6,055.92</b>	<b>2,330,000</b>		<b>\$ 9,254.40</b>
<b>12 Inch</b>							
First 50,000 gallons	\$ 278.84	36	2,110,000	\$ 10,038.24	910,000	\$ 432.20	\$ 10,372.80
Over 100,000 gallons	\$ 2.40		58,740,000	140,976.00	220,000	\$ 3.60	792.00
<b>Total</b>		<b>36</b>	<b>60,850,000</b>	<b>\$ 151,014.24</b>	<b>1,130,000</b>		<b>\$ 11,164.80</b>
<b>5/8 Inch - Greenup</b>							
First 2,000 gallons	\$ 14.31	187	1,265,000	\$ 9,988.38	1,265,000	\$ 14.46	\$ 10,093.08
Next 3,000 gallons	\$ 3.63	329	1,191,000	4,323.33	1,191,000	\$ 5.13	6,109.83
Next 15,000 gallons	\$ 3.05	178	554,000	1,689.70	554,000	\$ 4.75	2,631.50
Next 30,000 gallons	\$ 2.69	4	44,000	118.36	44,000	\$ 4.37	192.28
Next 50,000 gallons	\$ 2.54	0	0	-	0	\$ 4.00	-
Over 100,000 gallons	\$ 2.40	0	0	-	0	\$ 3.60	-
<b>Total</b>		<b>698</b>	<b>3,054,000</b>	<b>\$ 16,119.77</b>	<b>3,054,000</b>		<b>\$ 19,026.69</b>
<b>Total All Rate Sch.</b>		<b>38,002</b>	<b>297,458,900</b>	<b>\$ 1,227,905.65</b>			<b>\$ 1,355,868.29</b>

Cannonsburg Water District  
 Billings for: January to December 2002  
 5/8 Inch Residential and Commercial

	USAGE	BILLS	GALLONS	2,000	3,000	15,000	30,000	50,000	100,000	TOTAL
FIRST	2,000	9,581	12,570,900	12,570,900						12,570,900
NEXT	3,000	15,512	60,914,000	31,024,000	29,890,000					60,914,000
NEXT	15,000	10,639	88,347,000	21,278,000	31,917,000	35,152,000				88,347,000
NEXT	30,000	365	10,593,000	730,000	1,095,000	5,475,000	3,293,000			10,593,000
NEXT	50,000	68	4,451,000	136,000	204,000	1,020,000	2,040,000	1,051,000		4,451,000
NEXT	100,000	26	4,312,000	52,000	78,000	390,000	780,000	1,300,000	1,712,000	4,312,000
TOTAL		36,191	181,187,900	65,790,900	63,184,000	42,037,000	6,113,000	2,351,000	1,712,000	181,187,900

REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	2,000	65,790,900	\$ 14.31	\$ 517,893.21
NEXT	3,000	63,184,000	3.63	229,357.92
NEXT	15,000	42,037,000	3.05	128,212.85
NEXT	30,000	6,113,000	2.69	16,443.97
NEXT	50,000	2,351,000	2.54	5,971.54
OVER	100,000	1,712,000	2.40	4,108.80
TOTAL	36,191	181,187,900		\$ 901,988.29

Cannonsburg Water District  
 Billings for: January to December 2002  
 1 and 1 1/2 Inch Residential and Commercial

	USAGE	BILLS	GALLONS	5,000	15,000	30,000	50,000	100,000	TOTAL
FIRST	5,000	290	633,000	633,000					633,000
NEXT	15,000	169	1,867,000	845,000	1,022,000				1,867,000
NEXT	30,000	112	3,604,000	560,000	1,680,000	1,364,000			3,604,000
NEXT	50,000	50	3,340,000	250,000	750,000	1,500,000	840,000		3,340,000
OVER	100,000	12	2,699,000	60,000	180,000	360,000	600,000	1,499,000	2,699,000
TOTAL		633	12,143,000	2,348,000	3,632,000	3,224,000	1,440,000	1,499,000	12,143,000

REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	633	2,348,000	\$ 25.20	\$ 15,951.60
NEXT		3,632,000	3.05	11,077.60
NEXT		3,224,000	2.69	8,672.56
NEXT		1,440,000	2.54	3,657.60
OVER		1,499,000	2.40	3,597.60
TOTAL	633	12,143,000		\$ 42,956.96

Cannonsburg Water District  
 Billings for: January to December 2002  
 2" and 3" Meter Commercial Customers

	USAGE	BILLS	GALLONS	FIRST	NEXT	NEXT	OVER	TOTAL
	20,000	184	1,091,000	20,000	30,000	50,000	100,000	
FIRST	20,000	184	1,091,000	1,091,000				1,091,000
NEXT	30,000	79	2,459,000	1,580,000	879,000			2,459,000
NEXT	50,000	55	3,867,000	1,100,000	1,650,000	1,117,000		3,867,000
OVER	100,000	114	30,477,000	2,280,000	3,420,000	5,700,000	19,077,000	30,477,000
TOTAL		432	37,894,000	6,051,000	5,949,000	6,817,000	19,077,000	37,894,000

REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	20,000	432	\$ 70.99	\$ 30,667.68
NEXT	30,000	5,949,000	2.69	16,002.81
NEXT	50,000	6,817,000	2.54	17,315.18
OVER	100,000	19,077,000	2.40	45,784.80
TOTAL	432	37,894,000		\$ 109,770.47

Cannonsburg Water District  
 Billings for: January to December 2002  
 6 Inch Connections

	USAGE	BILLS	GALLONS	FIRST	NEXT	OVER	TOTAL
FIRST	50,000	0	0	50,000	50,000	100,000	0
NEXT	50,000	0	0	0	0	0	0
OVER	100,000	12	2,330,000	600,000	600,000	1,130,000	2,330,000
TOTAL		12	2,330,000	600,000	600,000	1,130,000	2,330,000

REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	50,000	12	\$ 151.66	\$ 1,819.92
NEXT	50,000	600,000	2.54	1,524.00
OVER	100,000	1,130,000	2.40	2,712.00
TOTAL	12	2,330,000		\$ 6,055.92



Cannonsburg Water District  
 Billings for: January to December 2002  
 12 Inch Connections

USAGE	BILLS	GALLONS	FIRST	OVER	TOTAL
FIRST 100,000	19	410,000	100,000	100,000	410,000
OVER 100,000	17	60,440,000	1,700,000	58,740,000	60,440,000
TOTAL	36	60,850,000	2,110,000	58,740,000	60,850,000

REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST 100,000	36	2,110,000	\$ 278.84	\$ 10,038.24
OVER 100,000		58,740,000	2.40	140,976.00
TOTAL	36	60,850,000		\$ 151,014.24

Cannonsburg Water District  
 Billings for: January to December 2002  
 Rate H Greenup Residential Customers

	USAGE	BILLS	GALLONS	2,000	3,000	15,000	30,000	50,000	100,000	TOTAL
FIRST	2,000	187	243,000	2,000	3,000	15,000	30,000	50,000	100,000	243,000
NEXT	3,000	329	1,303,000	658,000	645,000					1,303,000
NEXT	15,000	178	1,384,000	356,000	534,000	494,000				1,384,000
NEXT	30,000	4	124,000	8,000	12,000	60,000	44,000			124,000
NEXT	50,000	0	0	0	0	0	0	0		0
NEXT	100,000	0	0	0	0	0	0	0	0	0
TOTAL		698	3,054,000	1,265,000	1,191,000	554,000	44,000	0	0	3,054,000

REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	698	1,265,000	\$ 14.31	\$ 9,988.38
NEXT		1,191,000	3.63	4,323.33
NEXT		554,000	3.05	1,689.70
NEXT		44,000	2.69	118.36
NEXT		0	2.54	-
OVER		0	2.40	-
TOTAL	698	3,054,000		\$ 16,119.77

Cannonsburg Water District  
 Billings for: January to December 2002  
 5/8 Inch Residential and Commercial

	USAGE	BILLS	GALLONS	2,000	3,000	15,000	30,000	50,000	100,000	TOTAL
FIRST	2,000	9,581	12,570,900	12,570,900						12,570,900
NEXT	3,000	15,512	60,914,000	31,024,000	29,890,000					60,914,000
NEXT	15,000	10,639	88,347,000	21,278,000	31,917,000	35,152,000				88,347,000
NEXT	30,000	365	10,593,000	730,000	1,095,000	5,475,000	3,293,000			10,593,000
NEXT	50,000	68	4,451,000	136,000	204,000	1,020,000	2,040,000	1,051,000		4,451,000
NEXT	100,000	26	4,312,000	52,000	78,000	390,000	780,000	1,300,000	1,712,000	4,312,000
TOTAL		36,191	181,187,900	65,790,900	63,184,000	42,037,000	6,113,000	2,351,000	1,712,000	181,187,900

REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	2,000	65,790,900	\$ 14.46	\$ 523,321.86
NEXT	3,000	63,184,000	5.13	324,133.92
NEXT	15,000	42,037,000	4.75	199,675.75
NEXT	30,000	6,113,000	4.37	26,713.81
NEXT	50,000	2,351,000	4.00	9,404.00
OVER	100,000	1,712,000	3.60	6,163.20
TOTAL	36,191	181,187,900		\$ 1,089,412.54

Cannonsburg Water District  
 Billings for: January to December 2002  
 1 and 1 1/2 Inch Residential and Commercial

	USAGE	BILLS	GALLONS	5,000	15,000	30,000	50,000	100,000	TOTAL
FIRST	5,000	290	633,000	5,000	15,000	30,000	50,000	100,000	633,000
NEXT	15,000	169	1,867,000	845,000	1,022,000				1,867,000
NEXT	30,000	112	3,604,000	560,000	1,680,000	1,364,000			3,604,000
NEXT	50,000	50	3,340,000	250,000	750,000	1,500,000	840,000		3,340,000
OVER	100,000	12	2,699,000	60,000	180,000	360,000	600,000	1,499,000	2,699,000
TOTAL		633	12,143,000	2,348,000	3,632,000	3,224,000	1,440,000	1,499,000	12,143,000

REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	633	2,348,000	\$ 29.85	\$ 18,895.05
NEXT		3,632,000	4.75	17,252.00
NEXT		3,224,000	4.37	14,088.88
NEXT		1,440,000	4.00	5,760.00
OVER		1,499,000	3.60	5,396.40
TOTAL	633	12,143,000		\$ 61,392.33

Cannonsburg Water District  
 Billings for: January to December 2002  
 2" and 3" Meter Commercial Customers

	USAGE	BILLS	GALLONS	FIRST	NEXT	30,000	NEXT	50,000	OVER	100,000	TOTAL
FIRST	20,000	184	1,091,000	20,000	1,091,000						1,091,000
NEXT	30,000	79	2,459,000	1,580,000	879,000						2,459,000
NEXT	50,000	55	3,867,000	1,100,000	1,650,000	1,117,000					3,867,000
OVER	100,000	114	30,477,000	2,280,000	3,420,000	5,700,000	19,077,000				30,477,000
TOTAL		432	37,894,000	6,051,000	5,949,000	6,817,000	19,077,000				37,894,000

REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	432	6,051,000	\$ 101.10	\$ 43,675.20
NEXT		5,949,000	4.37	25,997.13
NEXT		6,817,000	4.00	27,268.00
OVER		19,077,000	3.60	68,677.20
TOTAL	432	37,894,000		\$ 165,617.53

Cannonsburg Water District  
 Billings for: January to December 2002  
 6 Inch Connections

	USAGE	BILLS	GALLONS	FIRST	NEXT	OVER	TOTAL
FIRST	50,000	0	0	50,000	50,000	100,000	0
NEXT	50,000	0	0	0	0	0	0
OVER	100,000	12	2,330,000	600,000	600,000	1,130,000	2,330,000
TOTAL		12	2,330,000	600,000	600,000	1,130,000	2,330,000

REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	50,000	12	\$ 232.20	\$ 2,786.40
NEXT	50,000	600,000	4.00	2,400.00
OVER	100,000	1,130,000	3.60	4,068.00
TOTAL	12	2,330,000		\$ 9,254.40

Cannonsburg Water District  
 Adjusted Sales for: January to December 2002  
 12 Inch Connections

CLASS: USAGE	BILLS	GALLONS	FIRST 100,000	OVER 100,000	TOTAL
FIRST 100,000	19	410,000	410,000		410,000
OVER 100,000	5	720,000	500,000	220,000	720,000
TOTAL	24	1,130,000	910,000	220,000	1130000

REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST 100,000	24	910,000	\$ 432.20	\$ 10,372.80
OVER 100,000		220,000	3.60	792.00
TOTAL	24	1,130,000		\$ 11,164.80

Cannonsburg Water District  
 Billings for: January to December 2002  
 Rate H Greenup Residential Customers

	USAGE	BILLS	GALLONS	2,000	3,000	15,000	30,000	50,000	100,000	TOTAL
FIRST	2,000	187	243,000	2,000	3,000	15,000	30,000	50,000	100,000	243,000
NEXT	3,000	329	1,303,000	658,000	645,000	3,000	15,000	30,000	50,000	1,303,000
NEXT	15,000	178	1,384,000	356,000	534,000	494,000	15,000	30,000	50,000	1,384,000
NEXT	30,000	4	124,000	8,000	12,000	60,000	44,000	30,000	50,000	124,000
NEXT	50,000	0	0	0	0	0	0	0	0	0
NEXT	100,000	0	0	0	0	0	0	0	0	0
TOTAL		698	3,054,000	1,265,000	1,191,000	554,000	44,000	0	0	3,054,000

REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	698	1,265,000	\$ 14.46	\$ 10,093.08
NEXT		1,191,000	5.13	6,109.83
NEXT		554,000	4.75	2,631.50
NEXT		44,000	4.37	192.28
NEXT		0	4.00	-
OVER		0	3.60	-
TOTAL	698	3,054,000		\$ 19,026.69



The comparison of the present and proposed tariff revisions of the Cannonsburg Water District is as follows:

**RATE SCHEDULE COMPARISON**

		<b><u>EXISTING RATES</u></b>		<b><u>PROPOSED RATES</u></b>	
<b>5/8" x 3/4" Meter</b>					
First	2,000 gallons	\$ 14.31	Minimum bill	\$ 14.46	Minimum bill
Next	3,000 gallons	3.63	per 1,000 gallons	5.13	per 1,000 gallons
Next	15,000 gallons	3.05	per 1,000 gallons	4.75	per 1,000 gallons
Next	30,000 gallons	2.69	per 1,000 gallons	4.37	per 1,000 gallons
Next	50,000 gallons	2.54	per 1,000 gallons	4.00	per 1,000 gallons
Over	100,000 gallons	2.40	per 1,000 gallons	3.60	per 1,000 gallons
<b>1 1/2" Meter</b>					
First	5,000 gallons	\$ 25.20	Minimum bill	\$ 29.85	Minimum bill
Next	15,000 gallons	3.05	per 1,000 gallons	4.75	per 1,000 gallons
Next	30,000 gallons	2.69	per 1,000 gallons	4.37	per 1,000 gallons
Next	50,000 gallons	2.54	per 1,000 gallons	4.00	per 1,000 gallons
Over	100,000 gallons	2.40	per 1,000 gallons	3.60	per 1,000 gallons
<b>2" and 3" Meters</b>					
First	20,000 gallons	\$ 70.99	Minimum bill	\$ 101.10	Minimum bill
Next	30,000 gallons	2.69	per 1,000 gallons	4.37	per 1,000 gallons
Next	50,000 gallons	2.54	per 1,000 gallons	4.00	per 1,000 gallons
Over	100,000 gallons	2.40	per 1,000 gallons	3.60	per 1,000 gallon
<b>6" Meter</b>					
First	50,000 gallons	\$ 151.66	Minimum bill	\$ 232.20	Minimum bill
Next	50,000 gallons	2.54	per 1,000 gallons	4.00	per 1,000 gallons
Over	100,000 gallons	2.40	per 1,000 gallons	3.60	per 1,000 gallon
<b>6" Meter</b>					
First	100,000 gallons	\$ 278.84	Minimum bill	\$ 432.20	Minimum bill
Over	100,000 gallons	2.40	per 1,000 gallons	3.60	per 1,000 gallons

**EXHIBIT 6**

**IMPACT ON AVERAGE BILL  
BY CUSTOMER CLASSIFICATION**

## IMPACT ON AVERAGE CUSTOMER BILL

	<u>Existing</u>	<u>Proposed</u>	<u>Percentage Increase</u>
<b>5/8 Inch Residential/Commercial:</b>			
5,000 Gallons Avg. Usage	\$ 25.20	\$ 29.85	18.5%
<b>1 and 1 ½ Inch:</b>			
20,000 Gallons Avg. Usage	\$ 70.95	\$ 101.10	42.5%
<b>2 Inch and 3 Inch:</b>			
90,000 Gallons Avg. Usage	\$ 253.25	\$ 392.20	54.9%
<b>6 Inch:</b>			
Rates per 1,000 Gallons	\$ 2.60	\$ 3.97	52.7%
<b>12 Inch:</b>			
Rates per 1,000 Gallons	\$ 2.48	\$ 3.73	50.4%

The rates contained in this notice are the rates proposed by the Cannonsburg 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 1606 Cannonsburg Road, Ashland, KY 41102. Upon request from an intervenor, the District shall furnish to the intervenor a copy of the application and supporting documents.

Cannonsburg Water District

**EXHIBIT 7**

**REVENUE REQUIREMENT  
DETERMINATION**

**Exhibit No: 7 Cannonsburg Water District  
 Utility: Minimum and Maximum Revenue  
 Workpaper: Requirement Determinations**

	Revenue Requirement Range
3-Year Average Debt Service	\$ 83,783
Multiplied by: Debt Service Coverage	1.2
Income From Operations	\$ 100,540
Add: Operating Expenses	1,121,512
Depreciation	0
Amortization	0
Taxes Other Than Income	30,735
<b>Total Revenue Requirement</b>	<b>\$ 1,252,787</b>
Less: Other Income & Deductions	35,175
<b>Revenue Requirement from Operations</b>	<b>\$ 1,217,612</b>
Less: Other Operating Revenues	23,369
Fire Protection Revenue	8,160
<b>Revenue Requirement from Water Sales</b>	<b>\$ 1,186,083</b>
Less: Pro Forma Revenue - Water Sales	1,085,235
<b>Requested/Recommended Increase</b>	<b>\$ 100,848</b>
	<b>\$ 270,389</b>

Exhibit No: 7  
 Utility: Cannonsburg Water District  
 Title: Determination of 3-Year Average Debt Service

	2004	2005	2006	3-Year Average
1989 Bond Issue	\$ 35,178	\$ 38,740	\$ 37,015	\$ 36,978
1990 bond issue	20,800	20,200	21,600	20,867
1991 Bond issue	25,351	24,978	27,484	25,938
<b>Totals</b>	<b>\$ 81,329</b>	<b>\$ 83,918</b>	<b>\$ 86,099</b>	<b>\$ 83,783</b>

Exhibit No: B 7  
 Utility: Cannonsburg Water District  
 Title: Determination of Long-Term Debt Amortization Schedules

**EDA Bonds**

Maturity Date	Principal	Interest		Outstanding Balance
		Rate	Expense	
Balance Outstanding				\$ 202,000
01/01/04	\$ 25,000	5.750%	\$ 11,615	\$ 36,615
01/01/05	25,000	5.750%	10,178	35,178
01/01/06	30,000	5.750%	8,740	38,740
01/01/07	30,000	5.750%	7,015	37,015
01/01/08	30,000	5.750%	5,290	35,290
01/01/09	30,000	5.750%	3,565	33,565
01/01/12	32,000	5.750%	1,840	33,840
Totals	\$ 202,000		\$ 48,243	\$ 250,243
3-Year Avg.'s (2004 thru 2006)	\$ 28,333		\$ 8,644	\$ 36,978

**FmHA Bonds**

Maturity Date	Principal	Interest		Outstanding Balance
		Rate	Expense	
Balance Outstanding				\$ 187,000
01/01/04	\$ 11,000	5.000%	\$ 9,350	\$ 20,350
01/01/05	12,000	5.000%	8,800	20,800
01/01/06	12,000	5.000%	8,200	20,200
01/01/07	14,000	5.000%	7,600	21,600
01/01/08	14,000	5.000%	6,900	20,900
01/01/09	14,000	5.000%	6,200	20,200
01/01/10	15,000	5.000%	5,500	20,500
01/01/11	20,000	5.000%	4,750	24,750
01/01/12	25,000	5.000%	3,750	28,750
01/01/13	25,000	5.000%	2,500	27,500
01/01/14	25,000	5.000%	1,250	26,250
Totals	\$ 187,000		\$ 64,800	\$ 251,800
3-Year Avg.'s (2004 thru 2006)	\$ 12,667		\$ 8,200	\$ 20,867

Exhibit No: B  
 Utility: Cannonsburg V Cannonsburg Water District  
 Title: Determination of Long-Term Debt Amortization Schedules

KRWA Bonds

Maturity Date	Principal	Interest		Debt Service Annual	Outstanding Balance
		Rate	Expense		
Balance Outstanding					\$ 402,000
01/01/04	\$ 8,000	4.150%	\$ 16,683	\$ 24,683	\$ 394,000
01/01/05	9,000	4.150%	16,351	25,351	385,000
01/01/06	9,000	4.150%	15,978	24,978	376,000
01/01/07	10,000	4.650%	17,484	27,484	366,000
01/01/08	10,000	4.650%	17,019	27,019	356,000
01/01/09	10,000	4.650%	16,554	26,554	346,000
01/01/10	10,000	5.150%	17,819	27,819	336,000
01/01/11	12,000	5.150%	17,304	29,304	324,000
01/01/12	12,000	5.150%	16,686	28,686	312,000
01/01/13	13,000	5.150%	16,068	29,068	299,000
01/01/14	14,000	5.525%	16,520	30,520	285,000
01/01/15	14,000	5.525%	15,746	29,746	271,000
01/01/16	15,000	5.525%	14,973	29,973	256,000
01/01/17	16,000	5.525%	14,144	30,144	240,000
01/01/18	17,000	5.525%	13,260	30,260	223,000
01/01/19	17,000	5.525%	12,321	29,321	206,000
01/01/20	19,000	5.525%	11,382	30,382	187,000
01/01/21	23,000	5.150%	9,631	32,631	164,000
01/01/22	40,000	5.150%	8,446	48,446	124,000
01/01/23	42,000	5.150%	6,386	48,386	82,000
01/01/24	45,000	5.150%	4,223	49,223	37,000
01/01/25	37,000	5.150%	1,906	38,906	-
Totals	\$ 402,000		\$ 296,884	\$ 698,884	
3-Year Avg.'s (2004 thru 2006)	\$ 9,333		\$ 16,604	\$ 25,938	25,937



**EXHIBIT 8**  
**CURRENT CHART OF ACCOUNTS**

**CANNONSBURG WATER DISTRICT  
1606 CANNONSBURG ROAD  
ASHLAND, KY 41102  
606-928-9808  
FAX # 606-928-4788**

**CHART OF ACCOUNTS**

108	ACCUMULATED AMORTIZATION & DES	236	TAXES ACCURED SALES TAX
131	CASH OPERATION & MAINTENANCE	236-1	UTILITY TAX – SCHOOL TAX
131-1	CASH WATER REVENUE	240	TAX COLLECTION SOCIAL SECURITY
131-10	OPER & MAIN TOWN SQUARE	241	TAX COLLECITION MEDICARE W/H
131-11	WATER REV TOWN SQUARE	241-1	TAX COLLECTION FEDERAL W/H
131-12	BOND & INTEREST TOWN SQUARE	241-2	TAX COLLECITON STATE W/H
131-13	NEW CUS TOWN SQUARE	241-3	COUNTY PAYROLL TAX 1%
131-14	KIA FUND	244	ACCRUED SICK LEAVE
131-2	CASH BOND & INTEREST SINKING	250	EMPLOYEE GARNISHMENT
131-6	CASH NEW CUSTOMERS DEPOSITS	253	GENERAL FUND
131-7	FIFTH THIRD RESERVE ACCOUNT	263	ACCUM PROV PENSION EMPLOYER
131-8	FIFTH THIRD CONSTRUCTION FUND	263-1	ACCUM PROV PENSION EMPLOYEE
131-9	CASH PETTY CASH	263-2	SAVINGS ACCT
132	US POST OFFICE	263-3	UNEMPLOYMENT INS
135-1	CD CERT #1459 TOWN SQUARE	264	ACCRUED EXPENSES
135-2	CD CERT # 2138 TOWN SQUARE	270	CONTRI LINE EXTENTION NAPLES
135-3	CD CERT # 2139 TOWN SQUARE	270-1	SEWER TAP FEES
140	SEWER CUSTOMER RECEIVABLE	271	WATER TAP FEES
141	WATER CUST ACCTS RECEIVABLE	271-1	FEDERAL GRANTS IN AID OF CONST
142	LINE EXTENSION REC	271-2	CONTRIBUTION IN AID OF CONST
142-1	OTHER ACCTS REC MISC	303	LAND & LAND RIGHTS
143	ACCUMULATED PROVISIONS OF UNCO	305	LEASEHOLD IMPROVEMENT
151	PLANT MATERIAL & SUPPLIES	311	PUMPING EQUIPMENT
162	PRE PAYMENTS	330	DIST RESERVOIERS & STANDPIPE
165	DEFERRED COMP	331	TRANSMISSION & DISTR. MAIN
215	UNAPPROPRIATED RETAINED EARN	334	METERS & METER INSTALLATION
220	LINE EXTENSION	335	HYDRANTS
221	BOND FHA 9102	338-1	COMPUTER HARDWARE
221-2	BONDS EDA	338-2	COMPUTER PRINTERS
222	BONDS FHA 91-03	338-3	COMPUTER SOFTWARE
222-1	KY RWFC VARIABLE BOND	340	OFFICE FURNITURE & EQUIP
223	CURRENT PORTION OF DEBT	341	TRANSPORTATION EQUIPMENT
224	CURRENT PORTION OF L/T DEBT	343	TOOLS, SHOP & GARAGE EQUIP
225	N/P BANK OF ASHLAND	347	MISCELLANEOUS EQUIPMENT
225-1	CURRENT PORTION OF LTD	349	CONSTRUCTION IN PROGRESS
225-2	LINE OF CREDIT – TOWN SQUARE	403	DEPRECIATION EXPENSE
226	CAPTIAL LEASE OBLIGATION	408	TAXES OTHER THAN INCOME
231	ACCOUNTS PAYABLE	408-10	ASSESSMENT
232	ACCOUNTS PAYABLE – SEWER	408-12	EMPLOYER TX FICA, FEDERAL
232-1	SEWER LATE CHARGES	408-13	COUNTY PAYROLL TAX
233	ADJUSTMENTS ACCOUNTS PAYABLE	419	INTERST & DIVIDEND INCOME
235	WATER CUSTOMER DEPOSITS	420	RETIREMENT PLAN EXPENSES
235-1	CUSTOMER DEPOSITS INTEREST	427-3	INTEREST ON LONG TERM DEBT
235-2	SEWER CUSTOMER DEPOSITS	435	BALANCE TRANS FROM INCOME
		450	SEWER
		461-1	METERED SALES TO RESIDENTIAL
		461-2	METERED SALES TO COMMERICAL
		461-3	METERED SALES TO INDUSTRIAL
		461-4	SCHOOLS, CHURCH, OTHERS
		461-5	BULK WATER SALES
		461-6	FIRE SPRINKLER
		465	ADJUSTMENTS WATER
		466	ADJUSTMENTS SEWER
		470	WATER PENALTIES
		471	MISCELLANEOUS SERVICE REVENUE
		471-1	BOYD CO SEWER REVENUE

471-2	CONNECT TURN ON FEE	676-6	MISC OPERATING EXPENSES
471-3	INVESTIGATION CHARGE	676-7	BACKHOE FUEL
471-5	BOYD CO FISCAL CT PAYROLL TAX	676-8	BACKHOE PARTS, REPAIR, LABOR
472	GRANT REVENUE	677-1	PERMIT COST
603	ADMINISTRATIVE SALARIES	677-2	POSTAGE BILLING
610	PURCHASED WATER	677-3	CASS CERT
610-1	ASHLAND PURCHASED WATER	677-4	BILLING CARDS
610-2	BIG SANDY PURCHASED WATER	677-5	MISC SUPPLIES
615	PURCHASED POWER ELECTRIC	678	WATER TESTING
615-1	ELECTRIC OPERATION	680	WATER STORAGE TANK REPAIR
615-2	PURCHASED POWER OFFICE & SHOP	685	WATER PUMPING REPAIR
616	TELEPHONE	700	LOSS ABANDONMENT
616-1	TELEPHONE OFFICE & SHOP	710	BAD DEBT WATER
616-2	CELL PHONES	711	DEPRECIATION EXPENSE
616-3	PAGERS & RADIO & MONITORING	712	221 BONDS FHA 9102
617	GAS	713	221-2 BONDS EDA
617-1	OPERATION	714	222-1 KY FWFC VARIABLE BOND
617-2	GAS OFFICE & SHOP		
621	OFFICE WAGES		
625-1	ADMINISTRATIVE – TRAINING		
625-2	OFFICE TRAINING		
625-3	DISTRIBUTION TRAINING		
631	CONTRACTURAL SER ENGINEERING		
632	CONTRACTURAL SER ACCOUNTING		
633	CONTRACTURAL SER LEGAL		
634	CONTRACTURAL SER MANAGEMENT FEE		
635	CONTRACTURAL SER OTHER		
640	OPERATIONAL LABOR SALARY		
640-1	METER READER SALARY		
641	RENTAL EQUIPEMENT		
650	TRANSPORTATION EXPENSE		
650-1	AUTO FUEL EXPENSE		
650-2	AUTO PARTS, LABOR REPAIR		
656	INSURANCE VECHILE		
657	INSURANCE GENERAL LIABILITY		
658	INSURANCE WORKERS COMP		
659	INSURANCE HEALTH		
659-1	DENTAL INS		
659-2	DISABILITY INSURANCE		
659-3	HEALTH INSURANCE CHA		
660	ADVERTISING EXPENSE		
674	BOND ISSUANCE COSTS		
675	MISCELLANEOUS EXPENSE		
675-1	BILLING EXPENSES		
675-2	MISC OFFICE SUPPLIES		
675-3	MISC SHOP SUPPLIES		
675-4	MISC POSTAGE OFFICE		
675-5	MISCELLANEOUS – GENERAL		
675-6	MISC SER CHARGE KY RWFC		
676	OPERATING EXPENSE		
676-1	METERS, SETTERS, BOXES, LIDS		
676-2	PIPE		
676-3	SAND, GRAVEL, TOPSOIL STRAW		
676-4	FITTINGS		
676-5	PAVING		

**EXHIBIT 9**

**ANALYSIS OF  
DEPRECIATION**

Asset *	Property Description	Date In Service	Book Cost	Book Sec 179 Exp c	Book Sal Value	Book Prior Deprec	Book Current Depreciation	Book End Depreciation	Book Net Book Value	Book Method	Book Period
238	LAND & LAND RIGHTS	1/01/64	20,810.30	0.00	0.00	0.00	0.00	0.00	20,810.30	Land	0.0
Group: LAND & LAND RIGHTS			No Group	0.00c	0.00	0.00	0.00	0.00	20,810.30		

Group: BLDG AND IMPROVEMENTS											
Asset *	Property Description	Date In Service	Book Cost	Book Sec 179 Exp c	Book Sal Value	Book Prior Deprec	Book Current Depreciation	Book End Depreciation	Book Net Book Value	Book Method	Book Period
124	OFFICE BUILDING	1/01/77	44,771.91	0.00	0.00	43,875.68	896.23	44,771.91	0.00	S/L	25.0
125	NEW FURNACE	1/01/77	871.12	0.00	0.00	871.12	0.00	871.12	0.00	S/L	10.0
126	STORAGE BLDG	1/01/81	8,651.35	0.00	0.00	8,651.35	0.00	8,651.35	0.00	S/L	10.0
128	IMPROVEMENTS OFFICE	6/30/82	275.00	0.00	0.00	268.13	6.87	275.00	0.00	S/L	20.0
129	ROOF-PUMPHOUSE	6/03/88	1,340.00	0.00	0.00	455.04	33.50	488.54	0.00	S/L	20.0
130	ROOF-OFFICE	5/02/88	650.00	0.00	0.00	222.08	16.25	238.33	0.00	S/L	40.0
131	LADDER (TANK)	5/20/93	2,683.50	0.00	0.00	2,303.17	268.33	2,571.50	111.80	S/L	40.0
132	BUILDING ADDITION	12/15/00	32,827.63	0.00	0.00	1,185.44	1,094.25	2,279.69	30,547.94	S/L	10.0
133	CARPETING	12/13/00	875.25	0.00	0.00	94.82	87.53	182.35	692.90	S/L	30.0
134	FENCING AT OFFICE	7/11/00	960.00	0.00	0.00	72.00	48.00	120.00	840.00	S/L	10.0
225	GUTTERING	3/22/01	434.18	0.00	0.00	32.56	43.42	75.98	358.20	S/L	20.0
BLDG AND IMPROVEMENTS			94,339.74	0.00c	0.00	58,031.39	2,494.38	60,525.77	33,813.97		10.0

Group: COMPUTER SOFTWARE											
Asset *	Property Description	Date In Service	Book Cost	Book Sec 179 Exp c	Book Sal Value	Book Prior Deprec	Book Current Depreciation	Book End Depreciation	Book Net Book Value	Book Method	Book Period
262	Invensys Software Upgrade- 2 400	2/19/02	7,224.75	0.00c	0.00	0.00	1,204.13	1,204.13	6,020.62	S/L	5.0
COMPUTER SOFTWARE			7,224.75	0.00c	0.00	0.00	1,204.13	1,204.13	6,020.62		

Group: ELECTRIC PUMP EQP.											
Asset *	Property Description	Date In Service	Book Cost	Book Sec 179 Exp c	Book Sal Value	Book Prior Deprec	Book Current Depreciation	Book End Depreciation	Book Net Book Value	Book Method	Book Period
4	P.S.-ROCKDALE	12/31/71	21,000.00	0.00	0.00	12,600.00	420.00	13,020.00	7,980.00	S/L	50.0
5	P. S. - GRAYDON HGTS	1/01/74	12,667.78	0.00	0.00	6,967.39	253.36	7,220.75	5,447.03	S/L	50.0
6	P. S. - MARSH RUN	1/01/74	16,642.98	0.00	0.00	9,153.64	332.86	9,486.50	7,156.48	S/L	50.0
7	PUMP STATION ADDITIONS	1/01/74	790.00	0.00	0.00	434.50	15.80	450.30	339.70	S/L	50.0
8	TELEMETER EQUIPMENT	1/01/81	4,535.00	0.00	0.00	4,535.00	0.00	4,535.00	0.00	S/L	10.0
9	I VERTICAL PUMP-ROCKDALE	8/12/85	11,827.00	0.00	0.00	11,827.00	0.00	11,827.00	0.00	S/L	15.0
10	PUMPS-TARPIN RIDGE	12/20/90	16,009.24	0.00	0.00	11,740.08	1,067.28	12,807.36	3,201.88	S/L	15.0
11	TELEMETER EQUIPMENT	5/10/90	5,222.48	0.00	0.00	5,222.48	0.00	5,222.48	0.00	S/L	10.0
12	PUMPING EQUIPMENT-RT 5	11/01/90	38,625.35	0.00	0.00	28,754.39	2,575.02	31,329.41	7,295.94	S/L	15.0
13	PUMPING EQUIPMENT-BRIAR	7/01/91	38,639.59	0.00	0.00	27,047.69	2,575.97	29,623.66	9,015.93	S/L	15.0
14	REBEL RD PUMP	8/21/99	36,306.62	0.00	0.00	6,051.10	2,420.44	8,471.54	27,835.08	S/L	15.0
218	Chlorine detector	11/05/01	500.00	0.00	0.00	16.67	97.14	116.67	383.33	S/L	5.0
239	Pump	8/31/01	1,457.10	0.00	0.00	48.57	97.14	145.71	1,311.39	S/L	15.0
242	Brookfield pump station	7/01/02	35,122.56	0.00c	0.00	0.00	1,170.75	1,170.75	33,951.81	S/L	15.0
261	Telemetry System	9/15/02	91,921.04	0.00c	0.00	0.00	6,128.07	6,128.07	85,792.97	S/L	5.0
ELECTRIC PUMP EQP.			331,266.74	0.00c	0.00	124,398.51	17,156.69	141,555.20	189,711.54		

Group: HYDRANTS											
Asset *	Property Description	Date In Service	Book Cost	Book Sec 179 Exp c	Book Sal Value	Book Prior Deprec	Book Current Depreciation	Book End Depreciation	Book Net Book Value	Book Method	Book Period
113	HYDRANTS-33	12/31/85	38,319.70	0.00	0.00	34,661.86	1,161.20	35,823.06	2,496.64	S/L	33.0
114	HYDRANTS-2 (FHIA)	1/01/74	1,170.00	0.00	0.00	970.50	35.45	1,005.95	164.05	S/L	33.0

Asset *	Property Description	Date In Service	Book Cost	Book Sec 179 Exp	Book Sal Value	Book Prior Deprec	Book Current Depreciation	Book End Depreciation	Book Net Book Value	Book Method	Book Period
<b>Group: HYDRANTS (continued)</b>											
117	HYDRANTS - RT 5 EXTENSION	11/01/90	21,216.35	0.00	0.00	7,179.27	642.92	7,822.19	13,394.16	S/L	33.0
118	HYDRANTS - ABRYS	6/01/91	600.00	0.00	0.00	192.41	18.18	210.59	389.41	S/L	33.0
119	HYDRANTS - PONDEROSA ELE	4/30/91	1,251.66	0.00	0.00	404.59	37.93	442.52	809.14	S/L	33.0
120	HYDRANTS - 1995	3/01/95	610.00	0.00	0.00	126.28	18.48	144.76	465.24	S/L	33.0
121	HYDRANTS-6	12/31/00	6,627.00	0.00	0.00	200.82	200.82	401.64	6,225.36	S/L	33.0
122	HYDRANTS-CANNONSBURG R	9/15/00	1,330.00	0.00	0.00	53.73	40.30	94.03	1,235.97	S/L	33.0
123	HYDRANTS-SHOPE'S CREEK R	4/20/00	2,431.34	0.00	0.00	122.80	73.68	196.48	2,234.86	S/L	33.0
<b>HYDRANTS</b>			<b>73,556.05</b>	<b>0.00c</b>	<b>0.00</b>	<b>43,912.26</b>	<b>2,228.96</b>	<b>46,141.22</b>	<b>27,414.83</b>		
<b>Group: LAND IMPROVEMENTS</b>											
1	BLACKTOP	11/22/95	4,972.50	0.00	0.00	1,512.50	248.63	1,761.13	3,211.37	S/L	20.0
2	BLACKTOP	7/21/98	4,150.00	0.00	0.00	708.96	207.50	916.46	3,233.54	S/L	20.0
3	BLACKTOP	6/02/00	2,200.00	0.00	0.00	174.17	110.00	284.17	1,915.83	S/L	20.0
<b>LAND IMPROVEMENTS</b>			<b>11,322.50</b>	<b>0.00c</b>	<b>0.00</b>	<b>2,395.63</b>	<b>566.13</b>	<b>2,961.76</b>	<b>8,360.74</b>		
<b>Group: METERS</b>											
80	METERS-RT 5 EXTENSION	11/01/90	68,846.28	0.00	0.00	47,832.90	4,589.75	52,422.65	16,423.63	S/L	15.0
81	1991 METERS	7/01/91	4,070.69	0.00	0.00	2,849.49	271.38	3,120.87	949.82	S/L	15.0
82	1992 METERS	7/01/92	2,407.92	0.00	0.00	1,525.03	160.53	1,685.56	722.36	S/L	15.0
83	1993 METERS	6/30/93	1,789.12	0.00	0.00	1,013.80	119.27	1,133.07	656.05	S/L	15.0
84	1993 METERS	1/01/94	2,760.00	0.00	0.00	1,380.00	184.00	1,564.00	1,196.00	S/L	15.0
85	1994 METERS	6/30/94	1,746.80	0.00	0.00	873.38	116.45	989.83	756.97	S/L	15.0
86	1994 METERS/REGISTERS	6/30/94	1,689.42	0.00	0.00	844.72	112.63	957.35	732.07	S/L	15.0
87	1995 REBUILT METERS	7/01/95	18,744.00	0.00	0.00	8,122.40	1,249.60	9,372.00	9,372.00	S/L	15.0
88	1995 METERS	6/30/95	2,537.00	0.00	0.00	1,099.35	169.13	1,268.48	1,268.52	S/L	15.0
89	1996 REBUILT METERS	6/30/96	74,514.00	0.00	0.00	27,321.80	4,967.60	32,289.40	42,224.60	S/L	15.0
90	1" METERS - 2	6/30/96	293.10	0.00	0.00	107.47	19.54	127.01	166.09	S/L	15.0
91	1&1/2" METER	6/30/96	291.00	0.00	0.00	106.70	19.40	126.10	164.90	S/L	15.0
92	5/8" METERS - 1997	6/30/97	40,326.00	0.00	0.00	12,097.80	2,688.40	14,786.20	25,539.80	S/L	15.0
93	1" METERS - 1997	6/30/97	3,840.69	0.00	0.00	1,152.22	256.07	1,408.27	2,432.42	S/L	15.0
94	1-1/2" METERS - 1997	6/30/97	794.52	0.00	0.00	238.36	52.97	291.33	503.19	S/L	15.0
95	2" METER - 1997	6/30/97	1,460.00	0.00	0.00	437.99	97.33	535.32	924.68	S/L	15.0
96	3" METER - 1997	6/30/97	373.64	0.00	0.00	112.09	24.91	137.00	236.64	S/L	15.0
97	REPAIRED METERS - 1997	6/30/97	16,099.20	0.00	0.00	4,829.76	1,073.28	5,903.04	10,196.16	S/L	15.0
98	METER UPGRADES - 1997	12/31/97	127.20	0.00	0.00	33.92	8.48	42.40	84.80	S/L	15.0
99	168 METER UPGRADES - 1997	12/31/97	13,764.00	0.00	0.00	3,670.40	917.60	4,588.00	9,176.00	S/L	15.0
100	REPAIRED METERS	6/30/98	2,640.00	0.00	0.00	616.00	176.00	792.00	1,848.00	S/L	15.0
101	5/8" METER	6/30/98	10,775.00	0.00	0.00	2,514.16	718.33	3,232.49	7,542.51	S/L	15.0
102	1" METER	6/30/99	26,003.03	0.00	0.00	6,500.75	2,600.30	9,101.05	16,901.98	S/L	10.0
103	1" METER	6/30/99	4,773.34	0.00	0.00	1,193.33	477.33	1,670.66	3,102.68	S/L	10.0
104	1/2" METER	6/30/99	422.70	0.00	0.00	105.68	42.27	147.95	274.75	S/L	10.0
105	METER @ BOYD CO HS	6/30/99	5,522.48	0.00	0.00	1,380.62	552.25	1,932.87	3,589.61	S/L	10.0
106	3" METER	6/30/99	494.82	0.00	0.00	123.70	49.48	173.18	321.64	S/L	10.0
107	5/8" METER	2/24/00	7,344.00	0.00	0.00	1,344.40	734.40	2,080.80	5,263.20	S/L	10.0
108	2" REBUILT METERS	10/26/00	870.00	0.00	0.00	67.67	58.00	125.67	744.33	S/L	15.0
109	1/2" METER	1/10/00	300.48	0.00	0.00	40.06	20.03	60.09	240.39	S/L	15.0

Asset *	Property Description	Date In Service	Book Cost	Book Sec 179 Exp	Book Sal Value	Book Prior Deprec	Book Current Depreciation	Book End Depreciation	Book Net Book Value	Book Method	Book Period
110	2" METER	7/19/00	239.53	0.00	0.00	22.62	15.97	38.59	200.94	S/L	15.0
111	5/8" REBUILT METERS	6/15/00	13,179.94	0.00	0.00	1,391.21	878.66	2,269.87	10,910.07	S/L	15.0
222	5/8" meters	3/27/01	12,000.00	0.00	0.00	600.00	800.00	1,400.00	10,600.00	S/L	15.0
223	2" Meters	4/06/01	532.00	0.00	0.00	26.60	35.47	62.07	469.93	S/L	15.0
224	1 1/2" METERS	8/16/01	359.30	0.00	0.00	7.98	23.95	31.93	327.37	S/L	15.0
237	5/8" REBUILT METERS	11/30/01	2,380.00	0.00	0.00	13.22	158.67	171.89	2,208.11	S/L	15.0
251	3/4" meters	8/23/02	4,050.00	0.00c	0.00	0.00	90.00	90.00	3,960.00	S/L	15.0
252	5/8" & 3/4" rebuilt meters	10/10/02	3,447.24	0.00c	0.00	0.00	57.45	57.45	3,389.79	S/L	15.0
253	2" meter	11/12/02	625.58	0.00c	0.00	0.00	6.95	6.95	618.63	S/L	15.0
263	* METERS-KT 5 EXTENSION	11/01/90	4,954.12	0.00	0.00	4,954.12	0.00	4,954.12	0.00	S/L	15.0
	METERS		357,388.14	0.00c	0.00	136,553.70	24,593.81	161,147.51	196,240.63		
	*Less: Dispositions		4,954.12	0.00	0.00	4,954.12	0.00	4,954.12	0.00		
	Net METERS		352,434.02	0.00c	0.00	131,599.58	24,593.81	156,193.39	196,240.63		
<b>Group: OFFICE FURNITURE AND FIX</b>											
135	OFFICE EQUIPMENT	12/31/71	3,938.75	0.00	0.00	3,938.75	0.00	3,938.75	0.00	S/L	10.0
136	OFFICE EQUIPMENT	12/31/71	942.32	0.00	0.00	942.32	0.00	942.32	0.00	S/L	10.0
137	FILE CABINET	12/31/71	101.38	0.00	0.00	101.38	0.00	101.38	0.00	S/L	10.0
138	TRAYS & BOOKCASE	12/31/71	75.55	0.00	0.00	75.55	0.00	75.55	0.00	S/L	10.0
139	RADIOS	7/12/78	7,920.00	0.00	0.00	7,920.00	0.00	7,920.00	0.00	S/L	10.0
140	REMINGTON SR101 TYPEWRIT	3/03/80	688.00	0.00	0.00	688.00	0.00	688.00	0.00	S/L	10.0
141	RADIO SHACK INTER-COM	3/17/80	69.95	0.00	0.00	69.95	0.00	69.95	0.00	S/L	10.0
142	2 CALCULATORS	6/30/81	251.50	0.00	0.00	251.50	0.00	251.50	0.00	S/L	5.0
143	1 CALCULATOR	6/30/82	225.85	0.00	0.00	225.85	0.00	225.85	0.00	S/L	3.0
144	TYPEWRITER-MEMORY	12/15/86	325.00	0.00	0.00	325.00	0.00	325.00	0.00	S/L	3.0
145	MICROWAVE	3/29/88	162.75	0.00	0.00	162.75	0.00	162.75	0.00	S/L	5.0
146	WYSE COMPUTER SYSTEM	2/09/89	10,815.40	0.00	0.00	10,815.40	0.00	10,815.40	0.00	S/L	7.0
147	PRINTER STAND	1/13/89	119.95	0.00	0.00	119.95	0.00	119.95	0.00	S/L	5.0
148	WORKSTATION	1/26/89	254.00	0.00	0.00	254.00	0.00	254.00	0.00	S/L	5.0
149	OFFICE CHAIR	2/20/90	69.98	0.00	0.00	69.98	0.00	69.98	0.00	S/L	5.0
150	DESK	8/02/90	121.42	0.00	0.00	121.42	0.00	121.42	0.00	S/L	5.0
151	COMPUTER SOFTWARE	8/07/90	1,275.00	0.00	0.00	1,275.00	0.00	1,275.00	0.00	S/L	5.0
152	* PHONES	12/26/90	399.80	0.00	0.00	399.80	0.00	399.80	0.00	S/L	5.0
154	CARPET - OFFICE	10/17/91	786.00	0.00	0.00	786.00	0.00	786.00	0.00	S/L	5.0
155	SAFETY DEPOSIT BOX	5/20/93	583.19	0.00	0.00	583.19	0.00	583.19	0.00	S/L	5.0
156	COUNTER TOP	9/09/93	1,655.00	0.00	0.00	1,655.00	0.00	1,655.00	0.00	S/L	5.0
157	PAYROLL SOFTWARE	7/12/94	1,885.00	0.00	0.00	1,885.00	0.00	1,885.00	0.00	S/L	5.0
158	HARD DRIVE AND INSTALLAT	10/20/94	895.00	0.00	0.00	895.00	0.00	895.00	0.00	S/L	5.0
159	3001 INTEROGATOR METER	7/10/97	10,000.00	0.00	0.00	9,000.00	0.00	1,000.00	10,000.00	S/L	5.0
160	3002 INTEROGATOR METER	3/19/97	2,500.00	0.00	0.00	2,375.00	0.00	125.00	2,500.00	S/L	5.0
161	METER READER CHARGING S	8/05/97	1,300.00	0.00	0.00	1,148.33	0.00	151.67	1,300.00	S/L	5.0
162	AUTO READ SOFTWARE	9/26/97	4,700.00	0.00	0.00	3,995.00	0.00	705.00	4,700.00	S/L	5.0
163	MS OFFICE SOFTWARE	12/13/99	499.99	0.00	0.00	208.33	0.00	302.60	191.66	S/L	5.0
164	REFRIGERATOR	7/28/00	1,513.00	0.00	0.00	428.68	0.00	302.60	781.72	S/L	5.0
165	COMPUTER SOFTWARE	10/31/00	3,070.00	0.00	0.00	716.33	0.00	614.00	1,739.67	S/L	5.0
166	IBM LAPTOP	9/11/00	2,673.02	0.00	0.00	712.80	0.00	534.60	1,425.62	S/L	5.0
167	DESKS, CHAIRS, TABLES	12/31/00	1,899.00	0.00	0.00	379.80	0.00	379.80	1,139.40	S/L	5.0

Asset *	Property Description	Date In Service	Book Cost	Book Sec 179 Exp	c	Book Sal Value	Book Prior Deprec	Book Current Depreciation	Book End Depreciation	Book Net Book Value	Book Method	Book Period
168	DESKS, CHAIRS, TABLES	12/31/00	1,773.00	0.00		0.00	354.60	354.60	709.20	1,063.80	S/L	5.0
169	* TOSHIBA 2570 COPIER	11/01/00	4,057.00	0.00		0.00	946.63	338.08	1,284.71	2,772.29	S/L	5.0
170	Cash drawer, cd rom and printer	6/15/00	3,360.00	0.00		0.00	1,064.00	672.00	1,736.00	1,624.00	S/L	5.0
226	Compaq computer monitor	9/13/01	549.99	0.00		0.00	61.11	183.33	244.44	305.55	S/L	5.0
227	5 Drawer filing cabinet	10/04/01	499.99	0.00		0.00	12.50	50.00	62.50	437.49	S/L	3.0
228	Software Upgrade-Invenys	12/06/01	9,469.75	0.00		0.00	263.05	3,156.58	3,419.63	6,050.12	S/L	3.0
229	IBM Monitor & Tower	2/02/01	1,327.50	0.00		0.00	405.62	442.50	848.12	479.38	S/L	3.0
230	Epson 8500 Printer	2/22/01	1,995.00	0.00		0.00	332.50	399.00	731.50	1,263.50	S/L	3.0
231	Computer Resources	6/01/01	1,050.00	0.00		0.00	204.17	350.00	554.17	495.83	S/L	5.0
232	ACER PC	5/15/01	995.00	0.00		0.00	221.11	331.67	552.78	442.22	S/L	3.0
233	17" MONITOR	5/15/01	195.00	0.00		0.00	43.33	65.00	108.33	86.67	S/L	3.0
234	17" MONITOR	5/15/01	195.00	0.00		0.00	43.33	65.00	108.33	86.67	S/L	3.0
235	3 COPIES OF MULTIVIEW SOFT	5/15/01	1,170.00	0.00		0.00	260.00	390.00	650.00	520.00	S/L	3.0
254	Toshiba Estudio 28 Copier	6/15/02	9,791.93	0.00c		0.00	0.00	1,142.39	1,142.39	8,649.54	S/L	5.0
255	Norstar Telephone System	6/12/02	2,350.00	0.00c		0.00	0.00	274.17	274.17	2,075.83	S/L	5.0
256	Desk, Hutch, & Lateral File	6/11/02	2,000.95	0.00c		0.00	0.00	233.44	233.44	1,767.51	S/L	5.0
257	Chair	8/16/02	579.00	0.00c		0.00	0.00	38.60	38.60	540.40	S/L	5.0
258	Acer Computer & Monitor	9/06/02	1,635.00	0.00c		0.00	0.00	109.00	109.00	1,526.00	S/L	5.0
OFFICE FURNITURE AND FIX			104,709.91	0.00c		0.00	56,737.01	12,508.03	69,245.04	35,464.87		
*Less: Dispositions			4,456.80	0.00		0.00	1,346.43	0.00	1,684.51	2,772.29		
Net OFFICE FURNITURE AND FIX			100,253.11	0.00c		0.00	55,390.58	12,508.03	67,560.53	32,692.58		

Group: RES/STANDPIPE

15	350,000 GAL. TANK	12/31/71	94,145.68	0.00		0.00	56,487.30	1,882.91	58,370.21	35,775.47	S/L	50.0
16	50,000 GAL. TANK	1/01/74	46,000.00	0.00		0.00	23,300.00	920.00	26,220.00	19,780.00	S/L	50.0
17	1,000,000 GAL. TANK	10/25/83	257,358.66	0.00		0.00	93,925.85	5,147.17	99,073.02	158,285.64	S/L	50.0
18	50,000 GAL. TANK-IMP	8/15/85	8,896.46	0.00		0.00	8,896.46	0.00	8,896.46	0.00	S/L	10.0
19	350,000 GAL. TANK-IMP	9/17/85	18,148.00	0.00		0.00	18,148.00	0.00	18,148.00	0.00	S/L	10.0
20	ENGINEERING FEES-TANK IMP	5/23/85	1,200.00	0.00		0.00	1,200.00	0.00	1,200.00	0.00	S/L	10.0
21	1,000,000 GAL. TANK-ADDITIO	5/10/90	7,300.00	0.00		0.00	1,935.62	165.91	2,101.53	5,198.47	S/L	44.0
22	30,000 GAL. TANK-BRIARWOOD	7/01/91	58,985.78	0.00		0.00	14,076.19	1,340.59	15,416.78	43,569.00	S/L	44.0
23	BRIARWOOD - LEVEL INDICAT	9/11/91	1,150.00	0.00		0.00	1,150.00	0.00	1,150.00	0.00	S/L	10.0
24	141,000 GAL. TANK	7/31/95	101,528.00	0.00		0.00	13,029.43	2,030.56	15,059.99	86,468.01	S/L	50.0
RES/STANDPIPE			594,712.58	0.00c		0.00	234,148.85	11,487.14	245,635.99	349,076.59		

Group: T.S. AND G. EQUIPMENT

179	TOOLS	12/31/71	304.67	0.00		0.00	304.67	0.00	304.67	0.00	S/L	10.0
180	EQUIPMENT	1/01/72	1,431.42	0.00		0.00	1,431.42	0.00	1,431.42	0.00	S/L	10.0
181	PIPE TRAILER	1/01/75	100.00	0.00		0.00	100.00	0.00	100.00	0.00	S/L	5.0
182	TOOLS	1/01/75	80.81	0.00		0.00	80.81	0.00	80.81	0.00	S/L	10.0
183	TELEMETER	1/01/75	1,171.50	0.00		0.00	1,171.50	0.00	1,171.50	0.00	S/L	10.0
184	TOOL BOX	1/01/75	135.00	0.00		0.00	135.00	0.00	135.00	0.00	S/L	10.0
185	TOOLS	1/01/76	428.83	0.00		0.00	428.83	0.00	428.83	0.00	S/L	10.0
186	HYDRAULIC PIPE CUTTER	1/01/79	750.00	0.00		0.00	750.00	0.00	750.00	0.00	S/L	10.0
187	METER SCOPE	1/01/79	224.00	0.00		0.00	224.00	0.00	224.00	0.00	S/L	5.0



Asset *	Property Description	Date In Service	Book Cost	Book Sec 179 Exp	Book Value	Book Prior Deprec	Book Current Depreciation	Book End Depreciation	Book Net Value	Book Method	Book Period
188	METER TESTER	2/01/80	174.72	0.00	0.00	174.72	0.00	174.72	0.00	S/L	5.0
189	RADIOS	3/14/80	1,382.00	0.00	0.00	1,382.00	0.00	1,382.00	0.00	S/L	10.0
190	BAND SAW	4/09/85	250.00	0.00	0.00	250.00	0.00	250.00	0.00	S/L	3.0
191	WEEDEATER	8/30/85	261.38	0.00	0.00	261.38	0.00	261.38	0.00	S/L	3.0
192	12	12/12/85	350.00	0.00	0.00	350.00	0.00	350.00	0.00	S/L	3.0
193	TEST BENCH & ASSEMBLY	2/07/86	2,498.07	0.00	0.00	2,498.07	0.00	2,498.07	0.00	S/L	3.0
194	SHOP STOVE	10/01/87	480.48	0.00	0.00	480.48	0.00	480.48	0.00	S/L	5.0
195	WATER PUMP	12/16/87	917.00	0.00	0.00	917.00	0.00	917.00	0.00	S/L	5.0
196	FORD BACKHOE & BUCKET	3/01/87	27,833.00	0.00	0.00	27,833.00	0.00	27,833.00	0.00	S/L	5.0
197	FORD TEST BENCH	8/09/88	3,997.88	0.00	0.00	3,997.88	0.00	3,997.88	0.00	S/L	8.0
198	AIR TANK & MASK	9/13/90	1,600.00	0.00	0.00	1,600.00	0.00	1,600.00	0.00	S/L	7.0
199	MOWER	6/06/91	299.00	0.00	0.00	299.00	0.00	299.00	0.00	S/L	5.0
200	WEEDEATER	7/05/91	691.60	0.00	0.00	691.60	0.00	691.60	0.00	S/L	5.0
201	LEAK DETECTOR	11/08/91	3,050.00	0.00	0.00	3,050.00	0.00	3,050.00	0.00	S/L	5.0
202	LAWN MOWER	5/16/92	1,018.00	0.00	0.00	1,018.00	0.00	1,018.00	0.00	S/L	5.0
203	60 RETRIEVABLE SYS	11/18/93	2,187.49	0.00	0.00	2,187.49	0.00	2,187.49	0.00	S/L	5.0
204	BUMPER BED ON TRUCK	8/30/94	2,210.00	0.00	0.00	2,210.00	0.00	2,210.00	0.00	S/L	5.0
205	SMART GUN	6/21/94	906.00	0.00	0.00	906.00	0.00	906.00	0.00	S/L	5.0
206	SMART GUN	2/16/95	897.00	0.00	0.00	897.00	0.00	897.00	0.00	S/L	5.0
207	AIR COMPRESSER	7/06/95	9,500.00	0.00	0.00	9,500.00	0.00	9,500.00	0.00	S/L	5.0
208	PIERCE TOOL	7/14/95	4,900.00	0.00	0.00	4,900.00	0.00	4,900.00	0.00	S/L	5.0
209	3094 PIT PROBE	5/24/96	1,316.88	0.00	0.00	1,316.88	0.00	1,316.88	0.00	S/L	5.0
210	TWO WAY RADIOS - 3	6/30/96	1,689.05	0.00	0.00	1,689.05	0.00	1,689.05	0.00	S/L	5.0
211	WEED EATER	8/09/96	299.00	0.00	0.00	299.00	0.00	299.00	0.00	S/L	5.0
212	CONCRETE SAW	7/30/96	1,433.40	0.00	0.00	1,433.40	0.00	1,433.40	0.00	S/L	5.0
213	TWO WAY RADIO	2/26/97	554.60	0.00	0.00	554.60	18.49	554.60	0.00	S/L	5.0
214	TWO WAY RADIO BASE UNIT	8/07/97	1,293.93	0.00	0.00	1,293.93	150.94	1,293.93	0.00	S/L	5.0
215	WATER PUMP	8/21/98	828.75	0.00	0.00	828.75	165.75	828.75	0.00	S/L	5.0
216	416 C BACKHOE	3/17/98	56,334.00	0.00	0.00	56,334.00	7,041.75	56,334.00	0.00	S/L	5.0
217	FLATBED TRAILER	6/28/99	1,225.00	0.00	0.00	1,225.00	245.00	1,225.00	0.00	S/L	8.0
219	2 Touch read guns	2/18/02	2,245.00	0.00c	0.00	2,245.00	374.17	2,245.00	367.50	S/L	5.0
	T.S. AND G. EQUIPMENT		137,249.46	0.00c	0.00	104,018.84	7,996.10	112,014.94	1,870.83	S/L	5.0
	Group: TRAN/DIST - MAIN								25,234.52		
25	WATER LINES - MAIN	12/31/71	971,414.66	0.00	0.00	582,815.64	19,428.29	602,243.93	369,170.73	S/L	50.0
26	ADDITIONS - 1973	1/01/73	43,110.23	0.00	0.00	25,003.80	862.20	25,866.00	17,244.23	S/L	50.0
27	ADDITIONS - 1974 (FHA)	1/01/74	227,177.27	0.00	0.00	124,947.54	4,543.55	129,491.09	97,686.18	S/L	50.0
28	ADDITIONS - 1974 - OTHER	1/01/74	30,941.55	0.00	0.00	17,017.82	618.83	17,636.65	13,304.90	S/L	50.0
29	ADDITIONS - 1975	1/01/75	49,562.44	0.00	0.00	26,268.12	991.25	27,259.37	22,303.07	S/L	50.0
30	ADDITIONS - 1976	1/01/76	57,662.15	0.00	0.00	29,387.22	1,152.44	30,539.66	27,082.49	S/L	50.0
31	ADDITIONS - 1977	1/01/77	72,362.06	0.00	0.00	35,457.38	1,447.24	36,904.62	35,457.44	S/L	50.0
32	ADDITIONS - 1978	1/01/78	25,766.26	0.00	0.00	11,852.59	515.33	12,367.92	13,398.34	S/L	50.0
33	ADDITIONS - 1979	1/01/79	94,989.96	0.00	0.00	42,745.50	1,899.80	44,645.30	50,344.66	S/L	50.0
34	ADDITIONS - 1980	1/01/80	45,924.13	0.00	0.00	20,206.59	918.48	21,125.07	24,799.06	S/L	50.0
35	ADDITIONS - 1981	1/01/81	6,698.62	0.00	0.00	2,813.37	133.97	2,947.34	3,751.28	S/L	50.0
36	ADDITIONS - 1982	1/01/82	24,464.15	0.00	0.00	9,785.60	489.28	10,274.88	14,189.27	S/L	50.0
37	ADDITIONS - 1983	1/01/83	88,690.15	0.00	0.00	33,524.30	1,773.80	35,298.10	53,392.05	S/L	50.0

Asset *	Property Description	Date In Service	Book Cost	Book Sec 179 Exp	Book Sal Value	Book Prior Deprec	Book Current Depreciation	Book End Depreciation	Book Net Book Value	Book Method	Book Period
38	ADDITIONS - 1984	1/01/84	29,012.00	0.00	0.00	10,444.32	580.24	11,024.56	17,987.44	S/L	50.0
39	1985-BRIARWOOD, COMPLEY	1/01/85	10,013.12	0.00	0.00	3,404.42	200.26	3,604.68	6,408.44	S/L	50.0
40	ENGINEERING FEES-LINE IMP	8/15/85	1,700.00	0.00	0.00	1,700.00	0.00	1,700.00	0.00	S/L	50.0
41	1985-ADDINGTON, HINTON & TUDOR OAKS, PONDEROSA, P	11/01/86	8,684.27	0.00	0.00	2,779.04	173.69	2,952.73	5,731.56	S/L	50.0
42	LINE EXTENSION-HARDING P	11/01/87	19,638.27	0.00	0.00	5,564.24	392.77	5,957.01	13,681.26	S/L	50.0
43	LINE EXTENSION-SOUTH BIG	3/15/88	3,034.34	0.00	0.00	839.54	60.69	900.23	2,134.11	S/L	50.0
44	LINE EXT -4-H, BURTON	6/15/88	4,578.00	0.00	0.00	1,243.69	91.56	1,335.25	3,242.75	S/L	50.0
45	LINE EXTENSION-TOWLER LA	12/15/88	2,563.00	0.00	0.00	670.65	51.26	721.91	1,841.09	S/L	50.0
46	LINE EXTENSION-RT 5	7/31/90	1,470.00	0.00	0.00	335.65	29.40	365.05	1,104.95	S/L	50.0
47	LINE EXTENSION - BRIARWOOD	11/01/90	464,048.25	0.00	0.00	103,637.50	9,280.97	112,918.47	351,129.78	S/L	50.0
48	LINE EXTENSION - ARBY'S	7/01/91	6,480.55	0.00	0.00	1,360.91	129.61	1,490.52	4,990.03	S/L	50.0
49	LINE EXTENSION - PONDEROS	6/01/91	15,334.75	0.00	0.00	3,245.91	306.70	3,552.61	11,782.14	S/L	50.0
50	LINE EXTENSION-DEAL LANE	4/30/91	6,281.91	0.00	0.00	1,340.16	125.64	1,465.80	4,816.11	S/L	50.0
51	KOUNS RD EXTENSION	4/26/92	1,320.00	0.00	0.00	475.20	26.40	281.60	1,038.40	S/L	50.0
52	COURT OF 3 SISTERS, EXTENS	10/01/93	2,883.15	0.00	0.00	255.20	57.66	312.86	2,570.29	S/L	50.0
53	KOUNS RD EXTENSION	5/04/93	1,079.95	0.00	0.00	187.20	21.60	208.80	2,349.79	S/L	50.0
54	LINE EXTENSION	8/01/93	1,473.68	0.00	0.00	248.04	29.47	277.51	871.15	S/L	50.0
55	LINE EXTENSION/BRUSHY C	6/30/94	6,786.28	0.00	0.00	1,017.97	135.73	1,153.70	5,632.58	S/L	50.0
56	LINE EXTENSION/COFFEY JO	11/13/98	117,240.00	0.00	0.00	7,425.20	2,344.80	9,770.00	107,470.00	S/L	50.0
57	LINE EXT/HURRICANE RD	2/09/98	16,393.33	0.00	0.00	1,284.15	327.87	1,612.02	14,781.31	S/L	50.0
58	LINE EXT/VUS 60 @ SUPER QUI	7/14/99	2,899.53	0.00	0.00	144.98	57.99	202.97	2,696.56	S/L	50.0
59	LINE EXT/DANIEL'S FORK	8/25/99	9,075.76	0.00	0.00	423.55	181.52	605.07	8,470.69	S/L	50.0
60	LINE EXT/GRANDVIEW	7/27/99	10,455.20	0.00	0.00	505.33	209.10	714.43	9,740.77	S/L	50.0
61	LINE EXT/COUNTY FAIR	3/09/99	4,629.02	0.00	0.00	262.31	92.58	354.89	4,274.13	S/L	50.0
62	LINE EXT/RT 503	7/23/99	2,435.66	0.00	0.00	117.72	48.71	166.43	2,269.23	S/L	50.0
63	LINE EXT/RT 5	6/22/00	26,719.52	0.00	0.00	801.59	48.71	850.30	25,869.22	S/L	50.0
64	LINE EXT/HURRICANE RD.	7/19/00	1,620.91	0.00	0.00	45.93	32.42	78.35	1,542.56	S/L	50.0
65	LINE EXT/LOST LICK RD.	8/24/00	4,289.00	0.00	0.00	114.37	85.78	200.15	4,088.85	S/L	50.0
66	LINE EXT/WENDY'S	6/29/00	4,628.74	0.00	0.00	138.86	92.57	231.43	4,397.31	S/L	50.0
67	LINE EXT/Flying J	11/29/00	8,675.92	0.00	0.00	187.98	173.52	361.50	8,314.42	S/L	50.0
219	Line ext./Whayne's Supply	6/30/01	43,910.51	0.00	0.00	439.11	878.21	1,317.32	42,593.19	S/L	50.0
220	Line Ext./Buena Vista	6/30/01	9,602.85	0.00	0.00	96.03	192.06	288.09	9,314.76	S/L	50.0
221	Rt. 503-State Job	6/30/01	11,642.00	0.00	0.00	116.42	232.84	349.26	11,292.74	S/L	50.0
240	Line Ext. - Boyd Co. Fairgrounds	8/01/02	25,527.93	0.00	0.00	255.28	510.56	765.84	24,762.09	S/L	50.0
243	Line Ext. - Coffee Park	2/15/02	1,068.46	0.00	0.00	0.00	8.90	8.90	1,059.56	S/L	50.0
244	Line Ext. - Gilllums	9/15/02	981.68	0.00	0.00	0.00	18.00	18.00	963.68	S/L	50.0
246	Line Ext. - St. Rt. 503	10/15/02	9,691.61	0.00	0.00	0.00	64.61	64.61	9,627.00	S/L	50.0
247	Line Ext. - Big Run	3/01/02	12,051.79	0.00	0.00	0.00	60.26	60.26	11,991.53	S/L	50.0
248	Line Ext. - Greenfield	11/01/02	205.00	0.00	0.00	0.00	3.42	3.42	201.58	S/L	50.0
249	Line Ext. - Jason Rd.	5/01/02	11,034.30	0.00	0.00	0.00	36.78	36.78	10,997.52	S/L	50.0
250	Line Ext. - Cantelot	11/15/02	19.76	0.00	0.00	0.00	0.26	0.26	19.50	S/L	50.0
			874.20	0.00c	0.00	0.00	2.91	2.91	871.29	S/L	50.0
	TRAN/DIST - MAIN		2,660,777.85	0.00c	0.00	1,112,934.42	52,658.17	1,165,592.59	1,495,185.26		50.0
	Group: TRANS. EQUIPMENT										
171	* 1980 CHEVY DUMP	4/08/80	10,182.67	0.00	0.00	10,182.67	0.00	10,182.67	0.00	S/L	5.0
172	* 1989 CHEVY PICKUP TRUCK	9/21/89	12,611.83	0.00	0.00	12,611.83	0.00	12,611.83	0.00	S/L	5.0

Asset *	Property Description	Date In Service	Book Cost	Book Sec	Book Sal Value	Book Prior Deprec	Book Current Depreciation	Book End Depreciation	Book Net Book Value	Book Method	Book Period
Group: TRANS. EQUIPMENT (continued)											
173	'91 CHEVROLET PICKUP	8/15/91	10,971.45	0.00	0.00	10,971.45	0.00	10,971.45	0.00	S/L	5.0
174	1997 ONE-TON 4X4 TRUCK	3/05/97	19,323.00	0.00	0.00	18,678.90	644.10	19,323.00	0.00	S/L	5.0
175	'99 CHEVY C20 PICKUP	4/27/99	18,693.00	0.00	0.00	9,969.60	3,738.60	13,708.20	4,984.80	S/L	5.0
176	'99 CHEVY C10 PICKUP	1/28/99	18,063.00	0.00	0.00	10,536.75	3,612.60	14,149.35	3,913.65	S/L	5.0
177	'99 CHEVY LUMINA	2/24/99	16,300.00	0.00	0.00	9,236.67	3,260.00	12,496.67	3,803.33	S/L	5.0
178	'00 CHEVY C20 P/U TRUCK	2/25/00	20,800.00	0.00	0.00	7,626.67	4,160.00	11,786.67	9,013.33	S/L	5.0
260	'91 International Dump Truck	6/12/02	13,800.00	0.00c	0.00	0.00	1,610.00	1,610.00	12,190.00	S/L	5.0
TRANS. EQUIPMENT			140,744.95	0.00c	0.00	89,814.54	17,025.30	106,839.84	33,905.11		
*Less: Dispositions			22,794.50	0.00	0.00	22,794.50	0.00	22,794.50	0.00		
Net TRANS. EQUIPMENT			117,950.45	0.00c	0.00	67,020.04	17,025.30	84,045.34	33,905.11		
Grand Total			4,534,102.97	0.00c	0.00	1,962,945.15	149,918.84	2,112,863.99	2,421,238.98		
Less: Dispositions			32,205.42	0.00	0.00	29,095.05	0.00	29,433.13	2,772.29		
Net Grand Total			4,501,897.55	0.00c	0.00	1,933,850.10	149,918.84	2,083,430.86	2,418,466.69		

**EXHIBIT 10**

**MONTHLY MANAGERIAL  
REPORTS**

CANNONSBURG WATER DISTRICT  
1606 Cannonsburg Road  
Ashland, Ky., 41102  
(606) 928- 9808

January 23, 2002

1. The Cannonsburg Water Districts' regular monthly meeting was called to order by Chairman Walters at 12:00 P.M. on January 23, 2002. Commissioners present were Bill Walters, Thomas Howe and Louis Padgett. Manager, Jesse Ross was also in attendance.

2. Bill Walters made a motion to accept the minutes of December 19, 2001, Thomas Howe seconded the motion and all were in favor.

3. Louis Padgett made a motion to accept the treasurers report, Bill Walters seconded the motion and all were in favor.

OLD BUSINESS

1. Bill Walters made a motion to give an across the board \$.40 raise to employees and progressive raises as recommended by the manager(see attached copy). Thomas Howe seconded the motion and all were in favor.

2. Louis Padgett made a motion to pay Gary Layne the \$1,000.00 due from previous contract and allow manager to pay Gary for future work at \$250.00 per day, one day a week, for a period not to exceed 8 weeks. Thomas Howe seconded the motion and all were in favor.

NEW BUSINESS

1. Thomas Howe made a motion to make the federally designated Martin Luther King Day a paid holiday for employees of this district commencing 2003, Louis Padgett seconded the motion and all were in favor.

2. Thomas Howe made a motion to adjourn the meeting at 12:35 P.M., Louis Padgett seconded the motion and all were in favor.

Secretary,  
Louis Padgett  
*Louis Padgett*

Results of proposed RAISES AS presented  
by manager (Jesse Ross) 1-23-2002.

Wang	17.70	to	18.10
WHL	13.50	to	13.90
Pick	13.50	to	14.25
Jandy	13.50	to	14.25
Bryen	11.20	to	12.20
haron	14.60	to	15.00
ova	11.15	to	11.65
lee	9.30	to	11.30

CANNONSBURG WATER DISTRICT  
1606 Cannonsburg Road  
Ashland, Ky., 41102  
(606) 928-9808

February 27, 2002

1. The Cannonsburg Water District's regular monthly meeting was called to order by Chairman Walters at 12:00 P.M. on wednesday February 27 , 2002. Commissioners present were Bill Walters, Thomas Howe and Louis Padgett. Manager, Jesse Ross was also in attendance.
2. Thomas Howe made a motion to accept the minutes of January 23, 2002, Bill Walters seconded the motion and all were in favor.
3. Louis Padgett made a motion to accept the treasurers report, Bill Walters seconded the motion and all were in favor.

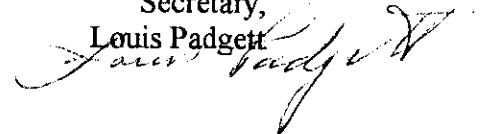
OLD BUSINESS

1. Jesse Ross stated the engineering is almost complete for the line extention to Happy Ridge in Greenup County.
2. The line extention on Route 60 for Boyd County Glass and Gillums' will proceed as soon as the state drains the water from ditchline along highway.

NEW BUSINESS

1. Manager is submitting a request to the County Commission for \$50,000.00 , which is part of a state grant of \$200,000.00 to be used for sewer and water projects in the county. We are requesting same for partial payment of a telemetry system we hope to obtain.
2. The yearly audit is in progress and should be finished soon.
3. Thomas Howe made a motion to adjourn the meeting at 12:50 P.M., Bill Walters seconded the motion and all were in favor.

Secretary,  
Louis Padgett



CANNONSBURG WATER DISTRICT  
1606 Cannonsburg Road  
Ashland, Ky., 41102  
(606)928-9808

April 25, 2002

1. The Cannonsburg Water District held its regular monthly meeting on at 12:00 P.M. Wednesday, April 24, 2002 in the district office. Members present were commissioners Bill Walters, Thomas Howe and Louis Padgett. Also in attendance were Manager Jess Ross, Phil Layne and Stacy DeRossett from Kelly Galloway & Co, PSC and Gary Layne of Mountain Consultants of Lexington, Ky.

2. Thomas Howe made a motion to accept the minutes of March 27, 2002, Louis Padgett seconded the motion and all were in favor.

3. Bill Walters made a motion to accept the treasurers report, Thomas Howe seconded the motion and all were in favor.

OLD BUSINESS

1. Jess Ross stated the line extention for Happy Ridge is nearing completion.

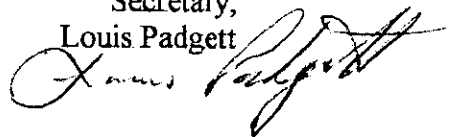
2. Phil Layne gave a complete report on the status of the yearly audit and recommended changes in accounting procedures which had already been initiated by the manager of the district..

NEW BUSINESS

1. Thomas Howe made a motion to advertise Telemetric System for bid, Louis Padgett seconded the motion and all were in favor.

2. Thomas Howe made a motion to adjourn the meeting at 1:05 P.M., Bill Walters seconded the motion and all were in favor.

Secretary,  
Louis Padgett





CANNONSBURG WATER DISTRICT  
1606 Cannonsburg Road  
Ashland, Ky., 41102  
(606) 928-9808

May 15, 2002

1. The Cannonsburg Water District held its regular monthly meeting at 12:00 P.M. on Wednesday, May 15, 2002 in the district conference room. Manager Jesse Ross and commissioners Bill Walters, Thomas Howe and Louis Padgett were present. Also in attendance were Bob Gregg of Control Technology of Cynthiana, Ky., and Jody from C.I. Thornburg of Huntington, W. Va.

2. Thomas Howe made a motion to accept the minutes of April 24, 2002, Bill Walters seconded the motion and all were in favor.

3. Thomas Howe made a motion to accept the treasurers report, Louis Padgett seconded the motion and all were in favor.

OLD BUSINESS

1. Bids were opened for the telemetry system and bids were as follows;

- |  |            |
|--|------------|
| A. Micro Communications = Kansas   | \$85314.00 |
| B. Control Technology = Cynthiana, Ky.   | 57860.00   |
| C. C.I. Thornburg, Huntington, W. Va   | 92392.00   |
| D. B & C Communications did not respond with bids from Zetron Comm. and Motorola of Cannonsburg, Ky. |            |

Thomas Howe made a motion to accept the bid from Control Technology, Louis Padgett seconded the motion and all were in favor.

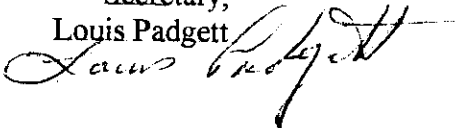
2. Jesse Ross reported the Happy Ridge extension will be complete upon installation of in line pump when ground gets dry enough.

NEW BUSINESS

1. There was no new business discussed at this meeting.

2. Thomas Howe made a motion to adjourn at 12:51 P.M., Bill Walters seconded the motion and all were in favor.

Secretary,  
Louis Padgett



CANNONSBURG WATER DISTRICT  
1606 Cannonsburg Road  
Ashland, Ky., 41102  
(606) 928-9808

June 26, 2002

1. The Cannonsburg Water District held its regular monthly meeting at 12:00 P.M., Wednesday, June 26, 2002 in the district conference room. Manager Jesse Ross and Commissioners Bill Walters, Thomas Howe and Louis Padgett were present. Also in attendance was Mr. Charles Adams.

2. Thomas Howe made a motion to accept the minutes of May 15th, 2002. Bill Walters seconded the motion and all were in favor.

3. Louis Padgett made a motion to accept the financial report, Thomas Howe seconded the motion and all were in favor.

OLD BUSINESS

1. ~~Jesse Ross stated the pumps located Daniels Fork were being turned on and tested at this time and we should be getting a check from Mr. Sartaine or Greenup County soon.~~

NEW BUSINESS

1. ~~Mr. Charles Adams addressed the water district requesting water lines to be installed on Greenfield Rd. for housing development. Mr. Adams will pay for the cost of 6" lines by buying approximately 10 to 14 taps at \$800.00 each depending upon price of pipe. Thomas Howe made a motion to do so, Bill Walters seconded the motion and all were in favor.~~

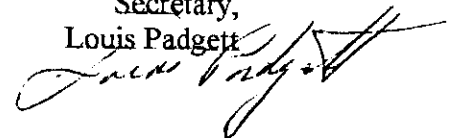
2. Boyd County Fairgrounds requested Water District furnish 900 feet of 3" pipe for the shell building at fair grounds. The board decided to offer water pipe to Fairgrounds at cost.

3. Commissioners requested manager to change meeting dates for August to August 21 and September to the 18th of the month. Newspaper to be notified by manager.

4. Bill Walters made a motion to change employee sick leave Paragraph 2 Section B to read (Medical/dental/optical treatment or care for employee.), Thomas Howe seconded the motion and all were in favor.

5. Louis Padgett made a motion to adjourn the meeting. Bill Walters seconded the motion and all were in favor.

Secretary,  
Louis Padgett



CANNONSBURG WATER DISTRICT  
1606 Cannonsburg Road  
Ashland, Ky., 41102  
(606)928-9808

July 24, 2002

1. The Cannonsburg Water District held its regular monthly meeting at 12:00 P.M., Wednesday June 24, 2002 in the district conference room. Members present were Bill Walters, Thomas Howe and Louis Padgett.

2. Thomas Howe made a motion to accept the minutes of June 26, 2002, Bill Walters seconded the motion and all were in favor.

3. Thomas Howe made a motion to accept the treasurers report, Louis Padgett seconded the motion and all were in favor.

OLD BUSINESS

1. Some of the new accounting system was explained to the board by Sharon Hambrick.

2. Manager Jesse Ross gave an update on Happy Ridge extension; there have been two hookups so far and more to come this week.

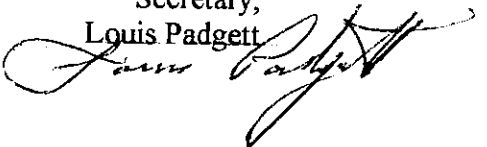
3. The line extension on U.S. 60 has been installed and water district is waiting for a date when supervisor from railroad can attend to cross railroad property to Gillums Lawnmower shop.

4. The tap has been set for the Boyd County Fairgrounds and is ready for hookup.

5. There was no new business held at this meeting.

6. Thomas Howe made a motion to adjourn the meeting at 1:00 P.M., Bill Walters seconded the motion and all were in favor.

Secretary,  
Louis Padgett



CANNONSBURG WATER DISTRICT  
1606 Cannonsburg Road  
Ashland, Ky., 41102  
(606) 928-9808

August 21, 2002

1. The Cannonsburg Water District held its regular monthly meeting at 12:00 P.M. Wednesday, August 21, 2002 in the district conference room. Members present were Bill Walters, Thomas Howe and Louis Padgett.

2. Thomas Howe made a motion to accept the minutes of July 24, 2002. Bill Walters seconded the motion and all were in favor.

3. Louis Padgett made a motion to accept the treasurers report. Bill Walters seconded the motion and all were in favor.

OLD BUSINESS

1. Sharon Hambrick and Joanne Burton explained more of the new accounting system to the commissioners.

2. Manager Jesse Ross stated more taps have been set in the Happy Ridge area and Gillums Lawnmower Shop should be on line in the next few days.

NEW BUSINESS

1. The manager stated the Ford backhoe is in the shop and will take approximately \$4,000.00 to repair and get ready for operations. Further discussion was held on the condition of this backhoe and whether district should purchase a replacement.

2. Bids were opened for the 1980 dump truck and the 1989 chevrolet pickup truck and results were as follows starting with the dump truck;

<u>NAME</u>	<u>BID</u>
1. David Rice	\$3,000.00
2. Joe Allen	3,551.00
3. Rick Martin	1,500.00
4. Jim Badgett	2501.00
5. Rick Hurley	1600.00
6. Paul Waddells Auto	2551.00
7. Jim Rice	1250.00
8. Rodney Baldrige	559.97
9. Lisa ? ph 1-740-533-7024	3001.75
10. Tim Boone	2001.00
11. Mark VanBibber	1525.00
12. Clyde Ratliff	1,000.00

1989 Chevrolet pickup

- |                      |          |
|----------------------|----------|
| 1. Rodney Baldrige   | 669.97   |
| 2. Rick Hurley       | 850.00   |
| 3. Rick Martin       | 1,000.00 |
| 4. Scotts Auto Sales | 1,001.00 |
| 5. Tim Boone         | 756.00   |
| 6. Jim Rice          | 1325.00  |
| 7. Clyde Ratliff     | 800.00   |

Thomas Howe made a motion to accept the highest bidders for the two vehicles with the bidders paying cash in hand at the time of delivery. If said bidder does not produce cash the next best bidder is to be given priority over all others, Louis Padgett seconded the motion and all were in favor.

3. Thomas Howe made a motion to adjourn the meeting at 1:30 P.M., Bill Walters seconded the motion and all were in favor.

Secretary,  
Louis Padgett



CANNONSBURG WATER DISTRICT  
1606 Cannonsburg Road  
Ashland, Ky., 41102  
(606) 928-9808

September 18, 2002

1. The Cannonsburg Water District held its regular monthly meeting at 12:00 P.M. Wednesday, September 18, 2002, in the district conference room. Members present were Bill Walters, Thomas Howe and Louis Padgett.
2. Thomas Howe made a motion to accept the minutes of August 21, 2002, Bill Walters seconded the motion and all were in favor.
3. Louis Padgett made a motion to accept the treasurers report, Bill Walters seconded the motion and all were in favor.

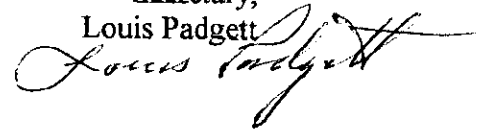
OLD BUSINESS

1. Manager Jesse Ross gave an update on the telemetry system, states it is up and running at this time. The company is going to deliver a printer, a laptop computer and chlorine analyzers to be installed by same.

NEW BUSINESS

1. Thomas Howe made a motion to advertise for an employee to replace a vacancy available for a field employee and the advertisement to include requirements for CDL license, physical etc. Louis Padgett seconded the motion and all were in favor.
2. Thomas Howe made a motion to adjourn the meeting at 1:25 P.M., Louis Padgett seconded the motion and all were in favor.

Secretary,  
Louis Padgett



CANNONSBURG WATER DISTRICT  
1606 Cannonsburg Road  
Ashland, Ky., 41102  
(606) 928-9808

October 23, 2002

1. The Cannonsburg Water District held its regular monthly meeting at 12:00 P.M. Wednesday, October 23, 2002 in the district conference room. Members present were Bill Walters, Thomas Howe and Louis Padgett.

2. Louis Padgett made a motion to accept the minutes of September 18, 2002, Thomas Howe seconded the motion and all were in favor.

3. Bill Walters made a motion to accept the treasurers report, Thomas Howe seconded the motion and all were in favor.

OLD BUSINESS

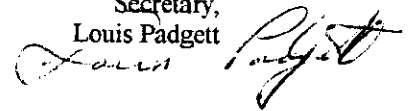
1. The water pipe on Greenfield extention has been installed and the telemetry system is about 98% completed and all phases should be in operation in the near future.

NEW BUSINESS

1. Thomas Howe made a motion to give manager Jesse Ross authority to advertise for a new pump to replace one at the main pump station which is about 30 years old, Louis Padgett seconded the motion and all were in favor.

2. Thomas Howe made a motion to adjourn the meeting at 1:00 P.M., Louis Padgett seconded the motion and all were in favor.

Secretary,  
Louis Padgett



CANNONSBURG WATER DISTRICT  
1606 Cannonsburg Road  
Ashland, Ky., 41102  
(606) 928- 9808

November 25, 2002

1. The Cannonsburg Water District held its regular monthly meeting at 1:00 P.M., Monday, November 25, 2002 and was held in the districts conference room. Members present were Bill Walters, Thomas Howe and Louis Padgett.

2. Louis Padgett made a motion to accept the minutes of October 23, 2002, Bill Walters seconded the motion and all were in favor.

3. Thomas Howe made a motion to accept the treasurers report, Bill Walters seconded the motion and all were in favor.

OLD BUSINESS

1. It was agreed by the board to hold interviews Tuesday, December 3, 2002 commencing 9:00 A.M. for water department employee. Manager to notify applicants for position.

NEW BUSINESS

1. Tracy Derosssett from the office of auditors Kelly, Galloway and Co., was in attendance to make an offer for their services. It was decided to table the matter until next meeting.

2. Chris Edmonds was in attendance also and suggested the board consider getting bids for odd materials(sand, gravel) and services (backhoe, dozer) for the fiscal year which don't require a bidding process to give local companies an equal chance of performing the work.

3. A Public Service Commission audit was performed with some recommended changes. Thomas Howe made a motion to elect officers immediately to conform with PSC recommendation with positions: Thomas Howe-Chairman, Bill Walters- Secretary, Louis Padgett- Treasurer. The motion was seconded by Bill Walters and all were in favor.

4. Thomas Howe made a motion to set the December meeting for the 18th day because of Christmas holiday, motion seconded by Bill Walters and all were in favor.

5. Bill Walters made a motion to award a one time incentive pay of \$350.00 to full time employees for a job well done during the year 2002, Thomas Howe seconded the motion and all were in favor.

6. Bill Walters made a motion to adjourn the meeting at 2:10 P.M., Louis Padgett seconded the motion and all were in favor.

Secretary,  
William N. Walters



**Cannonsburg Water District**  
**Meeting: Wednesday, December 11, 2002**  
**Time: 9:00 am**

**The Cannonsburg Water District held a special meeting December 11, 2002 to interview applicants for an opening at the Water District. Members present were Louis Padgett and Bill Walters; Jesse Ross, manager, was present. Twelve applicants were interviewed. No decision was made at this meeting; however, recommendations will be made at the next meeting.**

**Signed:**

  
\_\_\_\_\_

**Bill Walters, Secretary**

CANNONSBURG WATER DISTRICT  
1606 Cannonsburg Road  
Ashland KY 41102  
December 18, 2002

The Cannonsburg Water District held its monthly meeting Wednesday, December 18, 2002 at 12:00 Noon at the Cannonsburg Water District office. Members present were Bill Walters, Louis Padgett, Thomas Howe and manager Jesse Ross.

Thomas Howe made a motion to accept the minutes of the November monthly meeting. Louis Padgett seconded the motion. Motion was voted on and carried.


Thomas Howe made a motion to accept the treasurer's report. Louis Padgett seconded the motion. Motion was voted on and carried.

A motion was made by Louis Padgett to hire Bobby Hicks as a permanent employee. There will be a six months' probationary period for Mr. Hicks. The effective date of health insurance for Mr. Hicks is pending notification from insurance provider. Bill Walters seconded the motion. Motion was voted on and carried.

Bill Walters made a motion to pay Mr. Hicks \$10.00 as a starting hourly rate. This will be the effective pay rate during the six months' probationary period.

A motion was made by Bill Walters to adjourn the meeting. Motion was seconded by Louis Padgett and was voted on and carried.

Respectfully Submitted:

  
William N Walters, Secretary

**EXHIBIT 11**  
**COST-OF-SERVICE**  
**STUDY**

Allocation of Plant Value				
Cannonsburg Water District				
	Total	Commodity	Demand	Customer
Land & Land Rights	\$ 20,810		\$ 20,810	
Structures and Improvements	105,662		105,662	
Pumping Equipment	331,266		331,266	
Distribution Reservoirs & Standpipes	594,713		594,713	
Trasmission & Distribution Mains	2,660,778		2,660,778	
Meters & Meter Installations	352,434			\$ 352,434
Hydrants	73,556			73,556
Subtotal	\$ 4,139,219		\$ 3,713,229	\$ 425,990
<b>Retail Allocation Percentages</b>	100%		89.7%	10.3%
Office Furniture & Equipment	\$ 107,479		\$ 96,409	\$ 11,070
Transportation Equipment	117,950		105,801	12,149
Tools, Shop & Garage Equipment	137,250		123,113	14,137
Subtotal	\$ 362,679		\$ 325,323	\$ 37,356
<b>Total</b>	<b>\$ 4,501,898</b>		<b>\$ 4,038,552</b>	<b>\$ 463,346</b>
<b>Retail Allocation Percentages</b>	<b>100%</b>		<b>89.7%</b>	<b>10.3%</b>

Source: Cannonsburg Water District 2002 Annual Report to Kentucky PSC

Allocation of Depreciation				
Cannonsburg Water District				
	Total	Commodity	Demand	Customer
Structures & Improvements	\$ 63,488		\$ 63,488	
Pumping Equipment	141,556		141,556	
Dist. Reservoirs & Standpipes	245,636		245,636	
Trasmission & Distribution Mains	1,165,593		1,165,593	
Meters and Meter Installations	156,193			\$156,193
Hydrants	46,141			46,141
Subtotal	\$ 1,818,607		\$ 1,616,273	\$202,334
Retail Allocation Percentages	100%		88.9%	11.1%
Office Furniture & Equipment	\$ 68,765		\$ 61,132	\$ 7,633
Transportation Equipment	84,045		74,716	9,329
Tools, Shop & Garage Equip	112,014		99,580	12,434
Subtotal	\$ 264,824		\$ 235,428	\$ 29,396
<b>Total</b>	<b>\$ 2,083,431</b>		<b>\$ 1,851,701</b>	<b>\$231,730</b>
<b>Retail Allocation Percentages</b>	<b>100%</b>		<b>88.9%</b>	<b>11.1%</b>

Source: Cannonsburg Water District 2002 Annual Report to Kentucky PSC

Allocation of Operation & Maintenance Expense				
Cannonsburg Water District				
	Total	Commodity	Demand	Customer
Salaries:				
Meter Reading/Collection	\$ 80,615			\$ 80,615
Trans/Dist.	202,798		\$ 202,798	
Purchased Water	436,840	\$436,840		
Purchased Power	34,511		33,659	852
Contract Services - Other	5,216		5,216	
Bad Debt Expense	19,031			19,031
Transportation	16,516		13,482	3,034
Materials and Supplies	52,027		49,877	2,150
Employee Pension Contributions:				
Meter Reading/Collection	28,762			28,762
Trans/Dist.	64,513		64,513	
Payroll Taxes				
Trans/Dist.	11,193		8,804	2,389
Misc. Expense	25,860		25,860	
<b>SUBTOTAL</b>	<b>\$ 977,882</b>	<b>\$ 436,840</b>	<b>\$ 404,209</b>	<b>\$ 136,833</b>
Less Commodity	\$ 436,840			
<b>TOTAL</b>	<b>\$ 541,042</b>		<b>\$ 404,209</b>	<b>\$ 136,833</b>
<b>PERCENTAGE</b>	<b>100%</b>		<b>74.7%</b>	<b>25.3%</b>
Salaries & Wages-Admin	\$ 48,027		\$ 35,876	\$ 12,151
Salaries & Wages-Officers	18,800		14,044	4,756
Employee Pensions & Benefits	18,395		13,741	4,654
Insurance - General Liability	25,051		18,713	6,338
Contract Services - Accounting	20,170		15,067	5,103
Advertising Expenses	652		487	165
Misc. Expense	12,535		9,364	3,171
Payroll Taxes	28,492		21,284	7,208
Taxes Other Than Income Taxes	2,243		1,676	567
<b>Total Operating Expenses</b>	<b>\$ 1,152,247</b>	<b>\$ 436,840</b>	<b>\$ 534,461</b>	<b>\$ 180,946</b>
Depreciation	\$ 169,541		\$ 150,722	\$ 18,819
Debt Service	100,540		90,184	10,356
LESS:Fire Protection Revenue	8,160			8,160
Nonutility Income	20,905			20,905
Interest Income	14,270			14,270
Forfeited Discounts	23,369			23,369
Unmetered Sales	789		789	
<b>Revenue Required from Retail Customers</b>	<b>\$ 1,354,835</b>	<b>\$ 436,840</b>	<b>\$ 774,578</b>	<b>\$ 143,417</b>

**Footnotes to Allocation of Operation & Maintenance Expense Schedule:**

Source: Pro-Forma Income Statement

Allocation of Cost of Service For Retail Customers					
Cannonsburg Water District					
	Total	Commodity	Demand	Customer	
Operation & Maintenance	\$ 1,152,247	\$ 436,840	\$ 534,461	\$ 180,946	
Debt Service (1)	100,540		90,184	10,356	
Depreciation and Amortization (2)	169,541		150,722	18,819	
General Water Service Cost	\$ 1,422,328	\$ 436,840	\$ 775,367	\$ 210,121	
Less:					
Unmetered Sales	\$ 789		\$ 789		
Forfeited Discounts	23,369				
Other Operating Revenue	8,160				\$ 23,369
Non-utility Income	20,905				8,160
Interest Income	14,270				2,153
<b>Revenue Required from Rates for Retail Customers</b>	<b>\$ 1,354,835</b>	<b>\$ 436,840</b>	<b>\$ 755,826</b>	<b>\$ 162,169</b>	

NOTES:

(1) Debt Service is allocated using the Retail Allocation Percentage of Plant Value from the Plant Value Allocation sheet 1.

(2) Depreciation is allocated using the Retail Allocation Percentage of Depreciation from the Depreciation Allocation sheet 2.

Cannonsburg Water District  
Calculation of Water Rates

	Total	First 2,000 gallons	Next 3,000 gallons	Next 15,000 gallons	Next 30,000 gallons	Next 50,000 gallons	Over 100,000 gallons
<b>Actual Water Sales:</b>							
Thousand Gallons	237,740,900	68,935,900	66,771,000	50,828,000	16,050,000	11,518,000	23,638,000
Percent	100%	29.0%	28.1%	21.4%	6.8%	4.8%	9.9%
<b>Weighted Sales for Demand:</b>							
Thousand Gallons	399,314,000	137,871,800	120,187,800	81,324,800	22,470,000	13,821,600	23,638,000
Percent	100%	34.5%	30.1%	20.4%	5.6%	3.5%	5.9%
<b>Allocation of Volumetric Costs:</b>							
Commodity	\$436,840	\$126,684	\$122,752	\$93,484	\$29,705	\$20,968	\$43,247
Demand	755,826	260,760	227,504	154,189	42,326	26,454	44,594
Customer	162,169	162,169					
Total	\$1,354,835	\$549,613	\$350,256	\$247,673	\$72,031	\$47,422	\$87,841
Number of Bills	38,005						
<b>Cost of Service Rates</b>		<b>\$14.46</b>	<b>\$5.25</b>	<b>\$4.87</b>	<b>\$4.49</b>	<b>\$4.12</b>	<b>\$3.72</b>



Verification of Cost of Service Rates				
Cannonsburg Water District				
	Bills	Gallons	Rate	Revenue
First 2,000 gallons	38,005	68,935,900	\$ 14.46	\$ 549,552
Next 3,000 gallons		66,771,000	\$ 5.25	350,548
Next 15,000 gallons		50,828,000	\$ 4.87	247,532
Next 30,000 gallons		16,050,000	\$ 4.49	72,065
Next 50,000 gallons		11,518,000	\$ 4.12	47,454
Over 100,000 gallons		23,638,000	\$ 3.72	87,933
<b>Total Revenue from Rates</b>				<b>\$1,355,084</b>
<b>Other Income:</b>				
Unmetered Sales				\$ 789
Forfeited Discounts				\$ 23,369
Other Operating Revenue				\$ 8,160
Interest Income				\$ 14,270
Nonutility Income				\$ 20,905
<b>Total Operating Revenue</b>	<b>38,005</b>	<b>237,740,900</b>		<b>\$1,422,577</b>

Cannonsburg Water District			
Proposed Rates Monthly Water Rates			
First 2,000 gallons		\$ 14.46	Minimum bill
Next 3,000 gallons		\$ 5.13	per 1,000 gallons
Next 15,000 gallons		\$ 4.75	per 1,000 gallons
Next 30,000 gallons		\$ 4.37	per 1,000 gallons
Next 50,000 gallons		\$ 4.00	per 1,000 gallons
Over 100,000 gallons		\$ 3.60	per 1,000 gallons

Cannonsburg Water District			
Proposed Monthly Water Rates			
		Staff	
		Recommended	
		Rates	
<b>5/8 X 3/4 Inch Connection</b>			
First 2,000 gallons		\$14.46	Mimimum Bill
Next 3,000 gallons		\$5.13	per 1,000 gallons
Next 15,000 gallons		\$4.75	per 1,000 gallons
Next 30,000 gallons		\$4.37	per 1,000 gallons
Next 50,000 gallons		\$4.00	per 1,000 gallons
Over 100,000 gallons		\$3.60	per 1,000 gallons
<b>1 - 1 1/2 Inch Connection</b>			
First 5,000 gallons		\$29.85	Mimimum Bill
Next 15,000 gallons		\$4.75	per 1,000 gallons
Next 30,000 gallons		\$4.37	per 1,000 gallons
Next 50,000 gallons		\$4.00	per 1,000 gallons
Over 100,000 gallons		\$3.60	per 1,000 gallons
<b>2 and 3 Inch Connection</b>			
First 20,000 gallons		\$101.10	Mimimum Bill
Next 30,000 gallons		\$4.37	per 1,000 gallons
Next 50,000 gallons		\$4.00	per 1,000 gallons
Over 100,000 gallons		\$3.60	per 1,000 gallons
<b>6 Inch Connection</b>			
First 50,000 gallons		\$232.20	Mimimum Bill
Next 50,000 gallons		\$4.00	per 1,000 gallons
Over 100,000 gallons		\$3.60	per 1,000 gallons
<b>12 Inch Connection</b>			
First 100,000 gallons		\$432.20	Minimum Bill
Over 100,000 gallons		\$3.60	per 1,000 gallons

Cannonsburg Water District				
Comparison of Rates				
Gallon Usage	Current Rates	Cost of Service Rates	Increase	Percentage
2,000	\$ 14.31	\$ 14.46	\$ 0.15	1.0%
3,000	17.94	19.59	1.65	9.2%
4,000	21.57	24.72	3.15	14.6%
5,000	25.20	29.85	4.65	18.5%
6,000	28.25	34.60	6.35	22.5%
7,000	31.30	39.35	8.05	25.7%
8,000	34.35	44.10	9.75	28.4%
9,000	37.40	48.85	11.45	30.6%
10,000	40.45	53.60	13.15	32.5%
15,000	55.70	77.35	21.65	38.9%
20,000	70.95	101.10	30.15	42.5%
25,000	84.40	122.95	38.55	45.7%
30,000	97.85	144.80	46.95	48.0%
35,000	111.30	166.65	55.35	49.7%
40,000	124.75	188.50	63.75	51.1%
50,000	151.65	232.20	80.55	53.1%
75,000	215.15	332.20	117.05	54.4%
100,000	278.65	432.20	153.55	55.1%
150,000	398.65	612.20	213.55	53.6%
200,000	518.65	792.20	273.55	52.7%
250,000	638.65	972.20	333.55	52.2%
300,000	758.65	1,152.20	393.55	51.9%
350,000	878.65	1,332.20	453.55	51.6%

Comparison of Rates		
Block Usage	Current Rates	Cost of Service Rates
First 2,000 gallons	\$ 14.31	\$ 14.46
Next 3,000 gallons	\$ 3.63	\$ 5.13
Next 15,000 gallons	\$ 3.05	\$ 4.75
Next 30,000 gallons	\$ 2.69	\$ 4.37
Next 50,000 gallons	\$ 2.54	\$ 4.00
Over 100,000 gallons	\$ 2.40	\$ 3.60

Effect on Customer Average Bill - 5,000 Gallons Usage			
Current Rates	Cost of Service Rates	Amount Increase	% Increase
\$25.20	\$29.85	\$4.65	18.50%

**EXHIBIT 12**

**CUSTOMER NOTIFICATION**

# The Independent

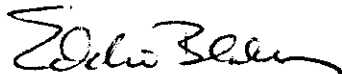
226 Seventeenth Street  
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www.dailyindependent.com

Cannonsburg Water District  
1606 Cannonsburg Road  
Ashland, Ky. 41101

## NEWSPAPER AFFIDAVIT

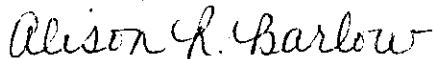
I, Eddie Blakeley, Publisher of The Independent Newspaper, published in Ashland, and having the largest circulation of any newspaper in Boyd County, Kentucky, do hereby certify that from my own knowledge and a check of the files of this newspaper that the following advertisement was inserted in The Independent.

Signature



Subscribed and sworn to before me by the above, this the 27 day of May, 2004.

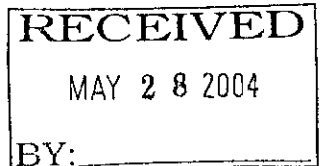
Notary Public



My Commission Expires

June 7, 2006

Publication	Insert Date	Caption	Amount
The Independent	05/25/04	Rates	\$376.18



tistry, will be the featured speaker at the conference.

Kirk said Sammon has broad knowledge in the study of drug abuse and has traveled extensively lecturing in the field. According to his biography, Sammon also serves as a trainer for the Counter Drug Task Force Training Programs in St. Petersburg, Fla., where he has taught law enforcement, health, and education officials.

The purpose of the conference is to educate about the types of recreational drugs available on the Internet; understand federal and state laws regarding Internet offenses; understand how Web sites often glamorize drug use and drug culture; identify electronic bulletin boards and chat rooms that give out information on drugs; and learn how to be effective in addressing drug misuse and the Internet.

According to information provided by ALERT, the Internet has given way to widespread drug activity with over 1,000 Web sites offering information about drugs and how to use them. Kirk said even legitimate Web sites from pharmaceutical companies can present information about drugs in a way that is very pro-drug, making them seem very safe to potential users.

Moreover, there is great potential to purchase drugs, particularly prescription medication, using the Internet. Things such as e-mail notices offering discounted prescription painkillers can be a dangerous way to obtain drugs, Kirk said, because the Internet has no way to check identification, or verify age.

"Who knows what people are typing in and what they're using?" wondered Kirk. "It's a concern in that respect."

Representatives from eight drug free coalitions in Bath, Boyd, Greenup, Carter, Elliott, Lawrence, Menifee, Morgan, Montgomery, and Rowan counties are expected to attend the conference, which is free and open to the public. To register, call (606) 329-8588 ext. 4105.

*BETH CRACE can be reached at  
bcrace@dailyindependent.com  
or (606) 326-2650.*

## NOTICE

Notice is hereby given that the Cannonsburg Water District seek approval by the Public Service Commission, Frankfort, Kentucky, for an adjustment of rates to become effective July 6, 2004, for service rendered on and after July 8, 2004, in the total amount of \$270,389 on an annual basis. The percentage of increase will approximate 22 percent for the Cannonsburg Water District.

The estimated amount of increase per customer class is:

Customer Class	Dollar Increase	Percentage Increase
5/8 Inch Residential/Commercial	\$ 190,331	20.73%
1 and 1 1/2 Inch	\$ 18,435	42.92%
2 and 3 Inch	\$ 55,847	50.88%
6 Inch	\$ 3,198	52.82%
12 Inch	\$ 3,945	54.63%

The comparison of the present and proposed rates of the Cannonsburg Water District is as follows:

Monthly Rate:	Present	Proposed
<b>5/8 X 3/4 Inch Connection</b>		
First 2,000 gallons	\$14.31 Minimum Bill	\$14.46 Minimum Bill
Next 3,000 gallons	\$3.63 per 1,000 gal.	\$5.13 per 1,000 gal.
Next 15,000 gallons	\$3.05 per 1,000 gal.	\$4.75 per 1,000 gal.
Next 30,000 gallons	\$2.69 per 1,000 gal.	\$4.37 per 1,000 gal.
Next 50,000 gallons	\$2.54 per 1,000 gal.	\$4.00 per 1,000 gal.
Over 100,000 gallons	\$2.40 per 1,000 gal.	\$3.60 per 1,000 gal.
<b>1-1/2 Inch Connection</b>		
First 5,000 gallons	\$25.20 Minimum Bill	\$29.85 Minimum Bill
Next 15,000 gallons	\$3.05 per 1,000 gal.	\$4.75 per 1,000 gal.
Next 30,000 gallons	\$2.69 per 1,000 gal.	\$4.37 per 1,000 gal.
Next 50,000 gallons	\$2.54 per 1,000 gal.	\$4.00 per 1,000 gal.
Over 100,000 gallons	\$2.40 per 1,000 gal.	\$3.60 per 1,000 gal.
<b>2 and 3 Inch Connection</b>		
First 20,000 gallons	\$70.99 Minimum Bill	\$101.10 Minimum Bill
Next 30,000 gallons	\$2.69 per 1,000 gal.	\$4.37 per 1,000 gal.
Next 50,000 gallons	\$2.54 per 1,000 gal.	\$4.00 per 1,000 gal.
Over 100,000 gallons	\$2.40 per 1,000 gal.	\$3.60 per 1,000 gal.
<b>6 Inch Connection</b>		
First 50,000 gallons	\$151.66 Minimum Bill	\$232.20 Min. Bill
Next 50,000 gallons	\$2.54 per 1,000 gal.	\$4.00 per 1,000 gal.
Over 100,000 gallons	\$2.40 per 1,000 gal.	\$3.60 per 1,000 gal.
<b>12 Inch Connection</b>		
First 100,000 gallons	\$278.84 Minimum Bill	\$432.20 Min. Bill
Over 100,000 gallons	\$2.40 per 1,000 gal.	\$3.60 per 1,000 gal.

### IMPACT ON AVERAGE CUSTOMER BILL

	Existing	Proposed	Percentage Increase
<b>5/8 Inch Residential/Commercial:</b>			
5,000 Gallons Avg. Usage	\$ 25.20	\$ 29.85	18.5%
<b>1 and 1 1/2 Inch:</b>			
20,000 Gallons Avg. Usage	\$ 70.95	\$ 101.10	42.5%
<b>2 and 3 Inch:</b>			
90,000 Gallons Avg. Usage	\$ 253.25	\$ 392.20	54.9%
<b>6 Inch:</b>			
Rates per 1,000 Gallons	\$ 2.60	\$ 3.97	52.7%
<b>12 Inch:</b>			
Rates per 1,000 Gallons	\$ 2.48	\$ 3.73	50.4%

The rates contained in this notice are the rates proposed by the Cannonsburg 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 moving. Copies of the application may be obtained at no charge from the District office at 1606 Cannonsburg Road, Ashland, KY 41102. Upon request from an intervenor, the District shall furnish to the intervenor a copy of the application and supporting documents.

Cannonsburg Water District  
Thomas Howe  
Chairman

Published May 25 & June 1, 8, 2004

## NOTICE

Notice is hereby given that the Cannonsburg Water District seeks approval by the Public Service Commission, Frankfort, Kentucky, for an adjustment of rates to become effective July 6, 2004, for service rendered on and after July 6, 2004, in the total amount of \$270,389 on an annual basis. The percentage of increase will approximate 22 percent to the Cannonsburg Water District.

The estimated amount of increase per customer class is:

<u>Customer Class</u>	<u>Dollar Increase</u>	<u>Percentage Increase</u>
5/8 Inch Residential/Commercial	\$ 190,331	20.73%
1 and 1 ½ Inch	\$ 18,435	42.92%
2 Inch and 3 Inch	\$ 55,847	50.88%
6 Inch	\$ 3,198	52.82%
12 Inch	\$ 3,945	54.63%

The comparison of the present and proposed rates of the Cannonsburg Water District is as follows:

<u>Monthly Rate:</u>	<u>Present</u>	<u>Proposed</u>
<b>5/8 X 3/4 Inch Connection</b>		
First 2,000 gallons	\$14.31 Minimum Bill	\$14.46 Mimimum Bill
Next 3,000 gallons	\$3.63 per 1,000 gal.	\$5.13 per 1,000 gal.
Next 15,000 gallons	\$3.05 per 1,000 gal.	\$4.75 per 1,000 gal.
Next 30,000 gallons	\$2.69 per 1,000 gal.	\$4.37 per 1,000 gal.
Next 50,000 gallons	\$2.54 per 1,000 gal.	\$4.00 per 1,000 gal.
Over 100,000 gallons	\$2.40 per 1,000 gal.	\$3.60 per 1,000 gal.
<b>1 - 1 1/2 Inch Connection</b>		
First 5,000 gallons	\$25.20 Minimum Bill	\$29.85 Mimimum Bill
Next 15,000 gallons	\$3.05 per 1,000 gal.	\$4.75 per 1,000 gal.
Next 30,000 gallons	\$2.69 per 1,000 gal.	\$4.37 per 1,000 gal.
Next 50,000 gallons	\$2.54 per 1,000 gal.	\$4.00 per 1,000 gal.
Over 100,000 gallons	\$2.40 per 1,000 gal.	\$3.60 per 1,000 gal.
<b>2 and 3 Inch Connection</b>		
First 20,000 gallons	\$70.99 Minimum Bill	\$101.10 Min. Bill
Next 30,000 gallons	\$2.69 per 1,000 gal.	\$4.37 per 1,000 gal.
Next 50,000 gallons	\$2.54 per 1,000 gal.	\$4.00 per 1,000 gal.
Over 100,000 gallons	\$2.40 per 1,000 gal.	\$3.60 per 1,000 gal.
<b>6 Inch Connection</b>		
First 50,000 gallons	\$151.66 Minimum Bill	\$232.20 Min. Bill
Next 50,000 gallons	\$2.54 per 1,000 gal.	\$4.00 per 1,000 gal.
Over 100,000 gallons	\$2.40 per 1,000 gal.	\$3.60 per 1,000 gal.
<b>12 Inch Connection</b>		
First 100,000 gallons	\$278.84 Minimum Bill	\$432.20 Min. Bill
Over 100,000 gallons	\$2.40 per 1,000 gal.	\$3.60 per 1,000 gal.



**EXHIBIT 13**

**2002 AUDITED FINANCIAL STATEMENTS**

**THE CANNONBURG WATER DISTRICT  
OF BOYD COUNTY, KENTUCKY**

**FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002  
TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS**

**DRAFT**

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## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
The Cannonsburg Water District of  
Boyd County, Kentucky  
Cannonsburg, Kentucky

We have audited the accompanying financial statements of The Cannonsburg Water District of Boyd County, Kentucky (the "District") as of and for the years ended December 31, 2003 and 2002, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2003 and 2002, and the respective results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the basic financial statements, the District has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis -for State and Local Governments*, as of January 1, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2004, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 4 through 7, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and do not express an opinion on it.

March 22, 2004

**THE CANNONBURG WATER DISTRICT OF BOYD COUNTY, KENTUCKY**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2003**

The discussion and analysis of The Cannonsburg Water District of Boyd County, Kentucky's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2003. This information is presented in conjunction with the audited financial statements that follow this section.

## **FINANCIAL HIGHLIGHTS**

### **OVERVIEW OF FINANCIAL STATEMENTS**

The District presents its basic financial statements using the economic resources measurement focus and accrual basis of accounting. As a Business-Type Activity, the District's basic financial statements include a Statement of Net Assets; a Statement of Revenues, Expenses, and Changes in Nets Assets; and a Statement of Cash Flows. Notes to the basic financial statements, required supplementary information, including this section, support these statements. All sections must be considered together to obtain a complete understanding of the financial position and results of the operations of the District.

**Statements of Net Assets.** The Statements of Net Assets includes all assets and liabilities of the District, with the difference between the two reported as net assets. Assets and liabilities are reported at their book value, on an accrual basis, as of December 31, 2003 and 2002. This statement also identifies major categories of restrictions on the net assets of the District.

**Statements of Revenues, Expenses, and Changes in Net Assets.** The Statements of Revenues, Expenses, and Changes in Net Assets presents the revenues earned and expenses incurred by the District during the years ended December 31, 2003 and 2002 on an accrual basis.

**Statements of Cash Flows.** The Statement of Cash Flows presents the changes in the District's cash and cash equivalents for the years ended December 31, 2003 and 2002, summarized by operating, capital and noncapital financing, and investing activities. The statements are prepared using the direct method of reporting cash flows, and, therefore, presents gross rather than net amounts for the year's activities.

**Notes to Basic Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements. The notes to basic financial statements can be found on pages 11-17 of this report.

### **CONDENSED FINANCIAL POSITION INFORMATION**

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$2.112 million at the close of the most recent fiscal year. The District's net assets decreased 5.0 percent which is reported as the change in net assets in the statement of activities.

## Cannonsburg Water District's Net Assets

	Business-type activities	
	2003	2002
Current assets	\$ 911,460	\$ 1,016,050
Capital assets	2,396,749	2,463,888
Total assets	3,308,209	3,479,938
Current liabilities	447,674	451,092
Long-term liabilities	748,959	806,299
Total liabilities	1,196,633	1,257,391
Net assets:		
Investment in capital assets, net of related debt	1,573,659	1,601,249
Unrestricted	537,917	621,298
Total net assets	\$ 2,111,576	\$ 2,222,547

By far the largest portion of the District net assets reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment), less any related debt used to acquire those assets still outstanding. The District uses these capital assets to provide services to citizens and consumers; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate those liabilities.

The balance of unrestricted net assets may be used to meet the District's ongoing obligations to citizens, customers, and creditors. The District's unrestricted net assets decreased 13.4 percent. This decrease is largely attributable to the loss of an industrial customer as well as an overall decline in customer water usage. Customer's who are connected to the county sewer system pay higher rates, which impacts the customer's water usage. Also decreases in revenues have exceeded similar decreases in ongoing expenses.

### Cannonsburg Water District's Changes in Net Assets

	Business-type activities	
	2003	2002
Revenues:		
Metered water sales and penalties	\$ 1,079,230	\$ 1,252,231
Investment earnings	8,071	14,270
Miscellaneous	21,710	25,781
Total revenues	1,109,011	1,292,282
Expenses:		
Water enterprise	1,298,682	1,438,481
Total expenses	1,298,682	1,438,481
Capital contributions, other	78,700	58,449
Decrease in net assets	(110,971)	(87,750)
Net assets, beginning	2,222,547	2,310,297
Net assets, ending	\$ 2,111,576	\$ 2,222,547

**Business-type activity.** Business-type activity decreased the District's net assets by approximately \$111,000. Key elements of this decrease are as follows:

- Decline in customer water usage.
- Increase in employee health insurance premiums.
- Increase in general liability and workers compensation insurance premiums.
- Increase in depreciation expense.
- Reduction in interest income due to declining market rates of interest.
- Increase in employer's contribution to retirement plan.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Proprietary funds.** The District's proprietary fund provides the same type of information found in government-wide financial statements, but in more detail.

**Enterprise fund.** The Water Enterprise is a fund that accounts for operations in a manner similar to a private business enterprise. Operations are accounted for in such a manner as to show net income or loss and the fund is intended to be entirely or predominately self supported from user charges.

Operating revenues decreased 13.8 percent due to the discontinued operations of an industrial customer as well as a decline in overall customer water usage. Operating expenses decreased by 9.9 percent primarily due to the reduction of purchased water and the District's efforts to capture capital assets reducing operations, maintenance, repairs and supplies. Non-operating revenues decreased by 25.6 percent. This reduction is a result of a gain on the disposition of an asset which was recorded in the prior year with no corresponding gain in the current year; interest income declined as a result of market conditions.

### Capital Assets

The District's investment in capital assets for its business-type activities as of December 31, 2003, amounts to \$2.39 million (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements, machinery and equipment. The increase in the District's investment in capital assets for the current year was 3.1 percent, before current depreciation.

Major capital asset events during the current fiscal year included the following:

- Construction of the Snow Creek water-line extension of \$32,567.
- Construction of the Happy Ridge water line extension of \$41,218.
- Motor replacement at Main and Rebel Road Pump Stations of \$24,371.
- Purchase of 2003 GMC Sierra pickup truck of \$16,541.

### Cannonsburg Water District's Capital Assets

	Business-type activities	
	2003	2002
Land	\$ 20,810	\$ 20,810
Land improvements	11,323	11,323
Structures and improvements	98,753	94,340
Distribution system and equipment	4,511,983	4,375,425
Construction in progress	-	45,421
Total	4,642,869	4,547,319
Accumulated depreciation	(2,246,120)	(2,083,431)
Total, net of depreciation	\$ 2,396,749	\$ 2,463,888



Additional information on the District's capital assets can be found in Note (2) of the financial statements.

### Debt Administration

At the end of the current fiscal year, the District had total debt outstanding of \$819,580. This District's long-term obligations outstanding as of December 31, 2003 and 2002 consisted of the following:

#### Cannonsburg Water District's Outstanding Obligations

	Business-type activities	
	2003	2002
Revenue bonds	\$ 755,000	\$ 799,000
Installment Note	47,789	57,789
Term Note	16,791	-
Total	<u>\$ 819,580</u>	<u>\$ 856,789</u>

The District's total obligations decreased by approximately \$37,000 during the fiscal year. The decrease in obligations was from the normal repayment of principal on existing outstanding debt. The District obtained an unsecured note during the year of \$16,791.

Additional information on the District's long-term debt can be found in Note (3) of the financial statements.

### ECONOMIC FACTORS AND NEXT YEAR'S RATES

In considering the District budget for the fiscal year 2004, the Board of Commissioners and management used the following estimates:

- Water revenue is expected to increase based on a tariff fee increase by the Public Service Commission (PSC).
- Proceeds from a KIA grant are to fund two future waterline extensions, two waterline upgrades and one pump station upgrade.

### REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, customers, investors, and creditors, with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Jesse Allen Ross, Office Manager or Sharon Hambrick, Bookkeeper at 1606 Cannonsburg Road, Ashland, Kentucky 41102 or phone (606) 928-9808.

**THE CANNONBURG WATER DISTRICT OF BOYD COUNTY, KENTUCKY**

**STATEMENTS OF NET ASSETS**

**FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

	<u>Business-Type Activities</u>	
	<u>Water Enterprise Fund</u>	
	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 151,597	\$ 172,439
Restricted cash and cash equivalents	310,477	407,467
Customer receivables, less allowance for doubtful accounts of \$26,018 and 24,036 respectively	345,214	366,329
Inventories	91,635	60,583
Prepaid expenses	12,537	9,232
Total current assets	<u>911,460</u>	<u>1,016,050</u>
Non current assets:		
Capital assets, nondepreciable	20,810	66,231
Capital assets, depreciable	2,375,939	2,397,657
Total non current assets	<u>2,396,749</u>	<u>2,463,888</u>
Total assets	<u>\$ 3,308,209</u>	<u>\$ 3,479,938</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 303,879	\$ 338,950
Accrued liabilities	39,905	36,178
Deposits payable	29,759	19,624
Capital lease	2,340	2,340
Current portion of long-term debt	71,791	54,000
Total current liabilities	<u>447,674</u>	<u>451,092</u>
Non current liabilities:		
Capital lease	1,170	3,510
Long-term debt	747,789	802,789
Total non current liabilities	<u>748,959</u>	<u>806,299</u>
Total liabilities	<u>1,196,633</u>	<u>1,257,391</u>
<b>NET ASSETS</b>		
Investment in capital assets, net of related debt	1,573,659	1,601,249
Unrestricted	537,917	621,298
Total net assets	<u>\$ 2,111,576</u>	<u>\$ 2,222,547</u>

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

**THE CANNONBURG WATER DISTRICT OF BOYD COUNTY, KENTUCKY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

	<u>Business-Type Activities</u>	
	<u>Water Fund Enterprise</u>	
	<u>2003</u>	<u>2002</u>
<b>OPERATING REVENUES:</b>		
Water sales	\$ 1,052,396	\$ 1,228,862
Penalties and charges	26,834	23,369
Total operating revenues	<u>1,079,230</u>	<u>1,252,231</u>
<b>OPERATING EXPENSES:</b>		
Purchased water	414,338	515,050
Salaries and wages	307,090	303,153
Commissioners' fees	18,800	18,800
Payroll taxes	22,597	22,633
Contractual services - other	25,354	44,674
Employee insurance	80,348	64,008
Retirement	20,016	18,848
Other insurance	29,745	26,232
Publications and notices	1,420	652
P.S.C. assessment	-	2,243
Operations, maintenance, repairs and supplies	58,317	117,167
Transportation	16,741	16,516
Travel and training	5,705	5,080
Utilities	30,836	34,370
Telephone	8,544	11,012
Depreciation	168,059	149,919
Other billing expenses	8,813	6,780
Bad debts	13,413	19,031
Miscellaneous expenses	24,750	16,045
Total operating expenses	<u>1,254,886</u>	<u>1,392,213</u>
<b>OPERATING LOSS</b>	<u>(175,656)</u>	<u>(139,982)</u>
<b>NONOPERATING REVENUE (EXPENSE):</b>		
Gain (loss) on disposition of assets	-	4,876
Interest expense	(43,796)	(46,268)
Interest income	8,071	14,270
Miscellaneous income	21,710	20,905
Total nonoperating revenue (expense), net	<u>(14,015)</u>	<u>(6,217)</u>
<b>LOSS BEFORE CONTRIBUTIONS</b>	(189,671)	(146,199)
<b>CAPITAL CONTRIBUTIONS, OTHER</b>	<u>78,700</u>	<u>58,449</u>
<b>DECREASE IN NET ASSETS</b>	(110,971)	(87,750)
<b>NET ASSETS, beginning of year</b>	<u>2,222,547</u>	<u>2,310,297</u>
<b>NET ASSETS, end of year</b>	<u>\$ 2,111,576</u>	<u>\$ 2,222,547</u>

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

**THE CANNONBURG WATER DISTRICT OF BOYD COUNTY, KENTUCKY**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

	Business-Type Activities	
	Water Fund Enterprise	
	2003	2002
Cash Flows From Operating Activities:		
Receipts from customers and users	\$ 1,100,345	\$ 1,259,540
Payments to suppliers	(828,150)	(904,190)
Payments to employees	(305,578)	(304,079)
Other payments	(8,665)	(45,299)
Net cash provided by (used for) operating activities	(42,048)	5,972
Cash Flows From Noncapital Financing Activities:		
Administrative fees for sewer billings and collections received	18,739	17,907
Miscellaneous income received	2,971	2,998
Net cash provided by noncapital financing activities	21,710	20,905
Cash Flows From Capital and Related Financing Activities:		
Principal payments made on debt	(56,340)	(54,284)
Proceeds from disposal of property	-	4,876
Proceeds from new debt	16,791	7,020
Contributions in aid of construction	36,740	24,172
Proceeds from tap-on fees	41,960	34,277
Purchase of utility plant and equipment	(95,550)	(253,369)
Interest paid on debt	(43,796)	(46,268)
Net cash used for capital and related financing activities	(100,195)	(283,576)
Cash Flows From Investing Activities:		
Increase in restricted funds	91,620	129,983
Interest received	8,071	14,270
Net cash provided by investing activities	99,691	144,253
Net decrease in cash and cash equivalents	(20,842)	(112,446)
Cash and cash equivalents, beginning of year	172,439	284,885
Cash and cash equivalents, end of year	\$ 151,597	\$ 172,439
Reconciliation of operating loss to net cash provided by (used for) operating activities:		
Operating loss	\$ (175,656)	\$ (139,982)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Provision for depreciation	168,059	149,919
Change in operating assets and liabilities:		
Customer accounts receivable	21,115	7,309
Inventories	(31,052)	(25,301)
Prepaid expenses	(3,304)	(791)
Accounts payable	(35,071)	29,055
Customer deposits	10,135	(26,498)
Accrued liabilities	3,726	12,261
Net cash provided by (used for) operating activities	\$ (42,048)	\$ 5,972

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

# THE CANNONBURG WATER DISTRICT OF BOYD COUNTY, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Operations

Cannonsburg Water District (the "District") services Cannonsburg and the west-central portion of rural Boyd County. The majority of the water sold is purchased from the City of Ashland Department of Utilities. The financial statements of the District are prepared on the accrual basis of accounting.

#### Basis of Presentation

The account classification structures used by the District conform to accounting principles generally accepted in the United States of America consistent with governmental enterprise fund accounting. The accounting records of the District are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, regardless of when received, and expenses are recognized when incurred, regardless of when paid.

#### New Accounting Pronouncements

Effective January 1, 2003, the District adopted three new accounting statements issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments (GASB 34)*;
- Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; and
- Statement No. 38, *Certain Financial Statement Disclosures*.

Statement No. 34, as amended by Statement No. 37, has no monetary impact on the financial statements, but does require changes in the financial reporting model used by the District. These changes are the presentation of a statement of cash flows prepared using the direct method of cash flow reporting, the classification of the District's net assets, and additional footnote disclosures. Statement No. 34 also requires as supplementary information Management's Discussion and Analysis, which includes an analytical overview of the District's financial activities.

Statement No. 38 requires certain disclosures to be made in the notes to the financial statements concurrent with the implementation of Statement No. 34. While this Statement does not affect amounts reported in the financial statements of the District, certain note disclosures have been added and/or amended.

In accordance with Governmental Accounting Standards Board Statement No. 20, the District applies all applicable GASB pronouncements as well as the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor bodies issued on or before November 30, 1989, unless those pronouncements contradict GASB pronouncements.

The District has elected not to follow subsequent private sector guidance of FASB after November 30, 1989.

Revenue Recognition

The District recognizes metered water revenues based on cycle billings made during the month for usage through that date.

Use of Estimates

The preparation of general purpose financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Customer Accounts Receivable

Customer accounts receivable are stated at face amount, less an allowance for doubtful accounts. The allowance for doubtful accounts is established through a provision for doubtful accounts charged to expense. Doubtful accounts are charged against the allowance when management believes the collectibility of the account is unlikely.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market.

Utility Plant in Service

Utility plant accounts are stated at cost. Expenditures, which increase values or extend useful lives of the respective assets are capitalized, whereas expenditures for maintenance and repairs are charged to expense as incurred.

Depreciation

Depreciation is computed using the straight-line method over the following estimated useful lives:

Electric pumping equipment	10-50	years
Transmission and distribution	10-50	years
Structures and improvements	10-40	years
Office furniture and equipment	3-10	years
Transportation equipment	4- 5	years
Tools, shop and garage equipment	3-10	years

Contributions

Contributions for expanding or improving the utility plant are added directly to the contributions accounts. The assets related to such contributions are capitalized and the expense relating to the operation and maintenance of such assets becomes the responsibility of the District.

## Cash Equivalents

The District considers all liquid investments which are not included in assets whose use is limited and which have original maturities of three months or less to be cash equivalents. Restricted funds at December 31, 2003 and 2002 are considered to be assets with limited use and, therefore, are not considered as cash equivalents. The District had no cash equivalents at December 31, 2003 and 2002.

## Net Assets

GASB 34 requires that the difference between assets and liabilities be reported as net assets. Net assets are classified as either invested in capital assets, net of related debt, restricted, or unrestricted.

Net assets that are invested in utility plant, net of related debt consists of utility plant assets, net of accumulated depreciation and amortization, and reduced by the outstanding balances of any bonds, notes, or other borrowings attributable to the acquisition or construction of those assets.

Restricted net assets are those net assets that have external constraints placed on them by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provision of enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt." Unlike the restricted net assets, the board has discretion in determining the use and establishing minimum/maximum balance requirements for the unrestricted cash and investments portion of net assets. The board may at any time change or eliminate amounts established for these purposes.

## **(2) CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2003 was as follows:

	Balance 12/31/02	Additions	Deletions	Balance 12/31/03
Nondepreciable capital assets:				
Land	\$ 20,810	\$ -	\$ -	\$ 20,810
Construction in progress	45,421	35,914	81,335	-
Total	66,231	35,914	81,335	20,810
Depreciable capital assets:				
Land improvements	11,323	-	-	11,323
Structures and improvements	94,340	4,413	-	98,753
Electric pumping equipment	331,267	31,398	-	362,665
Transmission and distribution	3,681,480	89,783	5,370	3,765,893
Office Furniture and equipment	107,478	437	-	107,915
Transportation equipment	117,950	20,041	-	137,991
Tools, shop and garage equipment	137,250	269	-	137,519
Total	4,481,088	146,341	5,370	4,622,059
Less accumulated Depreciation	(2,083,431)	(168,059)	(5,370)	(2,246,120)
Net depreciable assets	2,397,657	(21,718)	-	2,375,939
Total capital assets, net	\$ 2,463,888	\$ 14,196	\$ 81,335	\$ 2,396,749

**(3) LONG-TERM DEBT**

The amount shown in the accompanying financial statements as debt obligations represents the District's future obligations in the original amount of \$1,330,000.

The District's long-term debt consisted of the following:

Type of indebtedness:	Original Amount	Interest Rates
EDA Revenue Bonds, Series 1971	\$ 552,000	5.750%
FHA Revenue Bonds, Series 1974	362,000	5.000
KYRWFC Revenue Bonds, Series 2001	416,000	4.15-5.525
	<u>\$ 1,330,000</u>	

The aggregate maturities of long-term debt and other long-term liabilities are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
EDA Bonds, Series 1971	\$ 202,000	\$ -	\$ 25,000	\$ 177,000	\$ 25,000
FHA Bonds, Series 1974	187,000	-	11,000	176,000	12,000
KYRWFC Bonds, Series 2001	410,000	-	8,000	402,000	8,000
2.8% Installment Note	57,789	-	10,000	47,789	10,000
5.25% Term Note	-	16,791	-	16,791	16,791
	<u>\$ 856,789</u>	<u>\$ 16,791</u>	<u>\$ 54,000</u>	<u>\$ 819,580</u>	<u>\$ 71,791</u>

Revenue Bonds Payable to EDA, FmHA and KYRWFC are subject to redemption prior to maturity. The revenue bonds payable to EDA carry a prepayment penalty ranging from 1% to 3% of the principal amount redeemed prior to maturity. The revenue bonds payable to KYRWFC carry a prepayment penalty ranging from 1% to 2% of the principal amount redeemed prior to maturity.

Revenue Bonds Payable are secured by an exclusive pledge of a fixed portion of the net revenues (after provisions for operations and maintenance) of the District and a statutory mortgage lien on the properties constituting the Water District.

The principal and interest requirements relating to the above indebtedness at December 31, 2003 are as follows:

Year Ending December 31,	Repayment Requirement		
	Principal	Interest	Total
2004	\$ 71,791	\$ 41,622	\$ 113,413
2005	61,000	38,495	99,495
2006	63,000	35,499	98,499
2007	64,000	32,354	96,354
2008	61,789	29,350	91,139
2009-2013	199,000	107,658	306,658
2014-2018	76,000	70,287	146,287
2019-2023	141,000	44,314	185,314
2024-2038	82,000	4,517	86,517
	<u>\$ 819,580</u>	<u>\$ 404,096</u>	<u>\$ 1,223,676</u>



**(4) LEASES**

Capital

The Company entered into a capital lease during 2002 for equipment in the amount of \$7,020. Payments are due in monthly installments through July 2005.

Property and equipment includes the following under capital lease at December 31, 2003:

Equipment	\$ 9,792
Less accumulated depreciation	<u>(3,101)</u>
	<u>\$ 6,691</u>

Future minimum lease payments as of December 31, 2003 were:

2004	\$ 2,340
2005	1,291
Less amount representing interest	<u>(121)</u>
Present value of future minimum lease payments	<u>\$ 3,510</u>

**(5) RESTRICTED FUNDS**

Bond and Interest Fund

In accordance with the agreements governing the Revenue Bonds Payable, the District has established a bond and interest sinking fund, whereby amounts are funded to meet the annual installment payments on the revenue bonds for the current year. In addition to annual funding requirements, the agreement also requires an additional reserve of \$65,000 to be maintained in the sinking fund. The fund is currently invested in a 2.66%, twelve-month certificate of deposit maturing March 22, 2004, and in a checking account earning interest at a rate of 0.75%.

Line Replacement and Extension Fund

The bond agreements also require the establishment and maintenance of a "Replacement and Extension Reserve Fund" to accumulate to a balance of \$75,000. This reserve is to be funded after all reasonable costs of operation and maintenance have been paid and after the bond and interest account has been funded. The fund is currently invested in a twelve-month certificate of deposit maturing April 16, 2004 earning interest at a rate of 1.73%.

Depreciation Fund

The bond agreements require the establishment and maintenance of a "Depreciation Fund" to accumulate to a balance of \$51,600. This reserve is to be funded after all reasonable costs of operation and maintenance have been paid and after the bond and interest account and line replacement and extension fund have been funded. The fund is currently invested in a twenty-four month certificate of deposit maturing April 16, 2004 earning interest at a rate of 1.73%.

Customer Deposits

Customer deposits are collected at the commencement of service and maintained in a checking account earning 0.75% at December 31, 2003. At the time service is discontinued, all qualifying customer

deposits plus accrued interest are remitted back to the customer. The PSC also requires interest to be remitted back to the customer at the end of every 18 months.

## **(6) INCOME TAX STATUS**

The District is exempt from the payment of Federal income taxes under Section 501(c)(12) of the Internal Revenue Code of 1954; accordingly, the accompanying financial statements include no provision for such taxes.

## **(7) RETIREMENT PLAN**

### Plan Description

The District contributes to the County Employee's Retirement System ("CERS"), a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky General Assembly. It covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the CERS. CERS provides for retirement, disability, and death benefits to plan members. Cost of living adjustments are provided at the discretion of the State legislature.

The CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646.

### Funding Policy

Plan members are required to contribute 5% of their annual creditable compensation, and the District is required to contribute 7.34% of the employee's total compensation. The contribution requirements of CERS members and the district are established and may be amended by the CERS Board of Trustees. The District's contributions to CERS for the years ending December 31, 2003 and 2002 were \$20,016 and \$18,848 respectively, equal to the required contributions for each year.

## **(8) BOYD COUNTY RURAL SANITARY SEWER COLLECTION SYSTEM**

The District has been contracted by the Boyd County Fiscal Court (the "Court") to perform all billings and collections of the Boyd County Sewage Collection and Pumping System. The District remits all monies received directly to the Boyd County Fiscal Court. The amount of accounts receivable for sewage collections amounted to \$171,076 and \$197,257 as of December 31, 2003 and 2002, respectively. The amount payable to the Court amounted to \$245,629 and \$279,244 as of December 31, 2003 and 2002, respectively. These amounts are included in the Customer Accounts Receivable and Accounts Payable balances, respectively, as of December 31, 2003 and 2002. The difference between the receivable and payable represents monies collected but not remitted to the Court for billings prior to year-end. These amounts are recorded as Cash in the Balance Sheet.

## **(9) CONCENTRATION OF CREDIT RISK**

At December 31, 2003 the carrying amount of the District's bank deposits, both unrestricted and restricted, was \$461,574 and the bank balances totaled \$479,347. Of the total bank balances, \$200,000 was

insured by the Bank Insurance Fund, and \$279,347 was secured by collateral held by the pledging bank in the District's name.

#### **(10) 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 for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

#### **(11) RECLASSIFICATIONS**

Certain reclassifications have been made to the 2002 financial statements to conform to the 2003 presentation.

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

Board of Commissioners  
The Cannonsburg Water District of  
Boyd County, Kentucky  
Cannonsburg, Kentucky

We have audited the financial statements of The Cannonsburg Water District of Boyd County, Kentucky (the "District") as of and for the year ended December 31, 2003 and have issued our report thereon dated March 22, 2004. We conducted our 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 the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Commissioners and management and is not intended to be and should not be used by anyone other than these specified parties.

March 22, 2004

**EXHIBIT 14**

**WRITTEN NOTIFICATION OF INTENT**

CANNONSBURG WATER DISTRICT  
1606 CANNONSBURG ROAD  
ASHLAND, KY 41102  
606-928-9808  
FAX# 606-928-4788

RECEIVED

May 6, 2004

MAY 06 2004

Mr. Thomas M. Dorman  
Executive Director  
KY Public Service Commission  
P O Box 615  
Frankfort, KY 40602

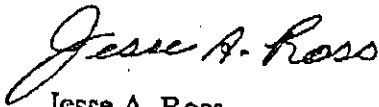
Case 2004-00159

PUBLIC SERVICE  
COMMISSION

Dear Mr. Dorman:

Cannonsburg Water District hereby notifies the Public Service Commission, pursuant to 807 KAR 5:001, Section 10(2) and 807 KAR 5:011, Section 8(1) of its intention to file an application for a general adjustment of water rates, using a historical test-period, no sooner than (4) weeks following your receipt of this notice. A copy of this shall be served upon the Attorney General, Utility Intervention and Rate Division.

Sincerely,



Jesse A. Ross  
Manager

Cc: Attorney General, Utility Intervention and Rate Division