

Case No. 2005-00355

EXHIBIT LIST

CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT

1. Complete New Tariff
2. Comparison of Current and Proposed Rates
3. Customer Notice
4. Revenues and Expenses
5. Test Year Billing Analysis
6. Test Year Normalized Billing Analysis
7. Audit Report
8. Cost of Service Study
9. Billing Analysis for Proposed Rates
10. Non-Recurring Charge Justification
11. Annual Report

RECEIVED

AUG 31 2005

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

AUG 31 2005

PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

**THE APPLICATION OF THE CRITTENDEN-)
LIVINGSTON COUNTY WATER DISTRICT FOR)
APPROVAL OF A PROPOSED INCREASE IN) CASE NO. 2005-00355
RATES FOR WATER SERVICE, TO INCREASE)
NON-RECURRING CHARGES AND TO REVISE)
IT'S TARIFF)**

STATEMENT AND NOTICE

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

1. Crittenden-Livingston is a non-profit water district organized under KRS Chapter 74 and has no separate articles of incorporation or by-laws. Crittenden-Livingston's principal office, place of business and mailing address is P.O. Box 495, 620 East Main Street, Salem, Kentucky 42078-0495.

2. Crittenden-Livingston is engaged in the distribution and sale of water. It currently provides water service to approximately 2,617 residential customers and 3 wholesale customers in Crittenden and Livingston County, Kentucky. Crittenden-Livingston currently has 385 applications from customers who have paid a connection fee in the Phase 9 project.

3. The proposed increase in rates and charges is necessary for Crittenden-Livingston to meet its operating expenses, to maintain financial viability, to cover its debt service, and to continue to provide adequate service.

4. For the purpose of justifying the reasonableness of the proposed increase, Crittenden-Livingston has utilized a historical test period consisting of the twelve (12) consecutive calendar months ending December 31, 2004.

5. Crittenden-Livingston's annual reports, including the annual report for 2004, are on file with the Public Service Commission as required by 807 KAR 5:006, Section 3(1).

6. Crittenden-Livingston hereby gives notice to the Public Service Commission of the adjustment of its rates to those rates set forth in Exhibit No. 1 in the filing requirements. The proposed rates will become effective upon Commission approval, and will result in an increase in annual revenues of \$1,982,724, which is an increase of \$517,792 or 35 percent over normalized revenues from water sales of 1,464,932.

7. Crittenden-Livingston has revised its entire tariff. The current tariff on file with the Commission is unclear with sections marked that have been revised on prior sheets. The proposed tariff (Exhibit No. 1) is shown in comparative form on the same sheets, side by side, and those comparative sheets are identified as Exhibit No. 2 in the filing requirements.

8. Crittenden-Livingston has complied with 807 KAR 5:011, Section 9,(2) and 807 KAR 5:001, Section 10,(3) and (4) by delivering to newspapers of general circulation in its service area a copy of the Notice identified as Exhibit 3 in the filing requirements, for publishing once a week for three consecutive weeks in a prominent

manner, the first of said publications to be made no later than seven (7) days after the date the application is filed with the Public Service Commission.

9. Crittenden-Livingston requests a deviation from 807 KAR 5:001., Section 10(2) and 807 KAR 5:011., Section 8(1) which requires it to give 4 weeks notice of its intent to file a rate application to both the Public Service Commission and to the Office of the Attorney General, Utility Intervention and Rate Division. Crittenden-Livingston is not in a position to delay filing for this rate increase. Both the Public Service Commission and the Kentucky Rural Water Finance Corporation have strongly encouraged Crittenden-Livingston to file for a rate increase as soon as possible. For this reason, Crittenden-Livingston respectfully requests it be granted a deviation from this filing requirement.

10. Crittenden-Livingston requests that this application be expedited as quickly as possible. Effective January 1 and July 1, 2006 Crittenden-Livingston must begin making payments to the Kentucky Rural Water Finance Corporation. The annual amount for 2006 is \$208,346. Without this increase in rates, Crittenden-Livingston will not be able to make the loan payments.

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

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

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

14. Crittenden-Livingston respectfully requests, that due to budget constraints and number of employees, if the Commission requires additional information in order to process this case in a timely manner, that it provide the District with Staff assistance in meeting the filing requirements and providing justification for the proposed increase in water rates.

15. Due to the magnitude of the increase required, Crittenden-Livingston is requesting to fund only 10 percent of its depreciation expense.

16. As part of its Application, Crittenden-Livingston is including as an exhibit a report from Jeremy L. White, CPA, PLLC setting out a plan for improving the bookkeeping and auditing within the utility. As the Commission may be aware, an employee was fired during the test year due to employee theft. It is estimated that approximately \$900 was taken from the utility's accounts. It is the utility's intention to fully implement the recommendations made by Mr. White as staff time allows.

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

Dated at Salem, Kentucky this 8-18-05.

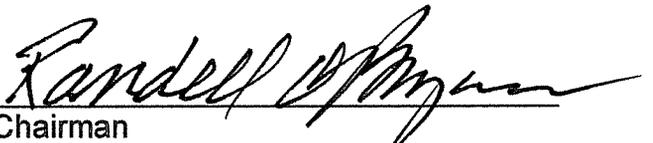
CRITTENDEN-LIVINGSTON WATER
DISTRICT

By 
Chairman

COMMONWEALTH OF KENTUCKY)
)SS
COUNTIES OF CRITTENDEN AND LIVINGSTON)

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

IN TESTIMONY WHEREOF, witness the signature of the undersigned on this 8-18-05.


Chairman
Crittenden-Livingston Water District

Subscribed and sworn to before me by Randall O'Brien, Chairman of the Crittenden-Livingston Water District, on this 8-18, 2005.

My Commission Expires June 6, 2008


Notary Public
In and for said County and State

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

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

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

| Filing Requirements | Filing Requirement Description | Location or Absence Reason |
|--|---|---|
| Section 10(1)(b)(9) | 807 KAR 5:001, Section 10 with copy. | Exhibit No. 3. |
| 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. | Deviation requested on Page 2 of Application. |
| 807 KAR 5:001 Section 10 (6)(a) | Complete description and quantified explanation for proposed adjustments with support for changes in price or activity levels, and other factors affecting the adjustment. | Exhibit No. 4 |
| 807 KAR 5:001 Section 10 (6)(b) & (c) | If gross annual revenues exceed \$1,000,000, prepared testimony of each witness who will support the application. If less than \$1,000,000, prepared testimony of each witness who will support application or statement that utility does not plan to submit prepared testimony. | Crittenden-Livingston does not intend to submit prepared testimony. |
| 807 KAR 5:001 Section 10 (6)(d) | Estimate of effect that new rate(s) will have on revenues including, at minimum, total revenues resulting from increase or decrease and percentage of increase or decrease. | Customer Notice – Exhibit No. 3 and application at Page 2. |
| 807 KAR 5:001 Section 10 (6)(e) | If electric, gas, water or sewer utility effect upon the average bill for each customer classification to which change will apply. | Exhibit No. 3 (Customer notice). |
| 807 KAR 5:001 Section 10 (6)(f) | If local exchange company, effect upon the average bill for 807 each customer class for change in basic local service. | N/A – Crittenden-Livingston is a Water District |
| 807 KAR 5:001 Section 10 (6)(g) | Analysis of customers' bills in such detail that revenues from present and proposed rates can be readily determined for each customer class. | Exhibit No 5. |
| 807 KAR 5:001 Section 10 (6)(h) | Summary of determination of revenue requirements based on return on net investment rate base, return on capitalization, interest coverage, debt service coverage, or operating ratio, with supporting schedules. | Exhibit No. 4. |

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

| Filing Requirements | Filing Requirement Description | Location or Absence Reason |
|----------------------------------|---|---|
| 807 KAR 5:001 Section 10 (6)(i) | Reconciliation of rate base and capital used to determine revenue requirements. | N/A – Revenue Requirement reflects Debt Service. |
| 807 KAR 5:001 Section 10 (6)(j): | Current chart of accounts if more detailed than the Uniform System of Accounts. | Not applicable |
| 807 KAR 5:001 Section 10 (6)(k) | Independent auditor's annual opinion report, with any written communication from auditor, which indicates existence of material weakness in internal controls. | The 2001 Audit Report is attached as Exhibit 7. |
| 807 KAR 5:001 Section 10 (6)(l): | The most recent FERC or FCC audit reports. | N/A – Crittenden-Livingston 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 – Crittenden-Livingston 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 No. 7. Crittenden-Livingston has provided its utility plant information, and it records depreciation at 2% of depreciable assets per year. There are no other studies of depreciation available to Crittenden-Livingston. |
| 807 KAR 5:00 Section 10 (6)(o) | List of all commercial or in-house computer software, programs, and models used to develop schedules and work papers associated with the filing. Include each software, program, or model; what each was used for; its supplier; brief description and specifications for the computer hardware and the operating system required to run the program. | Excel Word |
| 807 KAR 5:001 Section 10 (6)(p) | Prospectuses of most recent stock or bond offerings. | N/A – Crittenden-Livingston is a Water District |
| 807 KAR 5:001 | Annual report to shareholders, or members, and statistical | N/A – Crittenden-Livingston is a |

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

| Filing Requirements | Filing Requirement Description | Location or Absence Reason |
|------------------------------------|--|--|
| Section 10 (6)(q) | supplements covering 2 years prior to application filing date. | Water District |
| 807 KAR 5:001 Section 10 (6)(r) | Monthly managerial reports providing financial results for 12 months in test period. | January – May 2005 income statement is included as part of Exh. 4. There are no other reports. |
| 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 – Crittenden-Livingston is a Water District |
| 807 KAR 5:001 Section 10 (6)(t) | <p>If utility had any amounts charged or allocated to it by affiliate or general or home office, or paid any monies to affiliate or general or home office during test period or during previous 3 calendar years, file:</p> <ol style="list-style-type: none"> 1. Detailed description of method of calculation and amounts allocated or charged to utility by affiliate or general or home office for each charge allocation or payment; 2. Explanation of how allocator for the test period was determined; and 3. All facts relied upon, including other regulatory approval, to demonstrate that each amount charged, allocated or paid during test period was reasonable; | N/A – There are no affiliate allocations. |

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

| Filing Requirements | Filing Requirement Description | Location or Absence Reason |
|---------------------------------|--|---|
| 807 KAR 5:001 Section 10 (6)(u) | If gas, electric or water utility, whose annual gross revenues exceed \$5,000,000, cost of service study based on methodology generally accepted in industry and based on current and reliable data from a single time period. | N/A Exhibit 8 |
| 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 – Crittenden-Livingston 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 No. 4, pro forma adjustments and Exh. 11 – Annual Report |
| 807 KAR 5:001 Section 10 (7)(b) | Most recent capital construction budget containing at least period of time as proposed for any pro forma adjustment for plant additions. | NA – Crittenden-Livingston is not proposing any pro forma adjustment for plant additions. |

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

| Filing Requirements | Filing Requirement Description | Location or Absence Reason |
|------------------------------------|---|---|
| 807 KAR 5:001 Section 10 (7)(c) | <p>For each proposed pro forma adjustment reflecting plant additions the following information:</p> <ol style="list-style-type: none"> 1. Starting date of the construction of each major component of plant; 2. Proposed in-service date; 3. Total estimated cost of construction at completion; 4. Amount contained in construction work in progress at end of test period; 5. Complete description of actual plant retirements and anticipated plant retirements related to the pro forma plant additions including the actual or anticipated date of retirement; 6. Original cost, cost of removal and salvage for each component of plant to be retired during the period of the proposed pro forma adjustment for plant additions; 7. Explanation of any differences in amounts contained in the capital construction budget and amounts of capital construction cost contained in the pro forma adjustment period; and 8. Impact on depreciation expense of all proposed pro | NA – Crittenden-Livingston is not proposing any pro forma adjustment for plant additions. |

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

| Filing Requirements | Filing Requirement Description | Location or Absence Reason |
|------------------------------------|---|---|
| 807 KAR 5:001 Section 10 (7)(e) | <p>forma adjustments for plant additions and retirements; Number of customers to be added to the test period – end level of customers and the related revenue requirements impact for all pro forma adjustments with complete details and supporting work papers.</p> | Exhibit No. 9. Billing analysis for proposed rates. |

P.S.C. KY. NO. 2

CANCELING P.S.C. KY. NO. _____

CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT

OF

SALEM, KENTUCKY

RATES & CHARGES
AND
RULES & REGULATIONS

FOR FURNISHING

WATER SERVICE

AT

CRITTENDEN-LIVINGSTON COUNTY
KENTUCKY

FILED WITH THE
PUBLIC SERVICE COMMISSION

OF

KENTUCKY

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE _____
Month / Date / Year

ISSUED BY Randell O'Byrne
(Signature of Officer)

TITLE Chairman

FOR Crittenden-Livingston County, Kentucky
Community, Town or City

P.S.C. KY. NO. _____

Original SHEET NO. 1

Crittenden-Livingston County Water District
(Name of Utility)

CANCELING P.S.C. KY. NO. _____

_____ SHEET NO. _____

RULES AND REGULATIONS

I. RATES AND CHARGES

- A. Monthly Rates
- B. Deposits
- C. Meter Connection/Tap-on Charges
- D. Special Non-recurring Charges
- E. Purchased Water Rates
- F. Leak Adjustment Rate
- G. Wholesale Water Rates and Bulk Sales
- H. Fire Sprinkler Rates

II. RULES AND REGULATIONS

- A. Service Information
- B. Special Rules or Requirements
- C. Billings, Meter Readings, and Related Information
- D. Deposits and Connection Fees
- E. Special Nonrecurring Charges
- F. Customer Complaints to the Utility
- G. Bill Adjustments

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE _____
Month / Date / Year

ISSUED BY Randell Johnson
(Signature of Officer)

TITLE Chairman

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. _____ DATED _____

FOR Crittenden-Livingston County, Kentucky
Community, Town or City

P.S.C. KY. NO. _____

Original SHEET NO. 2

Crittenden-Livingston County Water District
(Name of Utility)

CANCELING P.S.C. KY. NO. _____

_____ SHEET NO. _____

RULES AND REGULATIONS

- H. Status of Customer Accounts during Billing Disputes
- I. Customer Request for Termination of Service
- J. Customer Relations
- K. Refusal or Termination of Service
- L. Meter Testing
- M. Meter Test Records
- N. Customer Requested Meter Tests
- O. Access to Property
- P. Location of Records
- Q. Safety Program
- R. System Inspections
- S. Reporting of Accidents, Property Damage, or Loss of Service
- T. Continuity of Service
- U. Pressures
- V. Service Lines and Connections
- W. Leak Adjustments
- X. Ownership of Mains, Services, and Appurtenances
- Y. Notification of System Problems

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE _____

ISSUED BY Randell Stanger _____
Month / Date / Year
(Signature of Officer)

TITLE Chairman _____

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. _____ DATED _____

FOR Crittenden-Livingston County, Kentucky
Community, Town or City

P.S.C. KY. NO. _____

Original SHEET NO. 3

Crittenden-Livingston County Water District
(Name of Utility)

CANCELING P.S.C. KY. NO. _____

_____ SHEET NO. _____

RULES AND REGULATIONS

- Z. Legal Disclaimers
- AA. Fire Departments
- AB. Standard/Non-Standard/Fire Protection Service
- AC. Non-Standard Service
- AD. Fire Protection Provisions
- AE. Sales and Use Tax Classifications
- AF. Extensions
- AG. Policy for Developers and New Subdivisions and Developments
- AG. Multi Rates to Multi Unit Premises

III. ATTACHMENTS

- A. Water Shortage Plan

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE _____

ISSUED BY Randell Olmeyer _____
Month / Date / Year
(Signature of Officer)

TITLE _____ Chairman

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. _____ DATED _____

FOR Crittenden-Livingston County, Kentucky
Community, Town or City

P.S.C. KY. NO. _____

Original SHEET NO. 4

Crittenden-Livingston County Water District
(Name of Utility)

CANCELING P.S.C. KY. NO. _____

_____ SHEET NO. _____

RULES AND REGULATIONS

A. MONTHLY RATES:

Rates: Monthly

5/8" x 3/4" Meter

| | | | |
|-------|----------------|---------|-------------------|
| First | 1,000 gallons | \$16.00 | Minimum Bill |
| Next | 9,000 gallons | 9.10 | per 1,000 gallons |
| Next | 10,000 gallons | 7.80 | per 1,000 gallons |
| Over | 20,000 gallons | 6.15 | per 1,000 gallons |

1 Inch Connection

| | | | |
|-------|----------------|---------|-------------------|
| First | 5,000 gallons | \$52.40 | Minimum Bill |
| Next | 5,000 gallons | 9.10 | per 1,000 gallons |
| Next | 10,000 gallons | 7.80 | per 1,000 gallons |
| Over | 20,000 gallons | 6.15 | per 1,000 gallons |

2-Inch Connection

| | | | |
|-------|----------------|----------|-------------------|
| First | 15,000 gallons | \$136.90 | Minimum Bill |
| Next | 5,000 gallons | 7.80 | per 1,000 gallons |
| Over | 20,000 gallons | 6.15 | per 1,000 gallons |

Wholesale \$2.20 per 1,000 gallons

Bulk Sales \$6.15 per 1,000 gallons

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE _____
Month / Date / Year

ISSUED BY Randell D. Byrnes
(Signature of Officer)

TITLE _____ Chairman

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. _____ DATED _____

FOR Crittenden-Livingston County, Kentucky
Community, Town or City

P.S.C. KY. NO. _____

Original SHEET NO. 5

Crittenden-Livingston County Water District
(Name of Utility)

CANCELING P.S.C. KY. NO. _____

_____ SHEET NO. _____

RULES AND REGULATIONS

DEPOSITS:

Each customer may be charged an equal deposit not to exceed 2/12 of the average annual bill.

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE _____

ISSUED BY Randell O'Byrne
Month / Date / Year
(Signature of Officer)

TITLE Chairman

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. _____ DATED _____

FOR Crittenden-Livingston County, Kentucky
Community, Town or City

P.S.C. KY. NO. _____

Original SHEET NO. 6

Crittenden-Livingston County Water District
(Name of Utility)

CANCELING P.S.C. KY. NO. _____

_____ SHEET NO. _____

RULES AND REGULATIONS

B. METER CONNECTION/TAP-ON CHARGES:

| | |
|---------------------|-------------|
| 5/8 Inch X 3/4 Inch | \$500.00 |
| All Larger Meters | Actual Cost |

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE _____
Month / Date / Year

ISSUED BY _____
(Signature of Officer)

TITLE _____ Chairman

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. _____ DATED _____

FOR Crittenden-Livingston County, Kentucky
Community, Town or City

P.S.C. KY. NO. _____

Original SHEET NO. 7

Crittenden-Livingston County Water District
(Name of Utility)

CANCELING P.S.C. KY. NO. _____

_____ SHEET NO. _____

RULES AND REGULATIONS

C. SPECIAL NON-RECURRING CHARGES:

| | |
|--|-------------|
| Connection/Turn-on Charge | 25.00 |
| Connection/Turn-on Charge (After Hours) | 35.00 |
| Field Collection Charge | 25.00 |
| Late Payment Penalty | 10% |
| Meter Relocation Charge | Actual Cost |
| Damage to Meter Setting or Lid (Field visit plus equipment replaced) | Actual Cost |
| Meter Re-read Charge | 25.00 |
| Meter Re-read Charge (After hours) | 35.00 |
| Meter Test Charge | 45.00 |
| Re-connection Charge | 45.00 |
| Re-connection Charge (After Hours) | 55.00 |
| Returned Check Charge | 25.00 |
| Service Call/Investigation | 25.00 |
| Service Call/Investigation (After Hours) | 35.00 |

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE _____

ISSUED BY Randell O'Byrne
Month / Date / Year
(Signature of Officer)

TITLE Chairman

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. _____ DATED _____

FOR Crittenden-Livingston County, Kentucky
Community, Town or City

P.S.C. KY. NO. _____

Original SHEET NO. 8

Crittenden-Livingston County Water District
(Name of Utility)

CANCELING P.S.C. KY. NO. _____

_____ SHEET NO. _____

RULES AND REGULATIONS

PURCHASED WATER RATES:

Crittenden Livingston does not purchase water..

D. LEAK ADJUSTMENTS:

Refer to Section 2 (W).

E. WHOLESALE WATER RATES:

See Sheet 4 for the current wholesale water rate.

F. FIRE SPRINKLER SYSTEM RATES.

There is no separate charge for sprinkler service.

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE _____
Month / Date / Year

ISSUED BY Randell D. Brown
(Signature of Officer)

TITLE _____ Chairman

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. _____ DATED _____

FOR Crittenden-Livingston County, Kentucky
Community, Town or City

P.S.C. KY. NO. _____

Original SHEET NO. 9

Crittenden-Livingston County Water District
(Name of Utility)

CANCELING P.S.C. KY. NO. _____

_____ SHEET NO. _____

RULES AND REGULATIONS

The following are the rules and regulations of the Crittenden-Livingston County Water District.. The schedule of rates prescribed herein will be uniformly charged to all customers of the utility. No one will receive or be entitled to free service by the utility. No employee or individual commissioner of the utility is permitted to make an exception to these rates, rules, or regulations. These rules and regulations are subject to change by the utility at any time, subject to the approval of the Public Service Commission.

A. Service Information.

1. Upon request the utility will give its customers or prospective customers such information as is reasonably possible in order that they may secure safe, efficient, and continuous service. The utility will inform its customers of any change made or proposed in the character of its service that might affect the efficiency, safety, or continuity of operation.
2. The utility will obtain the approval of the Public Service Commission prior to making any substantial change in the character of the service furnished that would affect the efficiency, adjustment, speed, or operation of the equipment or appliances of any customer. The application will show the nature of the change to be made, the number of customers affected, and the manner in which they will be affected.
3. The utility will inform each applicant for service of each type, class, and character of service available at his/her location.
4. Upon request the utility will provide the following information to any applicant/customer:
 - a) Characteristics of Water. A written description of chemical constituents and bacteriological standards of the treated water as required by the Division of Wate or other regulatory agencies..

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE _____

ISSUED BY Randell O'Byrne
Month / Date / Year
(Signature of Officer)

TITLE Chairman

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. _____ DATED _____

FOR Crittenden-Livingston County, Kentucky
Community, Town or City

P.S.C. KY. NO. _____

Original SHEET NO. 10

Crittenden-Livingston County Water District
(Name of Utility)

CANCELING P.S.C. KY. NO. _____

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- b) Rates. A schedule of rates for water service applicable to the service to be rendered to the customer.
- c) Reading Meters. Information about the method of reading meters.
- d) Bill Analysis. A statement of the past readings of a customer's meter for a period of two (2) years.

B. Special Rules or Requirements.

- 1. The utility cannot establish any special rule or requirement without first obtaining the approval of the Public Service Commission.
- 2. A customer that has complied with Public Service Commission rules and regulations cannot be denied service for failure to comply with the utility's rules that have not been approved by the Public Service Commission.
- 3. Each prospective customer desiring water service will be required to sign the utility's Water Service Contract before service is supplied by the utility.
- 4. No customer is allowed to resell water except under the terms of a special contract executed by the utility and approved by the Public Service Commission.

C. Billings, Meter Readings, and Related Information.

- 1. Information on bills. Each bill issued by the utility will clearly show the following, if applicable: class of service; present and last preceding meter readings; date of the present reading; number of units consumed; meter constant, if any; net amount for service rendered; all taxes; any adjustments; and the gross amount of the bill. The date after which a late

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payment penalty applies to the gross amount will also be indicated. Estimated or calculated bills will be distinctly marked as such. The rate schedule under which the bill is computed will be furnished under one (1) of the following methods:

- a) By printing it on the bill.
 - b) By publishing it in a newspaper of general circulation once each year.
 - c) By mailing it to each customer once each year.
 - d) By providing a place on each bill where a customer may request a copy of the applicable rates. The utility will mail the customer a copy by return first class mail.
2. Bill format. A copy of the utility's billing form will be included in the utility's tariff.
 3. Meter readings. Registration of each meter shall read in the same units as used for billing unless a conversion factor is shown on the billing form.
 4. Frequency of meter reading. Unless prevented by reasons beyond the utility's control, meter readings will be taken every month. Records will be kept by the utility to insure that this information is available to Public Service Commission staff and any customer requesting this information. If, due to reasons beyond its control, the utility is unable to read a meter in accordance with this subsection, the utility will record the date and time the attempt was made, if applicable, and the reason the utility was unable to read the meter.
 5. Related Information.
 - a) Bills and notices related to the utility's business will be mailed to the customer at the address listed on the Water Service Contract unless a change of address has been filed with the utility in writing. The utility will not otherwise be responsible for delivery of

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any bill or notice nor will the customer be excused from the payment of any bill or any performance required in the notice.

- b) Water service will be billed monthly.
- c) Bills are payable and due on the date of issuance.
- d) Payment must be received, by the due date, otherwise, the delinquent bill will be assessed the late payment penalty approved and on-file with the Public Service Commission. If the due date falls on Sunday or a holiday the customer will have until the next business day to pay before a penalty is assessed.
- e) The late payment penalty will be assessed on the delinquent amount of the bill, less taxes and any prior penalty amounts. Pursuant to 807 KAR 5:006 Section 8 (3)(h), a penalty may be assessed only once on any bill for rendered services.
- f) With the exception of existing connections, the existence of a special contract, or unusual circumstances requiring approval of the utility, a single meter can serve no more than one residential or commercial unit.
- g) For existing connections, special contracts, or other utility approved situations, where two or more units are being served by one meter, the following rules will apply:
 - 1) One bill per meter will be sent to the customer that signed the Water Service Contract.
 - 2) The bill will consist of a charge in the amount of the utility's minimum bill multiplied by the number of units the meter serves. The amount of water included with a minimum bill will be multiplied by the number of units and deducted from the total amount of consumption. The remaining consumption will be evenly distributed among each unit, added to each unit's minimum

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bill, with the charges calculated in accordance with the currently approved rate schedule.

- 3) The customer that signed the Water Service Contract will be fully and solely responsible for the charges associated with the connection including payment for all water passing through the meter, regardless of which unit is responsible for the water consumption.

D. Deposits.

1. Deposits to secure payment. The utility may require a minimum cash deposit or other guaranty to secure payment of bills.
2. Equal Deposits. An equal deposit amount for each class of customers will be established based on the average annual bill of customers in that class. Deposit amounts will not exceed two-twelfths (2/12) of the average annual bill of customers in each class where bills are rendered monthly. Deposit amounts are listed in the Rates and Charges section of this tariff.
3. Waiver of Deposits. The deposit may be waived upon a customer's showing of satisfactory credit or payment history. In determining whether a deposit will be required or waived, the following criteria will be considered:
 - a) Previous payment history with the utility. If the customer has no previous history with the utility, statements from other utilities, banks, etc. may be presented by the customer as evidence of good credit.
 - b) Whether the customer has an established income or line of credit.

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- c) Length of time the customer has resided or been located in the area.
 - d) Whether the customer owns the property to be served.
 - e) Whether another customer with a good payment history is willing to sign as a guarantor for an amount equal to the required deposit.
4. Additional deposit requirement. If a deposit has been waived or returned and the customer fails to maintain a satisfactory payment record, the utility may require that a deposit be made. The utility may require a deposit in addition to the initial deposit if the customer's classification of service changes or if there is a substantial change in usage.
 5. Receipt of deposit. The utility will issue a receipt to every customer that pays a deposit. The receipt will show the name of the customer, location of the service or customer account number, date, and amount of deposit.
 6. Deposits as a condition of service. Service may be refused or discontinued if payment of requested deposits is not made.
 7. Interest on deposits will be paid as required by law.

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Special Non-recurring Charges:

1. The utility will collect for special nonrecurring charges to recover customer-specific costs incurred which would otherwise result in monetary loss to the utility or increased rates to other customers to whom no benefits accrue from the service provided or action taken. The utility may establish or change any special nonrecurring charge by applying for Public Service Commission approval of such charge in accordance with the provisions of 807 KAR 5:011, Section 10.
2. Special nonrecurring charges will be applied uniformly throughout the area served by the utility. Such charges will relate directly to the service performed or action taken and only yield enough revenue to pay the expenses incurred in rendering the service.
3. The utility will assess a charge for the following non-recurring services:
 - a) Connection/Turn-on Charge: Will be assessed for new service turn-on, seasonal turn-on, temporary service, or transfer of service. The charge will not be made for initial installation of service where a meter connection/tap-on charge is applicable.
 - b) Field Collection Charge: Will be assessed when a utility representative visits the premises of the service connection to terminate service, and the customer is on-site and pays the bill to avoid termination of service. This fee may only be charged once per billing period.
 - c) Late Payment Penalty: Will be assessed on the delinquent amount of the bill, less taxes.
 - d) Meter Relocation Charge: Will be assessed when a customer or other authorized person requests that a meter be relocated, changed, or modified. Those requesting a change must reimburse the utility for the actual costs

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incurred, including but not limited to appropriate legal, administrative, engineering, overhead, or other related costs.

- e) Meter Re-read Charge: Will be assessed when a customer requests the utility to re-read the customer's meter and the re-read proves that the original meter reading was correct.
- f) Meter Test Charge: Will be assessed when a customer requests the utility perform a test on the customer's meter to check for accuracy, and the test shows the customer's meter is not more than two percent (2%) fast.
- g) Reconnection Charge: Will be assessed to reconnect service that has been terminated for non-payment of service or for violation of Utility or Public Service Commission rules and regulations, and will include the cost of the service trip for both the disconnection and the reconnection.
- h) Returned Check Charge: Will be assessed when a customer's check is returned, either due to insufficient funds or other reason due to customer fault.
- i) Service Call/Investigation Charge: Will be assessed when a customer requests the onsite presence of utility personnel to investigate a service problem and the problem is a result of the customer's own plumbing facilities, beyond the utility's delivery point, or not caused by failure of utility facilities. Any maintenance and repair of facilities beyond the utility's delivery point is the responsibility of the customer.

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E. Customer Complaints to the Utility. Upon complaint to the utility by a customer at the utility's office, by telephone, or in writing, the utility will make a prompt and complete investigation and advise the complainant of its findings. The utility's operator/manager will make a decision within ten (10) days, which the complainant will then have ten (10) days to appeal to the utility's board of commissioners. The customer will receive a final decision from the utility no later than thirty (30) days following the date that the complaint was made. If the complainant is not satisfied with the utility's decision, the utility will provide written notice to the complainant of his/her right to appeal the utility's decision by filing a complaint with the Public Service Commission. The utility will also provide the customer with the address and telephone number of the Public Service Commission. The utility will keep a record of all written complaints. This record will show the name and address of the complainant, the date and nature of the complaint, and the adjustment or disposition of the complaint. Records will be maintained for two (2) years from the date of resolution of the complaint.

F. Bill Adjustments:

1. Fast or slow reading meters:

- a) If upon periodic test, requested test, or complaint test, a meter in service is found to be more than two (2) percent fast, additional tests will be made to determine the average error of the meter. The tests will be made in accordance with Public Service Commission rules and regulations applicable to the type of meter involved.
- b) If test results on a customer's meter show an average error greater than two (2) percent fast or slow, or if a customer has been incorrectly billed for any other reason, except in an instance where a utility has filed a verified complaint with

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the appropriate law enforcement agency alleging fraud or theft by a customer, the utility will immediately determine the period during which the error has existed, and will recompute and adjust the customer's bill to either provide a refund to the customer or collect an additional amount of revenue from the underbilled customer. Any adjustment to the customer's account will be in accordance with the rules and regulations of the Public Service Commission pursuant to 807 KAR 5:066 Section 9(c).

- c) The utility will readjust the account based upon the period during which the error is known to have existed. If the period during which the error existed cannot be determined with reasonable precision, the time period will be estimated using such data as elapsed time since the last meter test, if applicable, and historical usage data for the customer. If that data is not available, the average usage of similar customer loads will be used for comparison purposes in calculating the time period. If the customer and the utility are unable to agree on an estimate of the time period during which the error existed, the Public Service Commission will determine the issue. In all instances of customer overbilling, the customer's account will be credited or the overbilled amount refunded at the discretion of the customer within thirty (30) days after final meter test results. A utility will not require customer repayment of any underbilling to be made over a period shorter than a period coextensive with the underbilling.

- 2. Meter read failure. When a meter has ceased to register, or a meter reading cannot be obtained, the quantity of water to be billed will be based upon an average of twelve-months' consumption. If said meter readings are not available for an entire twelve-month period, the water bill will be estimated by the utility, subject to an upward or downward adjustment once a twelve-month average of actual meter readings can be calculated.

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3. Monitoring usage. The utility will monitor a customer's usage at least annually in such a way to draw the utility's attention to unusual deviations in a customer's usage. If a customer's usage is unduly high (100% above average) and the deviation is not otherwise explained, the utility will test the customer's meter to determine whether the meter shows an average error greater than two (2) percent fast or slow.
4. Usage investigation. If the utility's procedure for monitoring usage indicates that an investigation of a customer's usage is necessary, the utility will notify the customer in writing either during or immediately after the investigation of the reasons for the investigation, and of the findings of the investigation. If knowledge of a serious situation requires more expeditious notice, the utility will notify the customer by the most expedient means available.
5. Customer notification. If a meter is tested and it is found necessary to make a refund or back bill a customer, the customer will be notified in substantially the following form:

On _____, 20____, the meter bearing identification No. ____ installed in your building located at _____ (Street and Number) in _____ (city) was tested at _____ (on premises or elsewhere) and found to register _____ (percent fast or slow). The meter was tested on _____ (Periodic, Request, Complaint) test.

Based upon this we herewith _____ (charge or credit) with the sum of \$____, which amount has been noted on your regular bill. If you desire a cash refund, rather than a credit to your account, of any amount overbilled, you must notify this office in writing within seven (7) days of the date of this notice.

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G. Status of Customer Accounts during Billing Disputes. With respect to any billing dispute, customer accounts shall be considered to be current while the dispute is pending as long as the customer continues to make undisputed payments and stays current on subsequent bills.

H. Customer's Request for Termination of Service.

1. Any customer desiring service terminated or changed from one address to another shall give the utility three (3) working days' notice in person, in writing, or by telephone, provided such notice does not violate contractual obligations. The customer will not be responsible for charges for service beyond the three- (3) day notice period if the customer provides proper notification and reasonable access to the meter during the notice period. If the customer notifies the utility of his/her request for termination by telephone, the burden of proof is on the customer to prove that service termination was requested if a dispute arises.
2. Upon request that service be reconnected at any premises subsequent to the initial installation or connection to its service lines, the utility will charge the applicant a reconnect fee as set out in this tariff and approved by the Public Service Commission.

I. Customer Relations.

1. Display of customer rights. The utility will prominently display in the office in which payment is received a copy of Customer's Rights. If a customer indicates to any utility personnel that he is experiencing difficulty in paying a current utility bill, that employee will refer the customer to the designated representative for explanation of the customer's rights.
2. Partial payment plans. The utility shall negotiate and accept reasonable partial payment plans at the request of residential customers who have received a termination notice for failure to

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pay, except that a utility is not required to negotiate a partial payment plan with a customer who is delinquent under a previous partial payment plan. Partial payment plans must be mutually agreed upon. Plans which extend for a period longer than thirty (30) days will be in writing and will advise customers that service may be terminated without additional notice if the customer fails to meet the obligations of the plan.

- 3. Utility inspections of service conditions prior to providing service. The utility will inspect the condition of the meter and service connections before providing service to a new customer so that prior or fraudulent use of the facilities will not be attributed to the new customer. The new customer will be afforded the opportunity to be present at such inspections. The utility will not be required to render service to any customer until any defects in the customer-owned portion of the service facilities have been corrected.
- 4. Prompt connection of service. The utility will reconnect existing service within twenty-four (24) hours, and will install and connect new service within seventy-two (72) hours, when the cause for refusal or discontinuance of service has been corrected and the rules and regulations of the utility and Public Service Commission have been met.
- 5. Advance termination notice. When advance termination notice is required, the termination notice will be mailed or otherwise delivered to the last known address of the customer. The termination notice will be in writing, distinguishable and separate from any bill. The termination notice will plainly state the reason for termination, that the termination date will not be affected by receipt of any subsequent bill, and that the customer has the right to dispute the reasons for termination.

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J. Refusal or Termination of Service.

1. The utility may refuse service to a customer under the following conditions:
 - a) For noncompliance with utility or Public Service Commission rules and regulations. The utility cannot refuse service to any customer for noncompliance without first having made a reasonable effort to obtain customer compliance. After such effort by the utility, service may be refused only after the customer has been given a written notice of refusal stating the reasons for refusal of service.
 - b) For dangerous conditions. If a dangerous condition exists which could subject any person to imminent harm or result in substantial damage to the property of the utility or others is found to exist on the customer's premises, then service will be refused. The utility will notify the customer in writing and, if possible, orally for the reasons for refusal of service. Such notice will be recorded by the utility and will include the corrective action to be taken by the customer before service can be provided.
 - c) For refusal of access. When a customer refuses or neglects to provide reasonable access to the premises for installation, operation, meter reading, maintenance or removal of utility property, the utility may refuse service. The utility will notify the customer in writing and, if possible, orally for the reasons for refusal of service. Such notice will be recorded by the utility and will include the corrective action to be taken by the customer before service can be provided.
 - d) For outstanding indebtedness. The utility will not furnish new service to any customer who is indebted to the utility until that customer has repaid the indebtedness.
 - e) For noncompliance with state, local, or other codes. The utility may refuse service to a customer if the customer does not comply with state, municipal or other codes, rules, and/or administrative regulations applying to such service. The utility will

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notify the customer in writing and, if possible, orally for the reasons for refusal of service. Such notice will be recorded by the utility and will include the corrective action to be taken by the customer before service can be provided.

2. Utility Initiated Termination of Service.

- a) The termination notice requirements stated herein will not apply if termination notice requirements to a particular customer or customers are otherwise dictated by the terms of a special contract between the utility and customer which has been approved by the Public Service Commission.
- b) When advance termination notice is required, the termination notice shall be mailed or otherwise delivered to the last known address of the customer. The termination notice shall be in writing, distinguishable and separate from any bill. The termination notice shall plainly state the reason for termination, that the termination date will not be affected by receipt of any subsequent bill, and that the customer has the right to dispute the reasons for termination.
- c) The utility may terminate service to a customer under the following conditions with an advance termination notice:
 - 1) For noncompliance with utility or Public Service Commission rules and regulations. The utility cannot terminate service to any customer for noncompliance without first having made a reasonable effort to obtain customer compliance. After such effort by the utility, service may be terminated only after the customer has been given at least ten (10) days written termination notice.

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- 2) For refusal of access. When a customer refuses or neglects to provide reasonable access to the premises for installation, operation, meter reading, maintenance, or removal of utility property, the utility may terminate service. Such action will be taken only when corrective action negotiated between the utility and customer has failed to resolve the situation and after the customer has been given at least ten (10) days' written notice of termination.
 - 3) For noncompliance with state, local, or other codes. The utility may terminate service to a customer that does not comply with state, municipal, and/or other codes, rules, and regulations that apply to such service. A utility may terminate service only after ten (10) days' written notice of termination is provided unless ordered to terminate immediately by a governmental official.
 - 4) For nonpayment of bills. The utility may terminate service for nonpayment of charges incurred for utility services. The utility may terminate service only after five (5) days' written notice of termination is provided, and after twenty (20) days have elapsed since the mailing date of the original unpaid bill.
- d) The utility may terminate service to a customer if the following conditions exist without an advance termination notice. Within twenty-four (24) hours after such termination, the utility shall send written notification to the customer of the reason(s) for termination upon which the utility relies, and of the customer's right to challenge the termination by filing a formal complaint with the Public Service Commission. The utility will not restore service until the customer agrees to comply with all rules and regulations of the utility and Public Service Commission.
- 1) For illegal use or theft of service. The utility may terminate service to a customer without advance notice if it has evidence that a customer has obtained unauthorized service by illegal use or theft. This right of termination

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is separate from and in addition to any other legal remedies that the utility may pursue for illegal use or theft of service.

- 2) For dangerous conditions. If a dangerous condition relating to the utility's service which could subject any person to imminent harm or result in substantial damage to the property of the utility or others is found to exist on the customer's premises, then service will be terminated immediately. Upon termination the utility will leave notification at the customer's dwelling and, if possible, orally contact the customer to inform him/her of the reasons for the termination. Such notice will be recorded by the utility and will include the corrective action to be taken by the customer or utility before service can be restored.
- 3) Unapproved Extensions and/or Additions. Any extension or additions to an existing service connection that have not been approved by the utility will be considered theft of service, and will constitute grounds for termination of service. This right of termination is separate from and in addition to any other legal remedies that the utility may pursue for illegal use or theft of service.
- 4) Misrepresentation. Any misrepresentation in the application or contract as to the property or fixtures to be supplied or additional use to be made of water will constitute grounds for termination of service, and the customer shall be liable for any damage to any of the utility's facilities or equipment.
- 5) Failure to Report Changes. Failure to notify the utility of additions to the property or fixtures to be supplied or additional use to be made of water will constitute grounds for termination of service.

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- 6) Resale of Water. Under no circumstances will a customer be allowed to resell or give away water except under the terms of a special contract executed by the utility and approved by the Public Service Commission. Failure to comply with this rule will constitute grounds for termination of service.
 - 7) Waste or Misuse. Waste or misuse of water due to improper or imperfect service pipes and/or failure to keep said pipes in suitable state of repair will constitute grounds for termination of service.
 - 8) Tampering with meter, meter seal, service, valves, or other system facilities, or permitting such tampering by others will constitute grounds for termination of service.
 - 9) Connections, cross-connections, or permitting the same, of any separate water supply to premises that receive water from the utility will constitute grounds for termination of service.
- e) The utility will not terminate service to a customer if the following conditions exist:
- 1) If payment for services is made. Service will not be terminated to a customer that was sent a termination notice if the customer delivers full payment to the utility prior to the actual termination of service.
 - 2) If a partial payment agreement is in effect. Service will not be terminated for nonpayment if the customer and the utility have entered into a partial payment plan and the customer is meeting the requirements of the plan.

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ISSUED BY Randell D. [Signature]
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P.S.C. KY. NO. _____

Original SHEET NO. 27

Crittenden-Livingston County Water District
(Name of Utility)

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- 3) If a medical certificate is presented. Service will not be terminated for thirty (30) days beyond the termination date if a physician, registered nurse or public health officer certifies in writing that termination of service will aggravate a debilitating illness or infirmity on the affected premises. The utility may refuse to grant consecutive extensions for medical certificates past the original thirty (30) days unless the certificate is accompanied by an agreed partial payment plan. The utility will not require a new deposit from a customer to avoid termination of service for a thirty (30) day period who presents to the utility a medical certificate certified in writing by a physician, registered nurse or public health officer.

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RULES AND REGULATIONS

K. Meter Testing.

1. Water meters will be tested before being installed for use by any customer. The water meter will be in good working order and adjusted as close to the optimum operating tolerance as possible, in accordance with 807 KAR 5:022, Section 8(3)(a), 807 KAR 5:041, Section 17(1)(a)-(c) and 807 KAR 5:066, Section 15(2)(a)-(b).
2. The utility may have all or part of its meter testing performed by another utility or agency approved by the Public Service Commission. The utility will notify the Public Service Commission of the make, type, and serial number of standards used for testing.
3. The utility cannot place in service any basic measurement standard unless the Public Service Commission has approved the calibration. The Public Service Commission will be notified promptly of the adoption or deletion of any basic standards requiring approval of the calibration.
4. Meter testers must be certified by the Public Service Commission. Certified meter testers will perform tests as necessary to determine the accuracy of the utility's meters and to adjust the utility's meters to the degree of accuracy required by the rules and regulations of the Public Service Commission.

L. Meter Test Records.

1. A complete record of all meter tests and adjustments and data sufficient to allow checking of test calculations will be recorded by the meter tester. Such record will include: information to identify the unit and its location; date of tests; reason for such tests; readings before and after test; statement of "as found" and "as left" accuracies sufficiently complete to permit checking of calculations employed; notations showing that all required checks have been made; statement of repairs made, if any; identifying number of the meter; type and capacity of the

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meter; and the meter constant. The complete record of tests of each meter will be continuous for at least two (2) periodic test periods and will in no case be less than two (2) years.

2. The utility will keep numerically arranged and properly classified records for each meter owned, used and inventoried by the utility. The identification number, date of purchase, name of manufacturer, serial number, type, rating, and name and address of each customer on whose premises the meter has been in service with date of installation and removal will be included in the records. These records will also contain condensed information concerning all tests and adjustments including dates and general results of such adjustments. The records will reflect the date of the last test and indicate the proper date for the next periodic test required by the applicable Public Service Commission rule and/or regulation.
3. Upon completion of adjustment and test of any meter pursuant to Public Service Commission rules and regulations, the utility will affix to the meter a suitable seal in such a manner that adjustments or registration of the meter cannot be altered without breaking the seal.

M. Customer Requested Meter Tests.

1. The utility will make a test of any meter upon written request of any customer if the request is not made more frequently than once every twelve- (12) months. The customer shall be given the opportunity to be present at the requested test. If the test shows that the meter was not more than two (2) percent fast, the utility will make a reasonable charge for the test, the amount being approved by the Public Service Commission and set out in the utility's tariff.
2. After having first obtained a test from the utility, any customer of the utility may request a meter test by the Public Service Commission upon written application. Such request shall not be made more frequently on one (1) meter than once every twelve- (12) months.

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N. Access to Property.

1. The utility shall at all reasonable hours have access to meters, service connections, and other property owned by it and located on customer's premises for purposes of installation, maintenance, meter reading, operation, replacement or removal of its property at the time service is terminated. Any employee of the utility whose duties require him/her to enter the customer's premises will wear a distinguishing uniform or other insignia identifying him/her as an employee of the utility, or show a badge or other identification which will identify him/her as an employee.
2. Obtaining easements and right-of-ways necessary to extend service will be the responsibility of the utility.
3. All customers must grant, convey, or cause to be granted or conveyed to the utility a perpetual easement and right-of-way across any property owned or controlled by the customer wherever necessary for the utility's facilities in order to provide service.
4. The utility cannot require a prospective customer to obtain easements or rights-of-way on property not owned by the prospective customer as a condition for providing service. However, the cost of obtaining easements or rights-of-way will be included in the total per foot cost of an extension, and will be apportioned among the utility and customer in accordance with the applicable extension administrative regulation.

O. Location of Records. All records required by Public Service Commission rules and regulations will be kept in the office of the utility and will be made available to representatives, agents or staff of the Public Service Commission upon reasonable notice at all reasonable hours.

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P. Safety Program. The utility will adopt and execute a safety program, appropriate to the size and type of its operations. At a minimum, the safety program will:

1. Establish a safety manual with written guidelines for safe working practices and procedures to be followed by utility employees.
2. Instruct employees in safe methods of performing their work.
3. Instruct employees whom, in the course of their work, are subject to the hazard of electrical shock, asphyxiation or drowning, in accepted methods of artificial respiration.

Q. System Inspections.

1. The utility will adopt inspection procedures to assure safe and adequate operation of its facilities and compliance with Public Service Commission rules and regulations. These procedures will be filed with the Public Service Commission for review.
2. Upon receipt of a report of a potentially hazardous condition at any utility facility made by a qualified employee, public official, or customer, the utility will inspect all portions of the system which are the subjects of the report.
3. Appropriate records will be kept by the utility to identify the inspection made, deficiencies found and action taken to correct the deficiencies.
4. Inspections. The utility will make systematic inspections of its system in the manner set out below to insure that the Public Service Commission's safety requirements are being met. These inspections will be made as often as necessary but not less frequently than is set forth below for various classes of facilities and types of inspection.

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- a) The utility will annually inspect all structures pertaining to source of supply for their safety and physical and structural integrity, including dams, intakes, and traveling screens. The utility will semiannually inspect supply wells, their motors and structures, including electric power wiring and controls for proper and safe operation.
- b) The utility will annually inspect all structures pertaining to purification for their safety, physical and structural integrity and for leaks, including sedimentation basins, filters, and clear wells; chemical feed equipment; pumping equipment and water storage facilities, including electric power wiring and controls; hydrants, mains, and valves.
- c) The utility will monthly inspect construction equipment and vehicles for defects, wear, operational hazards, lubrication, and safety features.

R. Reporting of Accidents, Property Damage, or Loss of Service.

- 1. Within two (2) hours following discovery the utility will notify the Public Service Commission by telephone or electronic mail of any utility related accident which results in:
 - a) Death; or shock or burn requiring medical treatment at a hospital or similar medical facility, or any accident requiring inpatient overnight hospitalization;
 - b) Actual or potential property damage of \$25,000 or more; or
 - c) Loss of service for four (4) or more hours to ten (10) percent or 500 or more of the utility's customers, whichever is less.
- 2. A summary written report will be submitted by the utility to the Public Service Commission within seven (7) calendar days of the utility related accident.

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S. Continuity of Service.

1. Emergency interruptions. The utility will make all reasonable efforts to prevent interruptions of service and when such interruptions occur will endeavor to reestablish service with the shortest possible delay consistent with the safety of its consumers and the general public. If an emergency interruption of service affects service to any public fire protection device, the utility will immediately notify the fire chief or other public official responsible for fire protection.
2. Scheduled interruptions. If the utility finds it necessary to schedule an interruption of its service, it will notify all customers to be affected by the interruption, stating the time and anticipated duration of the interruption. Whenever possible, scheduled interruptions will be made at hours of least inconvenience to customers. If public fire protection is provided by mains affected by the interruptions, the utility will notify the fire chief or other officials responsible for fire protection of the interruption, stating the time and anticipated duration. The fire chief or other official responsible for fire protection will be notified immediately upon restoration of service.
3. Record of interruptions. The utility will keep a complete record of all interruptions on its entire system. This record will show the cause of interruption, date, time, duration, remedy and steps taken to prevent recurrence.

T. Pressures.

1. Standard pressure. The utility will maintain a standard pressure in its distribution system at locations to be designated as the point or points of "standard pressure." The selection of such points will be confined to locations fairly representative of average conditions. In selecting points for fixed standard pressure, the utility may divide its distribution system into districts

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- if division is necessary due to differences of elevation or loss of pressure because of friction, or both, and may either adopt a standard pressure for each division or establish a single standard pressure for its distribution system as a whole. In no case will the constant difference between the highest and lowest pressures in a district for which a standard has been adopted exceed fifty (50) percent of such standard. The utility may, in extenuating circumstances, furnish service that does not comply with the foregoing specifications if the customer is fully advised of the conditions under which average service may be expected. The Public Service Commission, upon investigation, may require improvements when it appears right and proper that such upgrades should be made
2. Pressure surveys. At least once a year the utility will make a survey of pressures in its distribution system of sufficient magnitude to indicate the quality of service being rendered at representative points in its system. Pressure charts for these surveys will show the date and time of beginning and end of the test and the location at which the test was made. Records of these pressure surveys will be maintained at the utility's office and will be made available to the Public Service Commission upon request.

U. Service Lines & Connections.

1. The utility will furnish and install at its own expense for the purpose of connecting its distribution system to the customer's premises that portion of the service connection from its main to and including the meter and meter box. The utility will recoup this expense from the customer in accordance with KRS 278.0152.
2. In areas where the distribution system follows well-defined streets and roads, the customer's point of service will be located at that point on or near the street right-of-way or property line most accessible to the utility from its distribution system. In areas where the distribution

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system does not follow streets and roads, the point of service will be located as near the customer's property line as practicable. Prior to installation of the meter the utility will consult with the customer as to the most practical location. If possible meters will be installed within 5 feet of the existing water main or the applicant's property at a point which his closest to the existing water main.

3. Depth of service line. All service lines must be laid at a sufficient depth (a minimum of 24 inches) to prevent freezing during the coldest weather normally experienced except where services are not intended for use during freezing weather and are actually drained during such periods.
4. A plumbing permit from the appropriate regulatory agency is required before the utility can establish service.
5. The applicant/customer must furnish and lay the necessary pipe to make the connection from the point of service to the point of usage and be financially responsible for all costs associated with the installation and maintenance of his/her service line plumbing, including a shut-off valve and one-way check valve, installed on his/her property beginning at the outlet side of the water meter. The service line must be kept in good repair and in accordance with utility and Public Service Commission rules and regulations.
6. The installation and maintenance of the water service line must be in accordance with the rules and regulations of the Kentucky Department of Health.
7. A cross-connection of the utility's system with any other source is strictly prohibited.
8. A well that has or is being used on the premises must be inspected by utility personnel to verify disconnection and separation.
9. The utility will not set a meter on a customer's service line at a point that does not deliver 30 psig at the meter.

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10. If the applicant/customer's point of usage is at a higher elevation than the meter, the customer should consult with a reputable engineering firm to properly size the service line from the meter to the point of usage.
11. Should an applicant/customer desire a higher pressure due to location or other need, provisions must be made by the applicant for an individual pressure booster system. The manner of connection, location cross-connection protection and type is subject to approval by the utility. The utility reserves the right to require discontinuance and disconnection should the private booster system have a detrimental effect on the utility's system.
12. Piping on the premises of the applicant/customer must be installed so that connections are conveniently located with respect to the utility's lines and mains. A place must be provided for metering that is unobstructed and accessible at all times.
13. The utility may require the applicant/customer may, at his/her own expense, to install a back-flow preventor and/or pressure regulator.
14. All meters will be installed, renewed, and maintained at the expense of the utility, and the utility reserves the right to approve the size and type of meter used.
15. All taps and connections to the mains of the utility must be made by and/or under the direction and supervision of utility personnel and will incur a meter connection/tap-on charge, an amount that has been approved by the Public Service Commission for such service. Payment of this fee is for the privilege of connecting to the water system and the payment of the fee does not constitute the purchase of a water meter.
16. Should an applicant requesting a 5/8" x 3/4" meter require service on the opposite side of the road from the water main, the utility will provide the service at no additional cost to the customer other than the standard meter connection/tap-on charge. All larger size meters will

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be charged the actual cost of installing the meter, including, when applicable, the additional costs for crossing the road.

- 17. Any customer having boilers and/or pressure vessels that receive water from the utility must have a check valve on the water supply line and a vacuum valve on the steam line in order to prevent a collapse were the water supply from the utility be interrupted or discontinued.
- 18. Any customer desiring nonstandard service shall pay the cost of any special installation necessary to meet his particular requirements for service other than standard water taps. This includes fire hydrants, check valves, pressure reducing valves when pressure is less than 100 psi, and surge relief valves.

W. Leak Adjustments. The District allows one leak adjustment per customer annually. The leak adjustment is made by determining the customers average usage for the prior six months. The monthly average is charged at the current retail rates. All water used in excess of the prior 6 month average will be billed at the currently approved wholesale rate..

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X Ownership of Mains, Services, and Appurtenances:

1. All mains, valves, crossings, and other appurtenances are and shall remain the property of the utility, whether installed by the utility or the customer.
2. All service lines from the main to the meter with appurtenances are and shall remain the property of the utility, whether installed by the utility or the customer.
3. The customer shall install, own, and maintain his/her service line from the meter (or point of delivery) to the point of usage.

Y. Notification of System Problems. The customer shall notify the utility immediately should the service be unsatisfactory for any reason, or should there be any defects, problems, trouble, or accidents affecting the water system.

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Z. Legal Disclaimers.

1. The utility shall in no event be held responsible for any claims made against it for reasons of system failure or interruption of service. No persons shall be entitled neither to damages nor for any portion of a payment refunded for any system failure or interruption of service which in the opinion of the utility is deemed necessary.
2. No person shall maliciously, willfully, or negligently break, damage, destroy, uncover, deface, or tamper with any structure appurtenance or equipment which is a part of the utility's water system. Any person violating this provision will be subject to all legal remedies accorded the district and/or discontinuance of water service and shall pay the cost of repairing or replacing the utility's facilities.
3. If any loss or damage to the property of the utility or any accident or other injury to persons or property is caused by or results from the negligence or wrongful action of a customer, members of his/her household, his/her agent or employee, the cost of necessary repairs or replacements shall be paid by the customer of the utility and any liability otherwise resulting shall be that of the customer.
4. For purposes of fire protection, including any customer's fire protection system, the utility cannot guarantee a water supply at any particular flow rate or pressure. The fire flow may vary depending upon other water demands on the system, various water facility limitations, or other circumstances. The customer will indemnify and hold harmless the utility and its employees from and against all claims, damages, losses, and expenses incurred as a result of insufficient water supply or deficient system facilities.

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AA. Fire Departments. For the purpose of off-setting fifty percent or more of its operation expenses, any fire department not receiving public funds from the Commonwealth of Kentucky, or any political subdivision thereof, may withdraw water from the utility's facilities at no charge, for the extinguishing of fires or the training of firemen. A fire department making such withdrawals shall provide an estimate of its withdrawals to the utility at the end of each month.

AB. Provisions for Standard Service, Non-Standard Service and Fire Protection:

Standard Service (Standard Water Tap)

1. Based on information provided by the customer, the standard size for a water tap shall be established by the district. Each customer's meter shall be properly sized to measure all water usage of the customer as determined by the utility. The meter installation cost to meet the standard service size for each customer shall be paid for by each customer at the district's established connection fee for the meter size required and as approved by the Public Service Commission.
2. Should a customer's rate of water flow and usage change such that the water meter will not accurately measure the water used, the customer shall be responsible for paying the utility's established connection fee based on the meter size required to accurately measure water used. The utility will refund to the customer the salvage value of the original metering equipment that can be recovered and reused.
3. Any existing or proposed connection which has minimum and/or maximum flow rates that do not fall within the range defined below for a Standard Service shall be considered a Non-Standard Service. The range of flow rates for a Standard Service with a particular meter size shall be as follows:

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- a. Any service connection that involves fire protection facilities is a Non-standard Service.
- b. No unmetered water connection to the district's water mains will be allowed. All fire line service connections shall be metered.

AC. Non-Standard Service

A customer shall make application for service and pay the actual cost of any special installation necessary to meet his particular requirements for service other than standard water tap.

AD. Fire Protection

- 1. In accordance with 807 KAR 5:066 Section 10(2)(b), a new fire hydrant will not be installed unless:
 - a) A professional engineer with a Kentucky registration has certified that the system can provide a minimum fire flow of 250 gallons per minute, and
 - b) The system supporting this flow has the capability of providing this flow for a period of not less than two (2) hours plus consumption at the maximum daily rate.

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2. The location, installation, and the responsibility for maintenance of fire hydrants, public and private fire protection facilities, connecting mains, and their ownership may be subject to negotiation between the utility and the applicant/customer. Fire hydrants and public and private fire protection facilities shall be installed as required by the utility and if owned by the utility shall be subject to any conditions the Public Service Commission may impose, based upon the compensation received for this service.
3. The district will install fire hydrants for the city and county fire departments, or others provided the district is reimbursed for the cost of the installation and the flow rate as required by the Public Service Commission can be met.
4. While fire hydrants are provided as a service to the public within the district's service area, because of the potential for damage to the district's system and unmetered use of water at fire hydrants installed directly on the district's water mains, these fire hydrants are only to be used and operated for fighting fires by the fire department.
5. As a service to the public within its service area and for fire protection of the public welfare, the district will furnish water to fight a fire from a fire hydrant connected directly to the district's water main at each fire location free of charge for a period not to exceed 4 hours total usage as defined below. In the event that more than 4 hours of usage occurs in fighting a fire, the owner of the property where the fire occurs shall pay for all usage in accordance with the district's standard water rate as in effect on the date of the fire and approved by the PSC.
6. Fire hydrants shall not be used by any contractor, property owner, governmental agency, individual corporation or others to secure water for any purpose. The use of a fire hydrant by anyone other than properly authorized fire department personnel for fighting a fire shall be considered a "theft of service" and prosecuted in accordance with the laws of the Commonwealth of Kentucky. The user shall pay the district a meter investigation charge as

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Crittenden-Livingston County Water District
(Name of Utility)

CANCELING P.S.C. KY. NO. _____

_____ SHEET NO. _____

RULES AND REGULATIONS

set forth in the district's special services as approved by the PSC, any damages to the district's property, and the full cost of services fraudulently obtained with all other applicable costs of the district allowed under the laws of the Commonwealth of Kentucky.

- 7. The fire department utilizing fire hydrants connected to the district's water main shall maintain a record of any water used, including date, location, the time that the fire department began pumping water, the time that the fire department discontinued pumping water, the approximate rate(s) of flow, the length of any interruptions in pumping water, the cause of the fire, and property owner for whom the water was used and shall file a report with the district monthly. The record of the fire departments usage for the service zone will be used in determining the amount of water used to fire fight a fire.
- 8. The district does not guarantee a water supply including the supply to the customer's fire protection system at any particular flow rate or pressure. The fire flow may vary depending on other water demands in the system, various water facility limitations, or other circumstances (including but not limited to power failure, water main/line breakage, etc.). The customer will indemnify and hold harmless the district and its employees from and against all claims and damages, loses, and expenses incurred as a result of insufficient water supply including supply to the customer's fire protection system or any failure of the detector check valve installation, metering equipment, and/or appurtenances.
- 9. For purposes of Fire Protection the following definitions shall apply;
 - a. A "fire" as used hereinabove shall include any conflagration on publicly or privately owned property. Any re-ignition of a previously extinguished conflagration on the same property shall be considered a single fire and any fire resulting from the same cause shall be considered a single fire except that a fire on property owned by a different person or entities shall be considered separate fires.

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE _____
Month / Date / Year

ISSUED BY Randell O'Boyan
(Signature of Officer)

TITLE Chairman

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

FOR Crittenden-Livingston County, Kentucky
Community, Town or City

P.S.C. KY. NO. _____

Original SHEET NO. 44

CANCELING P.S.C. KY. NO. _____

_____ SHEET NO. _____

Crittenden-Livingston County Water District
(Name of Utility)

RULES AND REGULATIONS

- b. "Hours of usage" as used hereinabove is measured from the time the fire department begins pumping water at the scene of the fire until the fire department ceases pumping water to the fire. In the event the fire department ceases pumping water for a period of time but later continues pumping to the same fire, the "hours of usage" shall be tolled while not pumping occurs and continue to accumulate after pumping continues. Any partial hours are rounded to the nearest hour.

AE. Classification of Water Service for Purposed of Determining Exemptions from Sales and use Tax.

1. Residential Classification

- a. Use as a dwelling unit constituting a separate independent housekeeping establishment which is separately metered and occupied by one or more persons as a single housekeeping unit shall be deemed residential use. The name in which an account is established or billed is a non-determining factor and the structure to which service is to be provided may be under construction, occupied or unoccupied.
- b. Agriculture use when provided through the same meter utilized by the dwelling structure on the property shall be deemed residential use.
- c. Water meter service installed on property that is intended for future residential use, whether the customer's service line is connected initially or planned to be connected in the future, shall be considered residential use.

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE _____

ISSUED BY Randell Chapman _____
Month / Date / Year
(Signature of Officer)

TITLE Chairman _____

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

FOR Crittenden-Livingston County, Kentucky
Community, Town or City

P.S.C. KY. NO. _____

Original SHEET NO. 45

CANCELING P.S.C. KY. NO. _____

_____ SHEET NO. _____

Crittenden-Livingston County Water District
(Name of Utility)

RULES AND REGULATIONS

2 Non-residential Classification

- a. Any use other than a residential use as defined in Section A, including specifically, but not by way of limitation, industrial and business usage.
- b. Mobile home parks served by a single master meter.
- c. Multiple dwelling units within one structure when all dwelling units are served by a single meter.

3 Determination of Usage The determination of usage as to whether residential or nonresidential is based upon the principle purpose for which the water service when it was initially installed or for which the structure is being or has been constructed until the utility has been notified by the owner in writing that the purpose for which the water service was installed has changed.

AF. Water Main Extensions.

- 1. Applicability. An extension of fifty (50) feet or less shall be made by a utility to its existing distribution main without charge for a prospective customer who shall apply for and contract to use service for one (1) year or more.
- 2. No water distribution main extension shall be constructed or connected to Crittenden-Livingston Water District's water distribution system without first obtaining the district's approval.

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE _____

ISSUED BY Randall O. Bryan
Month / Date / Year
(Signature of Officer)

TITLE Chairman

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. _____ DATED _____

FOR Crittenden-Livingston County, Kentucky
Community, Town or City

P.S.C. KY. NO. _____

Original SHEET NO. 46

CANCELING P.S.C. KY. NO. _____

_____ SHEET NO. _____

Crittenden-Livingston County Water District
(Name of Utility)

RULES AND REGULATIONS

- 3. The provisions of Administrative Regulation 807 KAR 5:066, Section 11 (1) shall govern refunds for any water distribution main extension that an applicant or group of applicants constructs and donates to the district.
- 4. For a group of applicants who desire the District to extend service to their homes:
 - (a) Crittenden-Livingston will prepare an estimate of the cost of the proposed water main extension and will advise in writing all persons who may receive water service from the proposed extension of the estimated cost and the estimated required contribution if they elect to receive water service from the extension.
 - (b) Any person who desires service from the proposed water main extension shall execute a written agreement with Crittenden-Livingston to pay his or her share of the required customer contribution for the water distribution main extension and to agree to take water service from the district for period of not less than one (1) year beginning no later than six (6) months from the date of the water distribution main extension's completion. The written agreement shall provide that the applicant shall have the right to rescind the written agreement at his or her option, if the projected final cost of the extension exceeds the preliminary estimate provided at the time of the written agreement's execution.
 - (c) Upon determining the final cost of the extension, the district shall advise in writing each person who has executed a written agreement of his or her required contribution. This customer shall have thirty (30) days from the date of the notice to pay his or her contribution and tap-on fee. If any applicant who has executed a written agreement regarding the main extension elects to rescind his or her agreement or otherwise fails to comply with the terms of the written agreement, the district may cease all extension efforts and terminate the proposed extension. In

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE _____
Month / Date / Year

ISSUED BY Randall D. Boyer
(Signature of Officer)

TITLE Chairman

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

FOR Crittenden-Livingston County, Kentucky
Community, Town or City

P.S.C. KY. NO. _____

Original SHEET NO. 47

CANCELING P.S.C. KY. NO. _____

_____ SHEET NO. _____

Crittenden-Livingston County Water District
(Name of Utility)

RULES AND REGULATIONS

such event, the district shall refund all amounts collected from applicants for the proposed extension

- (d) In all extensions the utility shall pay 50 foot per applicant. In addition to payment of a required contribution, any person connecting to a water distribution main shall pay other required charges and fees, to include a tap fee.

If Crittenden-Livingston determines that a larger size line is needed for future growth or infrastructure improvements, Crittenden-Livingston will pay the difference between the cost for the line to service the extension and the larger size line needed for general system improvements.

5. Nothing contained herein shall be construed to prohibit the utility from making extensions under different arrangements if such arrangements have received the prior approval of the Public Service Commission.

AG. Extension Procedures for Developers and/or New Subdivisions.

1. Nothing contained herein shall be construed to prohibit the utility from contracting to make extensions under different arrangements for a developer.
2. An applicant desiring an extension to a real estate subdivision may be required to pay the entire cost of the extension. Under this plan, annually for a refund period of ten (10) years, the utility will refund to the applicant who paid for the extension a sum equal to the cost of fifty (50) percent of the current connection charge for each meter.

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE _____
Month / Date / Year

ISSUED BY Randell O'Byrne
(Signature of Officer)

TITLE Chairman

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. _____ DATED _____

COMPARATIVE TARIFF

CRITTENDEN LIVINGSTON COUNTY WATER DISTRICT

A. MONTHLY RATES:

Rates: Monthly

5/8" x 3/4" Meter

Current

Proposed

| | | | | |
|-------|----------------|------------------|---------|-------------------|
| First | 1,000 gallons | 14.02 | \$16.00 | Minimum Bill |
| Next | 9,000 gallons | 6.73 | 9.10 | per 1,000 gallons |
| Next | 10,000 gallons | 5.62 | 7.80 | per 1,000 gallons |
| Over | 20,000 gallons | 4.41 | 6.15 | per 1,000 gallons |

1 Inch Connection

| | | | | |
|-------|----------------|------------------|---------|-------------------|
| First | 5,000 gallons | 40.94 | \$52.40 | Minimum Bill |
| Next | 5,000 gallons | 6.73 | 9.10 | per 1,000 gallons |
| Next | 10,000 gallons | 5.62 | 7.80 | per 1,000 gallons |
| Over | 20,000 gallons | 4.41 | 6.15 | per 1,000 gallons |

2-Inch Connection

| | | | | |
|-------|----------------|-------------------|----------|-------------------|
| First | 15,000 gallons | 102.69 | \$136.90 | Minimum Bill |
| Next | 5,000 gallons | 5.62 | 7.80 | per 1,000 gallons |
| Over | 20,000 gallons | 4.41 | 6.15 | per 1,000 gallons |

Wholesale \$2.20 per 1,000 gallons

Bulk Sales ~~4.12~~ \$6.15 per 1,000 gallons

Please see customer notice for comparison of non recurring charges

NOTICE

Crittenden-Livingston County Water District has filed an application with the Public Service Commission to increase its rates for water service, within 30 days from filing its application as follows:

| Current Rates | | Proposed Rates | |
|---------------|---------|----------------|---------|
| First 1,000 | \$14.02 | First 1,000 | \$16.00 |
| Next 9,000 | 6.73 | Next 9,000 | 9.10 |
| Next 10,000 | 5.62 | Next 10,000 | 7.80 |
| Over 20,000 | 4.41 | Over 20,000 | 6.15 |
| Bulk Sales | 4.12 | | 6.15 |
| Wholesale | 2.20 | | 2.20 |

Minimum bills for customers on a one inch meter will increase from \$40.94 to \$52.40 and customers using a two inch meter will receive an increase in the minimum bill from \$102.69 to \$136.90. Based on the rates proposed by Crittenden-Livingston, customers connected to a 5/8 inch meter using 5,000 gallons will pay \$52.40 an increase of \$11.46 or 28 percent.

Crittenden-Livingston has also filed with the Commission to establish and increase certain non recurring charges as shown below:

| Service | Current Charge | Proposed Charge |
|-----------------------------------|----------------|-----------------|
| 5/8 x 3/4 Inch Meter Installation | \$400 | \$500 |
| 1" Meter Installation | 450 | Actual Cost |
| 1 1/2 Inch Meter Installation | 600 | Actual Cost |
| 2" Meter Installation | 800 | Actual Cost |
| Meter Test | 2.00 | 45.00 |
| Reconnection Fee | 25.00 | 45.00 |
| Connection/Turn On | 10.00 | 25.00 |
| Turn On/After Hours | 0 | 35.00 |
| Field Collection | 0 | 25.00 |
| Meter Relocation | 0 | Actual Cost |
| Damage to Meter or Lid | 0 | Actual Cost |
| Meter Reread | 0 | 25.00 |
| Meter Reread after hours | 0 | 35.00 |
| Reconnection/After Hours | 0 | 55.00 |
| Service Call | 0 | 25.00 |
| Service Call/After Hours | 0 | 35.00 |

The rates contained in this notice are the rates proposed by Crittenden Livingston County 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 change is given. A motion to intervene shall be made in writing and submitted to the Executive Director, Public Service Commission, P.O. Box 615, Frankfort, Kentucky 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 620 East Main Street, Salem, Kentucky 42078. Upon request from an intervenor, the District shall furnish to the intervenor a copy of the application and supporting documents.

CRITTENDEN LIVINGSTON COUNTY WATER DISTRICT

STATEMENT OF OPERATING REVENUES AND EXPENSES

| | 2004 | | Adjusted |
|-------------------------------|--------------|-----------|--------------|
| Operating Revenue | | | |
| Retail Sales | \$ 985,732 | \$ 78,205 | \$ 1,063,937 |
| Wholesale | 400,995 | | 400,995 |
| Forfeited Discounts | 24,806 | | 24,806 |
| Miscellaneous | 23,755 | | 23,755 |
| Interest Income | 8,229 | | 8,229 |
| Total Operating Revenue | \$ 1,443,516 | | \$ 1,521,722 |
| Operating Expenses | | | |
| Salaries and Wages | | | |
| Operation and Maintenance | \$ 129,712 | | \$ 129,712 |
| Transmission and Distribution | 86,476 | | 86,476 |
| Customer Accounts | 40,149 | | 40,149 |
| Administrative and General | 52,503 | | 52,503 |
| Pensions and Benefits | | | |
| Operation and Maintenance | 22,005 | | 22,005 |
| Transmission and Distribution | 14,670 | | 14,670 |
| Customer Accounts | 6,811 | | 6,811 |
| Administrative and General | 8,907 | | 8,907 |
| Purchased Water | 2,509 | | 2,509 |
| Purchased Power | 69,492 | 5,912 | 75,404 |
| Chemicals | 71,880 | 5,171 | 77,051 |
| Materials and Supplies | 15,327 | | 15,327 |
| Contractual Services | | | |
| Accounting | 12,514 | | 12,514 |

CRITTENDEN LIVINGSTON COUNTY WATER DISTRICT

PROJECTED INCREASE IN CHEMICALS AND POWER

| | | |
|------------------------------------|----|-------------|
| Test Year Total Water Sales | | 295,875,186 |
| Projected Sales with New Customers | | 321,046,550 |
| Test Year Chemical Costs | \$ | 71,880 |
| TY Cost Per 1,000 | | 0.24 |
| Projected Costs | \$ | 77,051 |
| Test Year Power Costs | \$ | 69,492 |
| TY Cost per 1,000 | | 0.23 |
| Projected Costs | \$ | 75,404 |

| Crittenden Livingston Water District | | | | | | |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Income Statement | | | | | | |
| | Actual | | | | | |
| | 2005 | | | | | |
| | January | February | March | April | May | Total |
| Statistics | | | | | | |
| Gallons Treated | 33,250,000 | 28,487,000 | 33,032,000 | 31,060,000 | 34,150,000 | 169,979,000 |
| Avg. Gal Treated/Day | 1,072,580 | 1,017,392 | 1,085,548 | 1,035,333 | 1,101,612 | |
| Maximum Day Pumpage | 1,318,000 | 1,234,000 | 1,282,000 | 1,228,000 | 1,308,000 | |
| Leaks | 2 | 1 | 0 | 0 | 1 | |
| Number of Active Customers | 2,553 | 2,588 | 2,684 | 2,590 | 2,653 | |
| Financials | | | | | | |
| Revenue | | | | | | |
| Water Revenue | 100,998.32 | 71,633.78 | 73,180.34 | 74,026.12 | 81,808.18 | 401,644.75 |
| Wholesale Sales | 29,925.41 | 29,138.65 | 28,386.83 | 31,701.86 | 30,672.64 | 149,835.49 |
| Reconnects | 100.00 | 1,050.00 | 760.00 | 760.00 | 650.00 | 3,310.00 |
| Penalties | 1,948.12 | 2,314.89 | 2,477.49 | 1,576.88 | 2,803.62 | 11,220.88 |
| Total Revenue | 132,971.85 | 104,137.32 | 104,804.66 | 108,084.74 | 116,032.35 | 566,010.92 |
| Expenses | | | | | | |
| Maintenance Expenses | | | | | | |
| Trans. & Dist. - Main Maintenance | 1,843.06 | 847.94 | (1,663.10) | (894.55) | | 193.35 |
| Trans. & Dist. - Service Maintenance | 1,144.56 | 453.72 | 747.98 | 568.24 | 44.28 | 2,958.76 |
| Trans. & Dist. - Plant Maintenance | 5,801.00 | | | | | 5,801.00 |
| Meter Maintenance | 264.84 | | | 19.69 | 1,637.80 | 1,922.33 |
| Hydrant Maintenance | (395.71) | | | | (304.00) | (699.71) |
| Trans & Dist - Meter Maintenance | | | 5,581.91 | | 51.91 | 5,613.82 |
| Other Maintenance | 191.68 | 220.00 | 60.00 | 124.88 | 1,167.14 | 1,763.70 |
| Total Maintenance | 8,849.43 | 1,521.66 | 4,706.78 | (181.74) | 2,587.11 | 17,493.25 |
| Utilities Expense | | | | | | |
| Treatment - Electricity | 4,846.46 | 5,081.70 | | 7,095.73 | 3,086.60 | 20,130.49 |
| Pumping - Electricity | 1,011.36 | 1,707.56 | 4,122.83 | 1,215.56 | 328.11 | 8,985.42 |
| Telephone | 762.74 | 439.76 | 553.31 | 308.43 | 422.05 | 2,486.28 |
| Total Utilities | 7,320.56 | 7,229.01 | 4,676.14 | 8,520.72 | 3,846.76 | 31,602.19 |
| Treatment - Chemicals | 17,757.95 | 13,767.06 | 1,014.60 | 1,889.01 | 2,843.86 | 37,252.37 |
| Insurance Expense | | | | | | |
| Insurance - Health | 8,441.05 | 4,059.70 | 4,741.48 | 11,531.00 | 4,215.08 | 32,988.31 |
| Insurance | 1,757.36 | | 274.40 | 141.20 | 147.60 | 2,320.56 |
| Insurance - Bond | | | 2,055.38 | | | 2,055.38 |
| Total Insurance | 10,198.41 | 4,059.70 | 7,071.26 | 11,672.20 | 4,362.68 | 37,364.25 |
| Salaries | 40,412.54 | 33,016.85 | 33,115.02 | 34,362.05 | 40,607.83 | 181,513.89 |
| Office Supplies & Expense | 3,518.87 | 2,169.09 | 2,252.93 | 1,807.75 | 684.83 | 10,244.27 |
| Other Expenses | | | | | | |
| Payroll Taxes | 2,921.26 | 2,445.13 | 2,419.09 | 3,791.68 | 2,835.43 | 14,512.60 |
| Employee Retirement | 4,305.83 | 5,447.61 | 8,914.54 | 4,553.73 | 5,473.91 | 28,695.72 |

| | | | | | | |
|---------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|
| Treatment - Lab | 936.00 | 365.50 | 3,924.22 | 0.00 | | 5,225.72 |
| Professional Fees | 0.00 | 8,798.00 | 9,384.00 | 1,061.25 | 8,086.25 | 28,307.50 |
| Commissioners Expense | 360.00 | 600.00 | 600.00 | 600.00 | 600.00 | 2,760.00 |
| Sales Tax | 724.56 | 88.52 | | 88.74 | 62.56 | 962.37 |
| Travel | | 146.39 | 667.62 | 17.82 | 77.74 | 909.57 |
| Fuel | 537.91 | 1,732.44 | 2,328.87 | 642.09 | | 5,242.41 |
| Rent & Fees | | | 660.00 | | | 660.00 |
| Advertising | 625.00 | | | | | 625.00 |
| Mailing | | 715.98 | 1,297.35 | | 1,308.45 | 3,321.79 |
| Seminar | | | 260.00 | | | 260.00 |
| Returned Checks | 707.09 | (428.60) | 644.87 | (612.88) | (597.82) | (287.34) |
| Dues | 814.03 | 150.00 | | | | 964.03 |
| Purchased Water | 158.16 | 302.87 | | 158.58 | 332.08 | 951.69 |
| Bank Service Charges | 20.00 | | 40.00 | 30.00 | 66.70 | 155.70 |
| Miscellaneous | 350.22 | (802.26) | 450.21 | (0.06) | 333.46 | 331.57 |
| Depreciation | 30,790.00 | 30,790.00 | 30,790.00 | 30,790.00 | 30,790.00 | 153,850.00 |
| Interest Expense | 33,116.41 | 33,118.49 | 33,116.41 | 38,046.41 | 33,116.41 | 170,514.13 |
| General Supplies | | 324.13 | | 15.53 | 124.56 | 464.32 |
| Outside Services | | | | | 690.00 | 690.00 |
| Total Other Expenses | 120,298.98 | 118,877.85 | 130,846.23 | 115,150.71 | 125,601.06 | 610,874.83 |
| Total Operating Expenses | 208,367.74 | 180,741.12 | 183,882.87 | 173,009.70 | 180,553.72 | 926,345.15 |
| Operating Income (Loss) | (76,386.89) | (76,603.80) | (78,878.21) | (64,944.96) | (64,521.37) | (360,334.23) |
| Other Income | | | | | | |
| Interest Income | | | | | | |
| Miscellaneous Income | 2,963.00 | 0.00 | 0.00 | 0.00 | 0.00 | 2,963.00 |
| Gain on Sale of Equipment | 28,183.75 | | | | | |
| Total Other Income | 32,146.75 | 0.00 | 0.00 | 0.00 | 0.00 | 2,963.00 |
| Capital Contributions | | | | | | |
| Customer Tap on Fees | 0.00 | 2,500.00 | 4,000.00 | 2,700.00 | 5,600.00 | 14,800.00 |
| Net Income (Loss) | (43,239.14) | (76,603.80) | (78,878.21) | (64,944.96) | (64,521.37) | (357,371.23) |

KENTUCKY RURAL WATER FINANCE CORPORATION FLEXIBLE TERM FINANCE PROGRAM SERIES 2004 D

Borrower: Crittenden-Livingston Water District
 Dated Date: 10/19/04

Borrower Payment Schedule

| Payment Date | Principal | Interest Rate | Interest | Capitalized Interest | Trustee Fees | Total | Fiscal Total | Monthly Principal | Monthly Interest | Total Monthly Sinking Fund Payments |
|---------------|---------------------|---------------|---------------------|----------------------|------------------|---------------------|--------------|---------------------|---------------------|-------------------------------------|
| 10/19/04 | 0.00 | 3.12% | 69,448.80 | (69,448.80) | 450.00 | 0.00 | 450.00 | 0.00 | 0.00 | 0.00 |
| 01/01/05 | 0.00 | 3.12% | 104,173.20 | (104,173.20) | 450.00 | 0.00 | 450.00 | 0.00 | 17,362.20 | 17,362.20 |
| 07/01/05 | 0.00 | 3.12% | 104,173.20 | | 450.00 | 104,173.20 | 208,796.40 | 12,333.33 | 17,362.20 | 29,695.53 |
| 01/01/06 | 0.00 | 3.12% | 104,173.20 | | 450.00 | 252,173.20 | 354,487.60 | 12,333.33 | 17,362.20 | 29,695.53 |
| 07/01/06 | 148,000.00 | 3.12% | 101,864.40 | | 450.00 | 251,864.40 | 354,487.60 | 12,333.33 | 17,362.20 | 29,695.53 |
| 01/01/07 | 150,000.00 | 3.22% | 99,449.40 | | 450.00 | 251,864.40 | 351,763.80 | 12,500.00 | 16,977.40 | 29,477.40 |
| 07/01/07 | 155,000.00 | 3.37% | 96,837.65 | | 450.00 | 254,449.40 | 351,763.80 | 12,500.00 | 16,977.40 | 29,477.40 |
| 01/01/08 | 159,000.00 | 3.37% | 94,158.50 | | 450.00 | 255,837.65 | 351,737.05 | 12,500.00 | 16,977.40 | 29,477.40 |
| 07/01/08 | 164,000.00 | 3.37% | 91,395.10 | | 450.00 | 258,158.50 | 350,446.15 | 13,250.00 | 16,139.61 | 29,389.61 |
| 01/01/09 | 172,000.00 | 3.50% | 88,385.10 | | 450.00 | 263,395.10 | 350,003.60 | 14,333.33 | 15,232.52 | 29,565.85 |
| 07/01/09 | 177,000.00 | 3.62% | 85,181.40 | | 450.00 | 270,181.40 | 352,230.20 | 14,750.00 | 14,730.85 | 29,480.85 |
| 01/01/10 | 185,000.00 | 4.12% | 81,370.40 | | 450.00 | 269,370.40 | 351,016.50 | 15,416.67 | 14,196.90 | 29,613.57 |
| 07/01/10 | 203,000.00 | 4.12% | 77,497.60 | | 450.00 | 280,497.60 | 352,001.80 | 15,666.67 | 13,561.73 | 29,228.40 |
| 01/01/11 | 205,000.00 | 4.12% | 73,315.80 | | 450.00 | 273,765.80 | 347,318.00 | 16,916.67 | 12,916.27 | 29,832.93 |
| 07/01/11 | 208,000.00 | 4.12% | 69,092.80 | | 450.00 | 277,092.80 | 347,858.60 | 17,083.33 | 12,219.30 | 29,302.63 |
| 01/01/12 | 194,000.00 | 4.12% | 64,808.00 | | 450.00 | 258,808.00 | 342,350.80 | 17,333.33 | 11,515.47 | 28,848.80 |
| 07/01/12 | 195,000.00 | 4.12% | 60,811.60 | | 450.00 | 255,811.60 | 320,069.60 | 16,166.67 | 10,801.33 | 26,968.00 |
| 01/01/13 | 209,000.00 | 4.25% | 56,794.60 | | 450.00 | 265,794.60 | 313,056.20 | 20,416.67 | 9,465.77 | 26,385.27 |
| 07/01/13 | 245,000.00 | 4.25% | 52,353.35 | | 450.00 | 297,353.35 | 318,597.95 | 20,416.67 | 8,725.56 | 29,142.23 |
| 01/01/14 | 258,000.00 | 4.62% | 47,147.10 | | 450.00 | 47,597.10 | 344,950.45 | 21,500.00 | 7,857.85 | 29,357.85 |
| 07/01/14 | 265,000.00 | 4.62% | 41,187.30 | | 450.00 | 41,637.30 | 346,784.40 | 22,083.33 | 6,864.55 | 28,947.88 |
| 01/01/15 | 282,000.00 | 4.62% | 35,065.80 | | 450.00 | 35,515.80 | 341,703.10 | 23,500.00 | 5,844.30 | 29,344.30 |
| 07/01/15 | 290,000.00 | 4.62% | 28,551.60 | | 450.00 | 28,551.60 | 346,067.40 | 24,166.67 | 4,758.60 | 28,925.27 |
| 01/01/16 | 306,000.00 | 4.62% | 21,852.60 | | 450.00 | 22,302.60 | 340,854.20 | 25,500.00 | 3,642.10 | 29,142.10 |
| 07/01/16 | 309,000.00 | 4.62% | 14,784.00 | | 450.00 | 15,234.00 | 343,086.60 | 25,500.00 | 2,464.00 | 28,214.00 |
| 01/01/17 | 331,000.00 | 4.62% | 7,646.10 | | 450.00 | 8,096.10 | 331,880.10 | 27,583.33 | 1,274.35 | 28,857.68 |
| 07/01/17 | | | 7,646.10 | | | 7,646.10 | 338,646.10 | 27,583.33 | 1,274.35 | 28,857.68 |
| Totals | 4,998,000.00 | | 3,265,242.00 | | 10,800.00 | 8,100,420.00 | | 4,997,999.98 | 3,091,620.00 | 8,089,619.98 |

CRITTENDEN LIVINGSTON COUNTY WATER DISTRICT

USAGE ANALYSIS

5/8 x 3/4 Inch Connections

TEST YEAR ACTUAL

USAGE TABLE

| | Bills | Gallons | 1,000 | 9,000 | 10,000 | 20,000 |
|--------------|---------------|--------------------|-------------------|-------------------|------------------|------------------|
| First 1,000 | 5,322 | 2,063,003 | 2,063,003 | | | |
| Next 9,000 | 22,835 | 85,389,326 | 22,835,000 | 62,554,326 | | |
| Next 10,000 | 691 | 8,819,608 | 691,000 | 6,219,000 | 1,909,608 | |
| Over 20,000 | 181 | 6,549,400 | 181,000 | 1,629,000 | 1,810,000 | 2,929,400 |
| Total | 29,029 | 102,821,337 | 25,770,003 | 70,402,326 | 3,719,608 | 2,929,400 |

REVENUE TABLE

| | Bills | Gallons | Rate | Revenue | | |
|---------------------------------|--------|--------------------|---------|---------------------|--|--|
| First 1,000 | 29,029 | 25,770,003 | \$14.02 | \$406,987 | | |
| Next 9,000 | | 70,402,326 | 6.73 | 473,808 | | |
| Next 10,000 | | 3,719,608 | 5.62 | 20,904 | | |
| Over 20,000 | | 2,929,400 | 4.41 | 12,919 | | |
| Total | | 102,821,337 | | \$914,617 | | |
| 1 Inch Connections | | 4,617,220 | | 37,046 | | |
| 2 Inch Connections | | 6,166,400 | | 34,069 | | |
| Total Retail | | 113,604,957 | | \$ 985,732 | | |
| Wholesale | | 182,270,229 | 2.20 | 400,995 | | |
| Total Revenue From Sales | | 295,875,186 | | \$ 1,386,726 | | |
| Other Operating Revenue | | | | 56,790 | | |
| Total Revenue | | | | \$ 1,443,516 | | |

CRITTENDEN LIVINGSTON COUNTY WATER DISTRICT

USAGE ANALYSIS

1 INCH CONNECTION

TEST YEAR ACTUAL

USAGE TABLE

| | Bills | Gallons | 5,000 | 5,000 | 10,000 | 20,000 |
|--------------|------------|------------------|------------------|----------------|----------------|----------------|
| First 5,000 | 297 | 887,680 | 887,680 | | | |
| Next 5,000 | 208 | 1,428,620 | 1,040,000 | 388,620 | | |
| Next 10,000 | 58 | 763,050 | 290,000 | 290,000 | 183,050 | |
| Over 20,000 | 38 | 1,537,870 | 190,000 | 190,000 | 380,000 | 777,870 |
| Total | 601 | 4,617,220 | 2,407,680 | 868,620 | 563,050 | 777,870 |

REVENUE TABLE

| | Bills | Gallons | Rate | Revenue | | |
|--------------|-------|------------------|---------|-----------------|--|--|
| First 5,000 | 601 | 2,407,680 | \$40.94 | \$24,605 | | |
| Next 5,000 | | 868,620 | 6.73 | 5,846 | | |
| Next 10,000 | | 563,050 | 5.62 | 3,164 | | |
| Over 20,000 | | 777,870 | 4.41 | 3,430 | | |
| Total | | 4,617,220 | | \$37,046 | | |

CRITTENDEN LIVINGSTON COUNTY WATER DISTRICT

USAGE ANALYSIS

2 INCH CONNECTION

TEST YEAR ACTUAL

USAGE TABLE

| | Bills | Gallons | 15,000 | 5,000 | 20,000 |
|--------------|------------|------------------|------------------|----------------|------------------|
| First 15,000 | 41 | 237,450 | 237,450 | | |
| Next 5,000 | 13 | 230,400 | 195,000 | 35,400 | |
| Over 20,000 | 75 | 5,698,550 | 1,125,000 | 375,000 | 4,198,550 |
| Total | 129 | 6,166,400 | 1,557,450 | 410,400 | 4,198,550 |

REVENUE TABLE

| | Bills | Gallons | Rate | Revenue |
|--------------|-------|------------------|----------|-----------------|
| First 15,000 | 129 | 1,557,450 | \$102.69 | \$13,247 |
| Next 5,000 | | 410,400 | 5.62 | 2,306 |
| Over 20,000 | | 4,198,550 | 4.41 | 18,516 |
| Total | | 6,166,400 | | \$34,069 |

CRITTENDEN LIVINGSTON COUNTY WATER DISTRICT

USAGE ANALYSIS

5/8 x 3/4 Inch Connections

TEST YEAR NORMALIZED for ADDITIONAL 197 NEW CUSTOMERS TO DATE

USAGE TABLE

| | Bills | Gallons | 1,000 | 9,000 | 10,000 | 20,000 |
|--------------|---------------|--------------------|-------------------|-------------------|------------------|------------------|
| First 1,000 | 5,322 | 2,063,003 | 2,063,003 | | | |
| Next 9,000 | 25,210 | 93,701,826 | 25,210,000 | 68,491,826 | | |
| Next 10,000 | 691 | 8,819,608 | 691,000 | 6,219,000 | 1,909,608 | |
| Over 20,000 | 181 | 6,549,400 | 181,000 | 1,629,000 | 1,810,000 | 2,929,400 |
| Total | 31,404 | 111,133,837 | 28,145,003 | 76,339,826 | 3,719,608 | 2,929,400 |

REVENUE TABLE

| | Bills | Gallons | Rate | Revenue |
|--------------|--------|--------------------|---------|------------------|
| First 1,000 | 31,404 | 28,145,003 | \$14.02 | \$440,284 |
| Next 9,000 | | 76,339,826 | 6.73 | 513,767 |
| Next 10,000 | | 3,719,608 | 5.62 | 20,904 |
| Over 20,000 | | 2,929,400 | 4.41 | 12,919 |
| Total | | 111,133,837 | | \$987,874 |

Adjustments for 385 New Applicants in Phase 9 Construction (Tap Fee has been Paid)

Average usage is 3,500 at a cost of \$30.85

| | New Bills | Average Rate | Revenue |
|--|-------------|--------------|---------------------|
| 385 * 12 months | 4,620 | 30.85 | \$ 142,527 |
| Total Adjusted Revenue for 5/8 Inch Connections | | | \$1,130,401 |
| 1 Inch Connections | | | 41,234 |
| 2 Inch Connections | | | 34,829 |
| Total Retail | | | \$ 1,063,937 |
| Wholesale | 182,270,229 | 2.20 | 400,995 |
| Total Revenue From Sales | | | \$ 1,464,932 |

CRITTENDEN LIVINGSTON COUNTY WATER DISTRICT

USAGE ANALYSIS

1 INCH CONNECTION

TEST YEAR NORMALIZED FOR 6 NEW CUSTOMERS

USAGE TABLE

| | Bills | Gallons | 5,000 | 5,000 | 10,000 | 20,000 |
|--------------|------------|------------------|------------------|------------------|----------------|----------------|
| First 5,000 | 297 | 887,680 | 887,680 | | | |
| Next 5,000 | 279 | 1,974,081 | 1,395,000 | 579,081 | | |
| Next 10,000 | 58 | 763,050 | 290,000 | 290,000 | 183,050 | |
| Over 20,000 | 38 | 1,537,870 | 190,000 | 190,000 | 380,000 | 777,870 |
| Total | 672 | 5,162,681 | 2,762,680 | 1,059,081 | 563,050 | 777,870 |

REVENUE TABLE

| | Bills | Gallons | Rate | Revenue | | |
|--------------|-------|------------------|---------|-----------------|--|--|
| First 5,000 | 672 | 2,762,680 | \$40.94 | \$27,512 | | |
| Next 5,000 | | 1,059,081 | 6.73 | 7,128 | | |
| Next 10,000 | | 563,050 | 5.62 | 3,164 | | |
| Over 20,000 | | 777,870 | 4.41 | 3,430 | | |
| Total | | 5,162,681 | | \$41,234 | | |

CRITTENDEN LIVINGSTON COUNTY WATER DISTRICT

USAGE ANALYSIS

2 INCH CONNECTION

TEST YEAR NORMALIZED FOR 1 NEW CUSTOMER

USAGE TABLE

| | Bills | Gallons | 15,000 | 5,000 | 20,000 |
|--------------|------------|------------------|------------------|----------------|------------------|
| First 15,000 | 41 | 237,450 | 237,450 | | |
| Next 5,000 | 13 | 230,400 | 195,000 | 35,400 | |
| Over 20,000 | 78 | 5,841,953 | 1,170,000 | 390,000 | 4,281,953 |
| Total | 132 | 6,309,803 | 1,602,450 | 425,400 | 4,281,953 |

REVENUE TABLE

| | Bills | Gallons | Rate | Revenue |
|--------------|-------|------------------|----------|-----------------|
| First 15,000 | 132 | 1,602,450 | \$102.69 | \$13,555 |
| Next 5,000 | | 425,400 | 5.62 | 2,391 |
| Over 20,000 | | 4,281,953 | 4.41 | 18,883 |
| Total | | 6,309,803 | | \$34,829 |

JEREMY L. WHITE, CPA, PLLC



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125 Kentucky Avenue
Paducah, KY 42003
270.444.9455 or 1.888.296.5616
Fax: 270.444.7589

Member of American Institute of Certified Public Accountants

Email: jwhite@consultcpa.com
Website: www.consultcpa.com

March 2, 2005

Mr. Robert Robertson, CPA
Williams, Williams, and Lentz

RE: Crittenden-Livingston Water District 2004

We have completed the accounting and bookkeeping work of Crittenden-Livingston Water District ("the District") for 2004. The first quarter of 2005 has been a tumultuous one for the District and us. We have assisted the District with payroll, accounts payable, and other transition support services.

We have attempted to provide a trail for you of our procedures by enclosing the following hardcopies of these items:

1. Preliminary Income Statement
2. Preliminary Balance Sheet
3. Working Trial Balance
4. Summary of Adjusting Entries Report
5. Spreadsheets providing detailed support for various adjusting entries (such as labor capitalization, prepaid insurance, etc.)
6. Client's Ledger Reports
7. Client's Unpaid Bills Files
8. Copies of client's bank statements and other supporting documentation, along with bank reconciliations for the operating account

We can also provide electronic copies of items 1-5 at your request.

During the completion of our procedures, certain items came to our attention that may need special attention during your audit procedures:

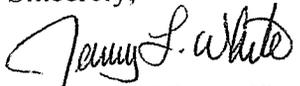
- The District's board of directors has approved the dismissal of Jennifer Chambliss and the hiring of her replacement.
- The sinking fund accounts did not receive timely, sufficient contributions in 2004.
- Depending on their debt covenants or grant conditions, defaults may have occurred due to delinquent principal and interest payments and other restrictions. In some

instances, it appears that grant monies may have been transferred to the sinking fund and subsequently used to pay principal and interest payments of previous phases. We did not perform procedures in this area, but noted (and attached) letters requesting verification of any material events. We are passing these to you for your review.

- Remaining in the Construction Work in Progress account are certain items from Phases VII, VIII, and IX. Phase VIII is primarily complete except for retainage due to vendors pending final inspections. Phases VII and IX are still under construction.
- Phase VII funding consists grants from three agencies. 1) Environmental Protection Agency 2) Kentucky Infrastructure Authority 3) Rural Development.
- Phase VIII funding also consist of grants from three agencies, however each agency is run through the KIA. All payments are received from KIA.
- Phase IX was funded from a new bond issue. While the funds are awaiting disbursement, they are held in an investment account per the statement from Regions Bank.
- We have provided a Working Trial Balance. The column marked "Beginning Balance" is the 2003 audited ending balance. The column marked "Transactions" are the annual transactions obtained from the District. The "adjustments" column is the adjustments we have made. The workpaper reference refers to the tab in the binder provided. We request that you return the binder to us. However, we thought it would be helpful in audit and you may make copies as needed.
- The transactions obtained from the District were out of balance by \$38,318.83. This number has been recorded in Miscellaneous expense. Upon speaking to United Systems Software about this problem, they informed us that their system allows one-sided transactions. Some were apparently approved by the Administrator (Jennifer).
- Utility tax payable reports to Crittenden and Livingston Co. school boards had not been completed and filed for September through December 2004. We brought this to the management's attention and they are preparing the delinquent reports.
- Interest has not been accrued on KIA loans or the new bond issue. Existing bond payments were paid 12/29/2004.

We remain available for questions on our procedures. Your primary contact will be Trevor Gough, CPA, at our office. We would appreciate a copy of the final audit report along with any audit adjustments.

Sincerely,


Jeremy L. White, CPA

bc: Donnie Beavers ✓

Crittenden-Livingston Water District

**Accountant's Observations to the
Board of Directors**

March 31, 2005

JEREMY L. WHITE, CPA, PLLC



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270.444.9455 or 1.888.296.5616
Fax: 270.444.7589

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Email: jwhite@consultcpa.com
Website: www.consultcpa.com

March 30, 2005

Mr. Randall O'Brien
Crittenden-Livingston Water District
P.O. Box 155
Grand Rivers, KY 42045

Dear Mr. O'Brien,

Over the last few months, we have been pleased to provide assistance during your office personnel transition. Trevor Gough's on-site presence and assistance was instrumental in keeping the employees paid timely and getting the monthly bills out accurately and timely.

During the course of his fieldwork and our discussions, we noted several areas for improvement regarding your accounting and office procedures. Besides merely noting them, we provided recommendations for improving them and helped in many cases to implement them.

We have provided a summary of these areas for improvement for the board's use and for management's reference. In the attached report, we have also provided the recommended resolution and the status of the resolution.

In our opinion, the observations noted on the attached should be of concern to the board. As the old management saying goes, "Anything worth doing is worth inspecting." We recommend that the board follow up quarterly on the status of these observations either by themselves or having us to come for a brief review.

If we can be of further assistance in discussing the specifics of these areas for improvement, then please contact us.

Sincerely,

Jeremy L. White

Cc: Donnie Beavers ✓
Bill Barrett

| Areas for Improvement | Recommended Resolution | Status of Resolution |
|---|--|---|
| 1. Payments on meter orders, reconnects, tap-ons and deposits were not being processed through the computer system appropriately or, in most cases, not at all. | All funds received must run through the computer system and be a part of the daily reconciliation process. Every payment must have the appropriate back-up to substantiate funds received. | We created specific tracking codes with the help of United Systems for these non-routine receipts. All funds are now flowing through the computer system as a part of the daily reconciliation. |
| 2. Interest was not being applied timely to customer deposits in violation of the Kentucky Public Service Commission regulations. | Interest should be applied to customer deposits on a monthly basis in conjunction with a monthly close. | United Systems is helping with some set-up issues regarding the proper refunding of interest. |
| 3. Some employees have not been reimbursed for their health insurance for a period of two years. | The board should review this issue and make a decision as how to handle past omissions. We suggest a board-level decision because the Superintendent is one of the employees who has not been reimbursed. | Management has stated the Board is aware of the situation and that a final decision is pending. |
| 4. School tax reports had not been filed and paid timely. The last report completed and paid was August 2004. | School tax reports should be caught up, prepared and paid timely each month. | We prepared for the District the school taxes and ensured their payment through February 2005. |
| 5. Deposits are not made consistently of the daily collections received. | Obtain a night deposit bag from Union Planters bank and deposit the daily receipts every day. | Staff has begun to implement a nightly deposit. |
| 6. Lack of internal controls regarding the cash drawer. | Prepare a daily written reconciliation with two people checking and signing reconciliation. | Office staff have begun completing the reconciliation. |
| 7. Lack of internal control over separate "Petty Cash" envelope. | Discontinue separate "Petty Cash" envelope. There is sufficient cash in drawer to handle minor emergencies. Expenses can then be logged daily on the reconciliation report and provide more control over cash. | Petty cash envelope has been discontinued. |

| Areas for Improvement | Recommended Resolution | Status of Resolution |
|--|---|---|
| 8. Lack of receipts given to customers on cash payments. | A stamped receipt must be given to every customer for any payment received. In the future, the District may wish to consider adding to their system a receipt printer that also posts the transaction immediately. | Being administered by staff. |
| 9. Lack of controls over meter orders and related charges. | Implement a preprinted, sequentially-numbered meter order in triplicate with the original remaining in the office at all times. A carbon copy should be given to customers to verify receipt of funds. | Pre-numbered forms are now in use and receipt system has been implemented. |
| 10. Lack of safeguarding for blank checks | Blank checks need to be kept in a fireproof locked safe. | Until safe is purchased, blank checks are being kept in Donnie's office. |
| 11. The night depository box at Water District is broken allowing anyone inside the building access to the depository box. | Night depository should be fixed to limit access except by authorized personnel. | Pending. |
| 12. Lack of documentation regarding daily operating and accounting procedures. | Start a binder that outlines the daily, weekly, and monthly procedures. Various "Help" printouts from United Systems outlining step-by-step instructions are already available on how to complete computer system tasks. | This is in process of being compiled. |
| 13. Irregular Usage report and Skipped Meter report were not being printed in a timely manner (if ever). | These reports should be printed on the day the meter readings are completed. This will allow the manager to review and have errors corrected before bills are generated. Customers with leaks and or major problems can be contacted before receiving a large bill. This creates goodwill with the water district customers and may prevent write-offs. | Reports are being printed and reviewed by appropriate managers. As a result, March's billing had much fewer noticeable errors, which were corrected before billing. |

| Areas for Improvement | Recommended Resolution | Status of Resolution |
|---|--|--|
| <p>14. More cross-training and segregation of duties between office personnel are needed. Too much dependence has been place on only one person.</p> | <p>Multiple people in the office must be familiar with the daily operations and procedures of both the operations and the accounting system.</p> | <p>Cross-training and segregation of duties were being implemented and strongly encouraged by staff.</p> |
| <p>15. Lack of daily back-up of computer system. The back-up utility did not work and had either been removed from the computer or never installed appropriately.</p> | <p>Obtain daily back-up software and ensure it is functioning properly. Ensure computer is backed up every night and is placed in the night deposit bag going to the bank every night for safe, off-site storage.</p> | <p>Back-up software was purchased. Back-up is functioning properly and is being placed in the deposit bag and taken to the bank every night.</p> |
| <p>16. Lack of "documented" supervisor oversight.</p> | <p>We suggest that supervisors sign or initial reconciliations, reports, memos, letters, etc. they have reviewed and approved. This provides additional accountability and a documented approval record.</p> | <p>Supervision is beginning to be documented in many cases; however this is a work in-progress and must be maintained and expanded upon.</p> |
| <p>17. The general ledger was out of a balance by \$38,000. Previous years were left open still allowing entries to those past years.</p> | <p>The general ledger should be reconciled monthly. After audit adjustments are received and entered and the financial are reconciled to the audited statements, the year should be "closed" prohibiting entries in the prior year. The \$38,000 should be adjusted to balance the general ledger.</p> | <p>We worked with Cynthia of United Systems to close the general ledger for the prior two years. The 2004 year will be closed pending the audit report. The \$38,000 will be adjusted pending the completion of the audit.</p> |
| <p>18. Form 1099's were not being prepared in compliance with IRS regulations for vendors and for board members.</p> | <p>Complete the appropriate 1099's for the respective vendors and board members in compliance with IRS regulations to avoid compliance penalties.</p> | <p>We obtained the proper reports through the accounts payable module and completed 1099's for the appropriate vendors and board members for fiscal year ending December 31, 2004.</p> |

| Areas for Improvement | Recommended Resolution | Status of Resolution |
|------------------------------|-------------------------------|-----------------------------|
|------------------------------|-------------------------------|-----------------------------|

19. No clear written policy exists for vacation, sick days, holidays, and other paid time off. The approval and tracking of these types of paid time off have not been adequately documented by supervisors.

A formal employee manual documenting the policies and procedures adopted by the District should be drafted. This manual should then be given to each employee along with a letter to be signed by the employee stating they have read, understand and intend to abide by the policies and procedures. It is important that this letter be signed and returned to the District. Your existing software (United Systems) is capable of keeping track of vacation, sick time, comp time, etc. We suggest it be used to monitor and maintain current and accurate records.

Management indicated that an employee manual was in the process of being drafted. Management has indicated they have communicated with United Systems regarding utilizing this portion of the payroll program and a meeting has been scheduled for implementation.

20. Payroll tax deposits were not paid timely. In other instances they were paid timely, but the incorrect amount was paid. This resulted in various penalties throughout the year.

According to IRS guidelines for employers with payrolls of similar size to the District, you are classified as a semiweekly depositor. This means that each week's payroll tax liability must be paid on or before the Friday following Monday's payday.

As of March these deposits were being paid timely and for the correct amounts.

21. No permanent employee files exist documenting approved pay rates, W-4's, Form I-9, and other warning or commendations.

A permanent file for each employee should be maintained and updated periodically. The appropriate W-4, copy of a valid driver's license, Form I-9 application, pay rates, vacation approvals, employee reprimands, and any other employee correspondence should be documented in the employee file. For employees who did not fill out an application upon hiring, we suggest an application be completed and placed in the employee's file. Documentation should be kept for each employee holding a Commercial Drivers License (for insurance purposes).

Management has created files for each employee. We have provided W-4 forms for each employee to complete and sign. We will also provide a blank I-9 to be completed and signed by each employee. We will also assist in providing additional guidance on completing this task. Melissa with Rural Water has been extremely beneficial in assisting with this implementation.

| Areas for Improvement | Recommended Resolution | Status of Resolution |
|--|---|---|
| <p>22. District's records and supporting documentation are not kept in an organized manner. No record retention policy exists.</p> | <p>Management should develop a record retention policy outlining what records should be kept and for how long. There should also be a designated place for each type of document based on its degree of usability. The current year's records should be easily attainable with prior year's files being stored in some logical fashion.</p> | <p>We have made several suggestions regarding organization and availability of records. We have also helped implement a new filing system for paid and unpaid bills, billing registers, payroll documentation, general ledger postings, voided checks, meter orders, payable registers and various other documents. Management has made many improvements in the last few weeks, but this is a perpetual process to maintain and improve.</p> |
| <p>23. We discovered several crucial documents, such as invoices, our previous year's management letter, and IRS notices for which management stated they had not previously seen.</p> | <p>All correspondence should be routed through the appropriate management personnel. Sensitive documents should be initialed documenting management has received.</p> | <p>Management has begun reviewing all correspondence received by District and assigning it to the appropriate staff for further processing.</p> |
| <p>24. Amounts were paid to vendors and employees without adequate documentation to substantiate such payments.</p> | <p>Every disbursement must have the appropriate supporting documentation in the file and attached to the stub noting the invoice has been paid. An employee expense report must be completed and approved by the appropriate supervisor for all reimbursed amounts.</p> | <p>Management indicated the District was in the process of developing a standard expense reimbursement form to be completed for reimbursements. Management and staff had begun enforcing the "No Proof No Pay" policy. Documentation for expenses is important to substantiate disbursements.</p> |

CRITTENDEN-LIVINGSTON WATER DISTRICT

PAST CORRESPONDENCE

PROVIDED FOR REFERENCE PURPOSES ONLY.

**PLEASE NOTE THAT THESE ATTACHMENTS WERE PREVIOUSLY
PROVIDED TO MANAGEMENT AND ARE INCLUDED AS BACKGROUND
TO SOME OF THE CURRENT OBSERVATIONS.**

JEREMY L. WHITE, CPA, PLLC



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Member of American Institute of Certified Public Accountants

Email: jwhite@consultcpa.com
Website: www.consultcpa.com

March 10, 2004

Mr. Donnie Beavers
District Superintendent
P.O. Box 495
Salem, KY 42078

Dear Donnie,

Thank you for the opportunity to assist you in the bookkeeping and accounting for the district in 2003. Given the late start we had (and in our busy season), I am pleased to report that we were able to deliver information to the auditors in a timely manner and complete your accounting promptly and efficiently.

We are done with our portion of the work. Williams, Williams, and Lentz agreed we were done. Therefore, we are enclosing an invoice for payment. As I mentioned in my original letter, I estimated our fee between \$3,000 and \$4,000. As we discovered in the midst of this engagement, the extent of the work was greater than we anticipated. Based on our total hours and our billing rates, our bill exceeds \$4,000. However, I attribute some of our hours due to learning your business and the overhead we have with clients in getting started. In a desire to stick with what I originally estimated and to absorb the start-up costs in hopes of a continued relationship with you, I have reduced the fee to \$4,000. I volunteered to have you withhold \$500 until the audit is complete to secure our availability. The current amount due is \$2,500 as shown on the attached.

As you requested, I have written the following observations for your consideration.

1. Various transactions in 2003 were not recorded in the District's accounting records. We noticed that approximately fifty transactions throughout the year in the regular operating account were not recorded in your books. In several instances, manual checks were the source of the transactions not recorded in your computerized books. Other recurring examples were bank service charges. We have made the adjustments and recorded the missing transactions by comparing to the bank records. These records have been available to the auditors.
2. Unspecified entries for large amounts were made in the sinking fund account detail. It appears that the responsible person, when reconciling the sinking fund account,

would make large unidentified adjustments in the accounting records. I presume such adjustments were made to force agreement with the bank's totals.

3. In an attempt to correct the erroneous adjustments, District personnel would make other adjustments without reversing out the original incorrect entry. In other words, a cascading effect occurred. Several incorrect entries would be made in an attempt to correct the original entry. This caused other misstatements and additional work.
4. Accurate bank reconciliations are not being completed. The bank statement should be reconciled to the actual computerized books – not another manual register. An attempt at reconciling is made, but not all of outstanding checks are accounted for during certain months, bank charges are not recorded, other transactions are missing, etc. Furthermore, it does not appear that the internal accounting, bank reconciling, and reporting is adequately reviewed. Bank reconciliations and a review would catch on a timely basis both internal errors and bank errors that occurred during the year.
5. The estimated depreciation for 2004 is \$336,244 based on your existing capital base (of course, this will increase for 2004 capital additions). To provide for more accurate reporting throughout the year, you may wish to record 1/12th of this number (\$28,020) each month to give the board and others more accurate information.

Although it is difficult for me to know the full extent of each person's duties and skills, it does appear evident that more emphasis needs to be placed on the accounting and bookkeeping area of the District. Please note that I have not been hired to provide a performance evaluation or efficiency review. These are simply items you may wish to consider:

- Additional training of personnel for accounting and use of the computer software
- Additional review and oversight
- Possible hiring of additional personnel
- A commitment by the board and management to follow through on accounting improvements.

I think any or all of these would be important steps in improving financial reporting to the board. These steps can help you have more accurate and timely information, provide management with more accurate information when you are presenting the District's results to possible bond holders or reporting to other entities, reduce the workload (and cost) of outside accountants and auditors, and improve internal financial controls. Your operations and financing are getting more complex, so your accounting should keep pace.

Thank you for prompt payment of the enclosed invoice.

Respectfully,

Jeremy L. White

CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2004

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WILLIAMS, WILLIAMS & LENTZ, LLP
CERTIFIED PUBLIC ACCOUNTANTS
601 JEFFERSON
PADUCAH, KENTUCKY 42001

J RICHARD WALKER
JERRY G SEVERNS
ROBERT R. ROBERTSON
C. SUZETTE CRONCH
MICHAEL F. KARNES
MARK A. THOMAS
ROGER G. HARRIS
J. DAVID BAILEY, III

G. LEON WILLIAMS, 1926-2004
H. WILLIAM LENTZ

MAILING ADDRESS
POST OFFICE BOX 2500
PADUCAH, KY 42002-2500

TELEPHONE
270-443-3643

FAX
270-444-0652

WEBSITE
wwlcpa.com

Independent Auditor's Report

Commissioners
Crittenden-Livingston County
Water District
Salem, Kentucky

We have audited the accompanying statement of net assets of Crittenden-Livingston County Water District as of December 31, 2004, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Water District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Crittenden-Livingston County Water District as of December 31, 2004, and the respective results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of January 1, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2005, on our consideration of Crittenden-Livingston County Water District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Crittenden-Livingston County Water District has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information presented on pages 13 through 18 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Wilbans, Wilbans & Lentz, LLP

March 23, 2005

LIABILITIES

| | |
|-----------------------------------|-------------------|
| Current Liabilities: | \$ 57,922 |
| Accounts payable | 1,115,352 |
| Construction payables | 295,905 |
| Retention payables | 12,445 |
| Sales and utility taxes payable | 16,618 |
| Accrued payroll and payroll taxes | 12,422 |
| Tenant deposits payable | 54,450 |
| Interest payable | 102,006 |
| Notes payable due within one year | <u>1,667,120</u> |
| Total current liabilities | <u>1,667,120</u> |
| Noncurrent Liabilities: | 1,489,807 |
| Notes payable | 12,332,500 |
| Bonds payable | <u>13,822,307</u> |
| Total noncurrent liabilities | <u>15,489,427</u> |
| Total liabilities | <u>15,489,427</u> |

NET ASSETS

| | |
|--|----------------------------|
| Invested in capital assets, net of related debt | 3,388,109 |
| Restricted for: | 140,350 |
| Debt service | 9,153 |
| Tenant deposits | 3,167,149 |
| Unrestricted | <u>3,167,149</u> |
| TOTAL NET ASSETS | <u><u>\$ 6,704,761</u></u> |

CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

| | |
|---|---------------------------|
| Operating Revenues: | \$1,408,336 |
| Charges for services | 36,483 |
| Miscellaneous | <u>1,444,819</u> |
| Total program revenues | <u>1,444,819</u> |
| Expenses: | 115,479 |
| Contractual services | 308,840 |
| Salaries | 52,393 |
| Employee retirement | 75,126 |
| Utilities | 71,880 |
| Chemicals and treatment expense | 12,514 |
| Professional fees | 4,320 |
| Commissioner fees | 369,820 |
| Depreciation | 5,278 |
| Amortization | 65,526 |
| Insurance | 15,327 |
| Office supplies and expenses | 69,217 |
| Taxes and licenses | 1,606 |
| Bad debt expense | 63,135 |
| Other administrative expenses | <u>1,230,461</u> |
| Total operating expenses | <u>1,230,461</u> |
| Operating income | <u>214,358</u> |
| Non-operating Revenues (Expenses): | (394,397) |
| Interest expense | 8,229 |
| Interest income | 14,865 |
| Gain on sale of equipment | 173,671 |
| Unrealized gain on investment | <u>(197,632)</u> |
| Total non-operating revenues (expenses) | <u>(197,632)</u> |
| Income before capital contributions | <u>16,726</u> |
| Capital Contributions: | 18,050 |
| Tap-on fees | 27,999 |
| Contributions in aid of construction | 1,466,817 |
| Government contributions | <u>1,512,866</u> |
| Total capital contributions | <u>1,529,592</u> |
| Increase in net assets | <u>5,175,169</u> |
| Net assets - beginning | <u>\$6,704,761</u> |
| NET ASSETS - ENDING | <u><u>\$6,704,761</u></u> |

See notes to financial statements

CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2004

| | |
|---|-------------------|
| Cash Flows from Operating Activities: | |
| Receipts from customers | \$1,374,328 |
| Other receipts | 36,483 |
| Payments to employees | (301,678) |
| Payments to suppliers | (202,686) |
| Payments for other operating expenses | (313,710) |
| | <hr/> |
| Net cash provided by operating activities | 592,737 |
| Cash Flows from Capital and Related Financing Activities: | |
| Land and construction in progress | (2,217,906) |
| Purchases of property and equipment | (121,082) |
| Sale of property and equipment | 29,184 |
| Payments on bond principal and interest | (709,615) |
| Payments on note principal and interest | (130,594) |
| Customer tap-on fees | 18,050 |
| Contributions in aid of construction | 27,999 |
| Loan proceeds | 80,000 |
| Grant proceeds | 1,348,406 |
| | <hr/> |
| Net cash used by capital and related financing activities | (1,675,558) |
| Cash Flows from Investing Activities: | |
| Sale of investments | 1,495,374 |
| Earnings on investments | 8,229 |
| | <hr/> |
| Net cash provided by investing activities | 1,503,603 |
| | <hr/> |
| Net increase in cash and cash equivalents | 420,782 |
| | <hr/> |
| Cash and cash equivalents at beginning of year | 397,922 |
| | <hr/> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | \$ 818,704 |
| | <hr/> <hr/> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | |
| Operating income | \$ 214,358 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 369,821 |
| Amortization | 5,278 |
| Change in assets and liabilities: | |
| Receivables | (34,008) |
| Prepaid expense | (7,434) |
| Accounts payable | 28,870 |
| Accrued expenses | 13,708 |
| Tenant deposits payable | 2,144 |
| | <hr/> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | \$ 592,737 |
| | <hr/> <hr/> |

See notes to financial statements

CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

Note 1 - Significant Accounting Policies:

General Statement

The Crittenden-Livingston County Water District (District) complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. GASB Statement Nos. 20 and 34 provide the District the option of electing to apply FASB pronouncements issued after November 30, 1989. The District has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. The financial reporting entity, basis of accounting, and other significant policies employed by the District are summarized as follows:

Financial Reporting Entity

The District is a municipal utility that serves Crittenden and Livingston Counties.

Measurement Focus and Basis of Accounting

The District's financial statements are accounted for on the flow of economic resources measurement focus, using the accrual basis of accounting. Under this method, all assets and liabilities associated with operations are included on the statement of net assets, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

Basis of Presentation

The Crittenden-Livingston County Water District adopted GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* effective January 1, 2004. This new standard provides for changes in terminology; recognition of contributions in the Statement of Revenues, Expenses and Changes in Net Assets and other changes.

Use of Estimates

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

Restricted Assets

Proceeds of bonds, grants, and loans are to be used for the construction of additional water lines. Resources are set aside for repayment of the bonds and loans and are classified as restricted assets on the balance sheet because their use is limited to applicable covenants.

Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value.

(Continued)

CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

Note 1 - Significant Accounting Policies:

Depreciation

Utility plant and equipment are stated at cost. Depreciation is provided for allocation of these costs, using the straight-line method over their estimated useful lives. The utility plant is being depreciated over a period of 35 to 50 years and office furnishings and equipment over a period of 3 to 16 years.

Equity Classifications

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Capital Contributions

Capital contributions are derived from three main sources: 1) customers, in the form of tap fees; 2) customers, in the form of donations to help pay for construction of lines; 3) other governments, in the form of grant contributions for capital assets.

Operating Revenues

Amounts reported as *operating revenues* consist mostly of charges to customers for water sales.

Operating Revenues and Expenses

Operating revenues consist primarily of charges to customers for the sale of water. Operating expenses consist of the cost of providing water, including administrative expenses. All other revenues and expenses are classified as non-operating.

Note 2 - Cash and Investments:

Cash and Cash Equivalents

At year end, the carrying amount of the District's cash and cash equivalents was \$818,704; bank balance was \$1,187,600. Deposits of \$1,113,391 held in five financial institutions were covered by federal depository insurance. The balance of \$74,209 was uncollateralized.

Investments

U.S. government bonds were sold during 2004. The net proceeds of \$4,806,971 from the sale of these bonds were placed in an investment account at Regions Bank. The proceeds will be distributed as needed for construction costs of Phase IX. The investment is recorded at its fair value of \$3,452,604 at December 31, 2004.

(Continued)

CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

Note 2 - Cash and Investments:

For financial reporting purposes, investments are categorized to give an indication of the level of custodial credit risk assumed by the District at year end. Category 1 includes investments that are incurred or registered, or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by a qualifying financial institution's trust department or agent in the District's name, where the financial institution acts as the District's counterparty. Category 3 includes uninsured and unregistered investments for which the securities are held by a counterparty, or by its agent, but not in the District's name. The District's only investment is a Category 3 investment.

Note 3 - Capital Assets:

Capital asset activity for the year ended December 31, 2004, is as follows:

| | <u>Balance</u> <u>January 1, 2004</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u> <u>December 31, 2004</u> |
|---|--|---------------------------|------------------------|--|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 33,767 | \$ 13,000 | \$ - | \$ 46,767 |
| Construction in progress | <u>-</u> | <u>3,606,769</u> | <u>-</u> | <u>3,606,769</u> |
| Total capital assets, not being depreciated | <u>33,767</u> | <u>3,619,769</u> | <u>-</u> | <u>3,653,536</u> |
| Capital assets, being depreciated: | | | | |
| Office building | 47,159 | - | - | 47,159 |
| Office equipment | 41,652 | - | - | 41,652 |
| Equipment | 218,617 | 45,728 | 54,816 | 209,529 |
| Utility plant | <u>16,183,226</u> | <u>75,354</u> | <u>-</u> | <u>16,258,580</u> |
| Total capital assets, being depreciated | <u>16,490,654</u> | <u>121,082</u> | <u>54,816</u> | <u>16,556,920</u> |
| Less accumulated depreciation: | | | | |
| Office building | 13,061 | 1,179 | - | 14,240 |
| Office equipment | 27,175 | 2,860 | - | 30,035 |
| Equipment | 132,180 | 28,002 | 40,497 | 119,685 |
| Utility plant | <u>2,396,295</u> | <u>337,779</u> | <u>-</u> | <u>2,734,074</u> |
| Total accumulated depreciation | <u>2,568,711</u> | <u>369,820</u> | <u>40,497</u> | <u>2,898,034</u> |
| Total capital assets being depreciated, net | <u>13,921,943</u> | <u>(248,738)</u> | <u>14,319</u> | <u>13,658,886</u> |
| CAPITAL ASSETS, NET | <u>\$13,955,710</u> | <u>\$3,371,031</u> | <u>\$14,319</u> | <u>\$17,312,422</u> |

Construction in progress includes capitalized interest expense of \$52,570.

Note 4 - Uncollectible Accounts Receivable:

The district uses the direct write-off method for accounting for uncollectible accounts. Accounts receivable written off at December 31, 2004, were \$1,606.

(Continued)

CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

Note 5 – Long-Term Debt:

The Crittenden-Livingston County Water District Waterworks Revenue Bonds of 1988 were issued for the purpose of financing the construction of extension, additions, and improvements to the existing waterworks system and to refinance the \$116,000.00 Waterworks Revenue note of 1986.

The Crittenden-Livingston County Water District Waterworks Revenue Bonds of 1991 were issued to finance the cost of the Construction Project - Phase III (system additions).

The Crittenden-Livingston County Water District Waterworks Revenue Bonds of 1994 were issued to finance the cost of the Construction Project - Phase IV (system additions).

The Crittenden-Livingston County Water District Waterworks Revenue Bonds of 1995 (Series A and B) were issued to finance the cost of the Construction Project - Phase V (system additions).

The Crittenden-Livingston County Water District Waterworks Revenue Bonds of 2000 (Series A, B and C) were issued to finance the cost of the construction Project – Phase VI-A (water plant).

The Crittenden-Livingston County Water District Waterworks Revenue Bonds of 1996 were used to redeem the 1985 and 1989 bonds.

The Crittenden-Livingston County water District Waterworks Revenue Bonds of 2004 (Series D) were issued to finance the cost of the construction project - Phase IX (system additions).

The bonds are secured and payable from an exclusive pledge of a fixed portion of gross revenues of the Waterworks System as now or hereafter constituted and additionally secured by a statutory lien on the Waterworks System.

(Continued)

CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2004

Note 5 – Long-Term Debt:

Bonds Payable

A detail of the Crittenden-Livingston County Water District Waterworks Revenue Bonds is as follows:

| | 1988 | 1991 | 1994 | 1995 | (Series B) 1995 | 1996 | (Series A) 2000 | (Series B) 2000 | (Series C) 2000 | (Series D) 2004 |
|---|-----------|-----------|-----------|-----------|--------------------|-------------|--------------------|--------------------|--------------------|--------------------|
| Amount of original issue (all issues except 1996 issues were purchased by Rural Economic and Community Development, formerly the Farmers Home Administration) | \$634,000 | \$358,000 | \$190,000 | \$884,000 | \$100,000 | \$1,460,000 | \$2,000,000 | \$1,725,000 | \$700,000 | \$4,998,000 |
| Current portion | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Noncurrent portion | 507,000 | 297,000 | 167,000 | 804,000 | 91,500 | 1,185,000 | 1,934,000 | 1,672,000 | 677,000 | 4,998,000 |
| Balance at December 31, 2004 | \$507,000 | \$297,000 | \$167,000 | \$804,000 | \$91,500 | \$1,185,000 | \$1,934,000 | \$1,672,000 | \$677,000 | \$4,998,000 |
| Serial principal maturities (all January 1) | 1990-2028 | 1991-2030 | 1995-2033 | 1998-2035 | 1998-2035 | 1997-2023 | 2003-2040 | 2003-2040 | 2003-2040 | 2004-2029 |
| Interest rate per annum | 5% | 5% | 5% | 4.50% | 5.13% | 4.3%-5.8% | 4.50% | 4.75% | 4.50% | 3.12%- 4.50% |

CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 5 – Long-Term Debt:

Notes Payable

Notes payable consisted of the following:

Kentucky Area Development District (KADD2002) note dated March, 2002, original amount \$55,000, payable in 6 semi-annual payments including principal and interest at 4.6%, beginning October 2, 2002. The loan is secured by equipment.

Kentucky Area Development District (KADD 2003) note dated June 4, 2004, original amount \$205,000, payable in 10 semiannual payments including principal and interest at 2.5%, beginning October 20, 2003.

Kentucky Infrastructure Authority (KIA) note dated November 1, 2001, at 1.8%, payable in 40 semiannual payments including principal and interest. Loan funds advanced are used on an interim basis to finance the construction of extensions, additions, and improvements to the existing waterworks system.

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended December 31, 2004:

| Type of Debt: | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Amounts Due within One Year</u> |
|-----------------------------|-------------------------------------|---------------------------|--------------------------|----------------------------------|---|
| Revenue Bonds | \$7,537,500 | \$4,998,000 | \$203,000 | \$12,332,500 | \$ - |
| Notes payable: | | | | | |
| KADD 2002 | 40,000 | - | 20,000 | 20,000 | 20,000 |
| KADD 2003 | 195,837 | - | 15,000 | 180,837 | 20,000 |
| KIA | 1,371,881 | 80,000 | 60,905 | 1,390,976 | 62,006 |
| Total notes payable | <u>1,607,718</u> | <u>80,000</u> | <u>95,905</u> | <u>1,591,813</u> | <u>102,006</u> |
| TOTAL LONG-TERM DEBT | <u>\$9,145,218</u> | <u>\$5,078,000</u> | <u>\$298,905</u> | <u>\$13,924,313</u> | <u>\$102,006</u> |

Annual Debt Service Requirements

The annual debt service requirements to maturity, for long-term debt as of December 31, 2004, are as follows:

| <u>Year Ending December 31</u> | <u>Principal</u> | <u>Interest</u> |
|---|----------------------------|----------------------------|
| 2005 | \$ 102,006 | \$ 382,621 |
| 2006 | 209,427 | 588,856 |
| 2007 | 368,669 | 578,269 |
| 2008 | 374,931 | 564,894 |
| 2009 | 385,614 | 550,967 |
| 2010-2014 | 2,137,914 | 2,519,465 |
| 2015-2019 | 2,465,632 | 2,052,175 |
| 2020-2024 | 2,790,820 | 1,487,521 |
| 2025-2029 | 2,631,900 | 878,399 |
| 2030-2034 | 1,128,600 | 437,228 |
| 2035-2039 | 1,090,800 | 179,477 |
| 2040-2041 | 238,000 | 5,474 |
| TOTALS | <u>\$13,924,313</u> | <u>\$10,225,346</u> |

(Continued)

CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

Note 6 - Amortization of Bond and Loan Costs:

Bond costs are being amortized over the life of the bond issues based on the average annual unpaid principal balance.

Note 7 - Construction Payables:

Construction payables are costs incurred but not paid as of December 31, 2004, for construction work that had been completed on line extensions.

Note 8 - Cash Flows:

For purposes of the statement of cash flows, cash and cash equivalents include the following at December 31, 2004:

| | |
|---|-------------------------|
| Cash on hand and in bank | \$ 22,843 |
| Bond and interest sinking fund - certificate of deposit | 108,930 |
| - cash in bank | 3,693 |
| Depreciation reserve fund - cash in bank | 27,727 |
| Cash in bank - Phase VI-B | 2,327 |
| Cash in bank - tenant deposits | 9,153 |
| Cash in bank - Phase VII | 346,483 |
| Cash in bank - Phase VIII | 364 |
| Cash in bank - Phase IX | <u>297,184</u> |
| TOTAL | <u>\$818,704</u> |

Cash paid for interest during the year was \$541,787.

Net bond proceeds of \$4,998,000 were deposited directly into an investment account at Regions Bank and did not flow through the cash accounts resulting in a non-cash transaction. Also, associated with the investment were interest earnings of \$18,529 and realized and unrealized gains and losses that resulted in non-cash transactions. All earnings were reinvested.

Note 9 - Retirement Plans:

The Crittenden-Livingston County Water District is a participant in the County Employees Retirement System (CERS), a cost sharing, multi-employer public employee retirement system. CERS provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments are provided at the discretion of the State legislature. Kentucky Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 12600 Louisville Road, Frankfort, Kentucky 40601-6124 or by calling 1-502-564-4646.

Employees are required to contribute 5% of their creditable compensation by State statute. The District is required by the same statute to contribute the remaining amounts necessary to pay benefits when due. For the years ended December 31, 2004, 2003, and 2002, the District contributed 7.34%, 6.34%, and 6.41%, respectively, of each employee's creditable compensation. These actuarially determined rates are set by the Board of Trustees of Kentucky Retirement Systems. The District's contributions to CERS for the years ending December 31, 2004, 2003, and 2002 were \$52,393, \$45,452, and \$41,477, respectively, equal to the required contributions for the year.

SUPPLEMENTAL INFORMATION

LIABILITIES

| | <u>2004</u> | <u>2003</u> |
|-------------------------------------|-------------------|------------------|
| Current Liabilities: | | |
| Accounts payable | \$ 57,922 | \$ 29,052 |
| Construction payables | 1,115,352 | - |
| Retention payables | 295,905 | 84,115 |
| Sales and utility taxes payable | 12,445 | 7,139 |
| Accrued payroll and payroll taxes | 16,618 | 8,211 |
| Tenant deposits payable | 12,422 | 10,278 |
| Interest payable | 54,450 | 149,274 |
| Notes payable due within one year | 102,006 | 101,691 |
| Bonds payable due within one year | - | 79,700 |
| | <u>1,667,120</u> | <u>469,460</u> |
| Total current liabilities | | |
| Noncurrent Liabilities: | | |
| Notes payable | 1,489,807 | 1,506,027 |
| Bonds payable | <u>12,332,500</u> | <u>7,457,800</u> |
| | <u>13,822,307</u> | <u>8,963,827</u> |
| Total noncurrent liabilities | | |
| Total liabilities | <u>15,489,427</u> | <u>9,433,287</u> |

NET ASSETS

| | | |
|--|---------------------|---------------------|
| Invested in capital assets, net of related debt | 3,388,109 | 4,810,492 |
| Restricted for: | | |
| Debt service | 140,350 | 212,944 |
| Tenant deposits | 9,153 | 7,785 |
| Unrestricted | <u>3,167,149</u> | <u>143,948</u> |
| TOTAL NET ASSETS | <u>\$ 6,704,761</u> | <u>\$ 5,175,169</u> |

CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEARS ENDED DECEMBER 31

| | <u>2004</u> | <u>2003</u> |
|---|--------------------|--------------------|
| Operating Revenues: | | |
| Charges for services | \$1,408,336 | \$1,242,908 |
| Miscellaneous | 36,483 | 22,666 |
| | <u>1,444,819</u> | <u>1,265,574</u> |
| Expenses: | | |
| Contractual services | 115,479 | 103,137 |
| Salaries | 308,840 | 283,818 |
| Employee retirement | 52,393 | 45,452 |
| Utilities | 75,126 | 73,063 |
| Chemicals and treatment expense | 71,880 | 52,787 |
| Professional fees | 12,514 | 6,817 |
| Commissioner fees | 4,320 | 4,260 |
| Depreciation | 369,820 | 347,200 |
| Amortization | 5,278 | 5,390 |
| Insurance | 65,526 | 56,692 |
| Office supplies and expenses | 15,327 | 10,333 |
| Taxes and licenses | 69,217 | 36,731 |
| Bad debt expense | 1,606 | 3,651 |
| Other administrative expenses | 63,135 | 45,723 |
| | <u>1,230,461</u> | <u>1,075,054</u> |
| Total operating expenses | | |
| | <u>1,230,461</u> | <u>1,075,054</u> |
| Operating income | 214,358 | 190,520 |
| Non-operating Revenues (Expenses): | | |
| Interest expense | (394,397) | (401,080) |
| Interest income | 8,229 | 8,922 |
| Gain on sale of equipment | 14,865 | - |
| Unrealized gain (loss) on investment | 173,671 | (30) |
| | <u>(197,632)</u> | <u>(392,188)</u> |
| Total non-operating revenues (expenses) | | |
| | <u>(197,632)</u> | <u>(392,188)</u> |
| Income before capital contributions | 16,726 | (201,668) |
| Capital Contributions: | | |
| Tap-on fees | 18,050 | 155,850 |
| Contributions in aid of construction | 27,999 | 28,379 |
| Government contributions | 1,466,817 | 91,443 |
| | <u>1,512,866</u> | <u>275,672</u> |
| Total capital contributions | | |
| | <u>1,512,866</u> | <u>275,672</u> |
| Increase in net assets | 1,529,592 | 74,004 |
| Net assets - beginning | 5,175,169 | 5,101,165 |
| NET ASSETS - ENDING | <u>\$6,704,761</u> | <u>\$5,175,169</u> |

See notes to financial statements

CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31

| | 2004 | 2003 |
|---|--------------------------|--------------------------|
| Cash Flows from Operating Activities: | | |
| Receipts from customers | \$ 1,374,328 | \$ 1,202,936 |
| Other receipts | 36,483 | 22,491 |
| Payments to employees | (301,678) | (283,818) |
| Payments to suppliers | (202,686) | (166,257) |
| Payments for other operating expenses | (313,710) | (300,607) |
| | <u>592,737</u> | <u>474,745</u> |
| Cash Flows from Capital and Related Financing Activities: | | |
| Land and construction in progress | (2,217,906) | (419,027) |
| Purchases of property and equipment | (121,082) | (259,720) |
| Sale of property and equipment | 29,184 | - |
| Payments on bond principal and interest | (709,615) | (253,159) |
| Payments on note principal and interest | (130,594) | (125,245) |
| Customer tap-on fees | 18,050 | 155,850 |
| Contributions in aid of construction | 27,999 | 28,379 |
| Loan proceeds | 80,000 | 339,800 |
| Grant proceeds | 1,348,406 | 91,443 |
| | <u>(1,675,558)</u> | <u>(441,679)</u> |
| Cash Flows from Investing Activities: | | |
| Sale of investments | 1,495,374 | - |
| Earnings on cash and investments | 8,229 | 12,514 |
| | <u>1,503,603</u> | <u>12,514</u> |
| Net cash provided by investing activities | | |
| | <u>420,782</u> | <u>45,580</u> |
| Net increase in cash and cash equivalents | | |
| | <u>397,922</u> | <u>352,342</u> |
| Cash and cash equivalents at beginning of year | | |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u><u>\$ 818,704</u></u> | <u><u>\$ 397,922</u></u> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | | |
| Operating income | \$ 214,358 | \$ 190,520 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation | 369,821 | 347,200 |
| Amortization | 5,278 | 5,390 |
| Change in assets and liabilities: | | |
| Receivables | (34,008) | (39,972) |
| Prepaid expense | (7,434) | (992) |
| Utility deposits | - | (175) |
| Accounts payable | 28,870 | (21,588) |
| Accrued expenses | 13,708 | (7,630) |
| Tenant deposits payable | 2,144 | 1,992 |
| | <u>592,737</u> | <u>474,745</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u><u>\$ 592,737</u></u> | <u><u>\$ 474,745</u></u> |

See notes to financial statements

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
SUPPLEMENTAL INFORMATION**

The following supplemental information describes the required deposits for bond payments:

Bond and Interest Sinking Fund:

Resources:

Cash and cash equivalents \$112,623

Liabilities:

Revenue bonds due within one year _____ -

BALANCE IN FUND - DECEMBER 31, 2004 \$112,623

The bond indentures require the Water District to deposit monthly into a Bond and Interest Sinking Fund, a sum equal to one-sixth of the next succeeding interest installment to become due on all bonds then outstanding, also, a sum equal to one-twelfth of the principal of all bonds maturing on the next succeeding January 1. The payments for bond principal and interest are a first charge on the Water District revenues after meeting current expenses of operating and maintaining the system. Total required deposits for the year ended December 31, 2004, were \$482,926 and total deposits made for the year were \$602,440.

Depreciation Fund:

Resources:

Cash and cash equivalents \$ 27,727

Subject to the priorities of the Bond and Interest Sinking Fund, the Water District is required to make monthly deposits of \$2,115 into the Depreciation Fund to accumulate to no more than \$165,840. In addition, the District is required to deposit all sums realized from the sale of equipment, proceeds of all property damage insurance and connection fees or charges as may be assessed from potential users of the system, to aid in financing cost of extensions and improvements. Total deposits for the year ended December 31, 2004, were \$7,213.

The Depreciation Fund may be expended for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, renewals or replacements not included in the annual budget, and the cost of construction additions and improvements to the system which will either enhance its revenue producing capacity or provide a higher degree of service.

WILLIAMS, WILLIAMS & LENTZ, LLP
CERTIFIED PUBLIC ACCOUNTANTS
601 JEFFERSON
PADUCAH, KENTUCKY 42001

J. RICHARD WALKER
JERRY G. SEVERNS
ROBERT R. ROBERTSON
C. SUZETTE CRONCH
MICHAEL F. KARNES
MARK A. THOMAS
ROGER G. HARRIS
J. DAVID BAILEY, III

G. LEON WILLIAMS, 1926-2004
H. WILLIAM LENTZ

MAILING ADDRESS
POST OFFICE BOX 2500
PADUCAH, KY 42002-2500

TELEPHONE
270-443-3643

FAX
270-444-0652

WEBSITE
wwtcca.com

**Report On Compliance and on Internal Control over
Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Commissioners
Crittenden-Livingston County
Water District
Salem, Kentucky

We have audited the financial statements of the Crittenden-Livingston County Water District, as of and for the year ended December 31, 2004, and have issued our report thereon dated March 23, 2005. 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 Crittenden-Livingston County Water District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that are required to be reported under *Government Auditing Standards*. As of December 31, 2004, the District had \$74,209 in unsecured and uncollateralized bank deposits at Fredonia Valley Bank. We recommend that the dollar amount of deposits held at the Water District's depository bank be monitored to determine when the bank should be required to pledge securities.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Crittenden-Livingston County Water District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the District, in a separate letter dated March 23, 2005.

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

Williams, Williams & Lentz, LLP

March 23, 2005