

DAMON R. TALLEY, P.S.C.

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DAMON R. TALLEY

ATTORNEY AT LAW

July 6, 2006

Ms. Beth O'Donnell
Executive Director
Public Service Commission
PO Box 615
Frankfort, KY 40602

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JUL 07 2006

PUBLIC SERVICE
COMMISSION

RE: Muhlenberg County Water District
Case No. 2006-00248

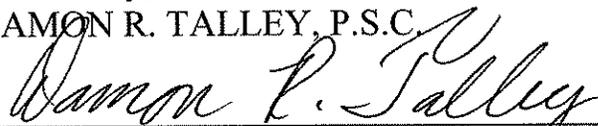
Dear Ms. O'Donnell;

Enclosed is the original and ten (10) copies of the Application of the Muhlenberg County Water District for an adjustment of its rates.

The Water District plans to implement the rates on August 7, 2006.

Yours truly,

DAMON R. TALLEY, P.S.C.



DAMON R. TALLEY, ATTORNEY FOR
MUHLENBERG COUNTY WATER
DISTRICT

DRT:ms

Enclosures

cc: Attorney General, Utility Intervention and Rate Division
Muhlenberg County Water District

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JUL 7 2006

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

THE APPLICATION OF MUHLENBERG COUNTY)	
WATER DISTRICT FOR A GENERAL RATE)	CASE NO. 2006-00248
ADJUSTMENT PURSUANT TO THE PROVISIONS)	HISTORIC TEST
OF KRS 278.030 and 807 KAR 5:001.)	YEAR UTILIZED

RECEIVED

*** ** *** ** *** ** *** ** ***

JUL 07 2006

PUBLIC SERVICE
COMMISSION

PETITION

The Applicant, MUHLENBERG COUNTY WATER DISTRICT, situated in Muhlenberg County, Kentucky, (the "DISTRICT"), acting by and through its Board of Commissioners, respectfully tenders this Petition and Application, pursuant to KRS 278.030 and 807 KAR 5:001, and requests that the Public Service Commission of Kentucky (the "PSC") enter an Order approving the proposed adjustment of water service rates and charges to be levied and collected by the District. In support of this Petition and Application, and in conformity with the rules of the PSC, the DISTRICT states as follows:

O V E R V I E W

1. The DISTRICT requests the PSC to approve the proposed adjustment of water service rates and charges to all customers. The proposed rate adjustment should produce approximately \$576,874 in additional revenues. This is an increase of approximately 27% over test year water sale revenues.

2. The DISTRICT plans to implement the proposed rates on August 7, 2006.

G E N E R A L I N F O R M A T I O N

3. The DISTRICT was established by Order of the County Court of Muhlenberg County, Kentucky entered under date of July 24, 1962, pursuant to the provisions of KRS 74.010. The DISTRICT is now, and has been since its inception, regulated by the PSC, and all records and proceedings of the PSC with reference to the DISTRICT are incorporated in this Application by reference.

4. The governing body of the DISTRICT is its Board of Commissioners, which is a public body corporate, with power to make contracts in furtherance of its lawful and proper purposes as provided in KRS 74.070.

5. The mailing address of the DISTRICT is as follows:

Muhlenberg County Water District
301 Dean Road
P.O. Box 348
Greenville, Kentucky 42345
Attn: Tommy Woodruff, Superintendent
Telephone: (270) 338-1300

6. The DISTRICT is engaged in the business of providing an adequate supply of potable water for domestic, agricultural, commercial and industrial use to a large portion of Muhlenberg County.

7. It operates and maintains a water distribution system which serves approximately 6,000 retail customers (as of 12/31/05) and two (2) wholesale customers (City of Drakesboro and the Tennessee Valley Authority Paradise Fossil Electric Generating Plant).

REASONS FOR RATE INCREASE

8. During the last few years the DISTRICT'S financial condition has deteriorated substantially because of large operating losses. The losses were caused, in part, by increased operating and maintenance expenses. Because of these losses the DISTRICT has been forced to use retained earnings accumulated during prior years and depreciation reserve funds to make the annual principal payments on its bonded indebtedness. The DISTRICT cannot be operated on a sound financial basis in this manner.

9. A general, system-wide rate adjustment in the approximate amount of 27% will be necessary:

- A. To meet the increased costs of operations;
- B. To reverse the DISTRICT's negative cash flow;
- C. To enable the DISTRICT to pay its annual principal payments on its existing long term debts from water revenues rather than from depreciation reserves;
- D. To enable the DISTRICT to meet the coverage requirements (120%) set forth in its existing bond resolutions;
- E. To restore the DISTRICT to a sound financial condition; and
- F. To enable the DISTRICT to enhance its financial capacity so it can continue to operate its system in compliance with the federal Safe Drinking Water Act, as amended in 1996, and KRS Chapter 151.

10. On June 7, 2006 the DISTRICT filed a Notice of Intent to file a general rate application. A copy of the notice is appended hereto as **Exhibit 1**. The Notice was filed pursuant to 807 KAR 5:001, Section 10(2). The DISTRICT proposes to use the calendar year of 2004 as the historical test year (the "Test Year").

11. The PSC'S letter of June 8, 2006, which acknowledged receipt of the DISTRICT'S Notice of Intent and assigned Case No. 2006-00248 to this case, is appended hereto as **Exhibit 2**.

FINANCIAL INFORMATION

12. It is hereby certified that the DISTRICT'S annual reports, including the report for the 2005 calendar year, are on file with the PSC in accordance with 807 KAR 5:006, Section 3(1).

13. The Financial Exhibit required by 807 KAR 5:001, Section 6 and Section 10 is appended hereto as **Exhibit 3**.

14. The following additional exhibits are appended hereto in compliance with 807 KAR 5:001, Section 6 and Section 10:

<u>EXHIBIT #</u>	<u>DESCRIPTION</u>
4	Schedule of Bonds Authorized and Issued
5	Income Statement
6	Balance Sheet
7	Utility Plant in Service (Property Schedule)
8	PSC Annual Report for 2004
9	Audit Report for 2004 (2005 Audit Report will be filed upon completion)
10	Billing Analysis

15. The provisions of 807 KAR 5:001, Section 10(1)(b)(3) through 10(1)(b)(5) are not applicable because the DISTRICT is neither a corporation nor

a limited partnership.

16. The DISTRICT does not operate under an assumed name. Consequently, the filing of an assumed name certificate, as required by 807 KAR 5:001, Section 10(1)(b)(6), is not necessary.

17. There was no apportionment used.

18. The DISTRICT'S existing debt service requirements are summarized in **Exhibit 11** which is appended hereto.

19. The existing annual principal and interest payments for the next five (5) years are detailed in **Exhibit 12**. The existing annual debt service requirements for the DISTRICT, based upon a five-year average, is \$494,323.

RATE ADJUSTMENT

20. For the reasons stated in paragraph 9, a system wide rate adjustment in the approximate amount of 27% will be necessary.

21. The DISTRICT proposes to use the calendar year of 2004 as the Test Year. Because of continuing health problems of the DISTRICT's long-time auditor, financial data for calendar year 2005 was not available when this rate application and exhibits were being prepared. This is why 2004 was selected as the test year. The DISTRICT was forced to select a new auditor. It has engaged the services of Berry & Kington, P.S.C. to perform its audit for the 2005 calendar

year. The 2005 audit will be filed with the PSC as soon as it has been completed, presented to the DISTRICT, and made available for distribution.

22. A Billing Analysis has been prepared and is appended hereto as **Exhibit 10**.

23. The DISTRICT proposes to make four (4) adjustments to Test Year income and expenses for known and measurable changes that have occurred since the end of the Test Year. These proposed adjustments, together with a detailed narrative explanation, are set forth in **Exhibit 13**.

24. **Exhibit 14** shows that the amount of income available for debt service will be a negative \$82,555 before the proposed rate increase.

25. **Exhibit 15, REVENUE REQUIREMENTS**, shows that the DISTRICT needs to increase its revenues by **\$576,878**. This means the DISTRICT needs to generate revenues of approximately \$2,729,508 from the proposed rates (\$2,152,630 + \$576,878).

26. Adjusting all the rates by approximately 27% will generate revenues of approximately \$2,729,504, as depicted in **Exhibit 16** which is appended hereto.

27. **Exhibit 17, Verification of Proposed Rates**, demonstrates that the proposed rates will generate the required revenues.

28. **Exhibit 18** is a cash flow summary. This summary estimates the

DISTRICT'S total revenue will be \$2,802,949 when forfeited discounts and other miscellaneous income items are added to the revenue projected to be generated by the proposed rates.

29. A schedule of the current rates in effect and the proposed rates is set forth in comparative form in **Exhibit 19**. The dollar amount of increase and the percentage of increase for each usage block are also shown in **Exhibit 19**.

30. The effect of the proposed rate adjustment on the average consumer's bill is shown in **Exhibit 20**. The average consumer should experience a 27% increase.

31. The DISTRICT'S proposed tariff, in a form which complies with 807 KAR 5:011 and 807 KAR 5:001, Section 10(1)(b)(7), is appended hereto as **Exhibit 21**. As stated in paragraph two (2) of this Petition, the DISTRICT plans to implement these proposed rates on August 7, 2006.

32. The DISTRICT'S present and proposed tariff, in a comparative form which complies with 807 KAR 5:011 and 807 KAR 5:001 Section 10(1)(b)(8), is appended hereto as **Exhibit 22**.

33. The DISTRICT has published and posted the required customer notice in compliance with subsections (3) and (4) of 807 KAR 5:001, Section 10 and 807 KAR 5:011, Section 8. A copy of the Public Notice of Proposed

Adjustment of Water Rates is appended hereto as **Exhibit 23**. The Public Notice was published in a prominent manner in a newspaper of general circulation in the DISTRICT'S service area on July 5, 2006. The Public Notice will be published in the same newspaper for the next two (2) consecutive weeks (making a total of three (3) consecutive weeks). Newspaper tear sheets and the publisher's Affidavit evidencing publication in the newspaper will be forwarded to the PSC as soon as they have been received.

34. The DISTRICT does not plan to support the application with prepared testimony. It respectfully requests the PSC staff to perform a field review of the DISTRICT'S test-period financial records and issue a staff report just as the staff routinely does in general rate cases filed by water utilities.

35. The DISTRICT is not a local exchange company within the meaning of 807 KAR 5:001, Section 10(6)(f).

36. The Billing Analysis required by 807 KAR 5:001, Section 10(6)(g) is contained in **Exhibit 10**.

37. The independent auditor's annual opinion report required by 807 KAR 5:001, Section 10(6)(k) for the calendar year ending December 31, 2004 is appended hereto as **Exhibit 9**. As stated in paragraph 21, the audit for the year ending December 31, 2005 will be filed as soon as it is completed by the auditor,

presented to the DISTRICT, and made available for distribution.

38. The only computer program or software used in developing the schedules and work papers associated with the filing of the DISTRICT'S application is the word processing software used by the DISTRICT'S attorney, Damon R. Talley. The entire application, including Exhibits, were prepared by using the following:

Software: Microsoft Office Word & Excel 2003
Supplier: Microsoft
Operating System: Windows XP

39. The monthly managerial reports as required by 807 KAR 5:001, Section 10(6)(r) are appended hereto as **Exhibit 25**.

40. The DISTRICT states that it has not adopted a capital construction budget concerning any future additions or improvements to its plant. Consequently, the DISTRICT cannot file a capital construction budget as required by 807 KAR 5:001, Section 10(7)(b).

41. Therefore, the DISTRICT moves for a deviation from, or a waiver of, the requirement that it file its most recent capital construction budget as required by 807 KAR 5:001, Section 10(7)(b). No such capital construction budget exists.

The DISTRICT, like most smaller water districts and associations, does not normally provide for or maintain a capital construction budget. Any new

construction occurs on a case-by-case project basis and will usually be funded by state grants. This motion for deviation, or a request for a waiver, is being filed pursuant to 807 KAR 5:001, Section 14.

42. The proposed rates are fair, just and reasonable and are necessary for the DISTRICT: (a) to continue providing adequate, reliable service to its customers, (b) to reverse the DISTRICT's negative cash flow; (c) to enable the DISTRICT to pay its annual principal payments on its existing long term debts from water revenues rather than from depreciation reserves; (d) to enable the DISTRICT to meet the coverage requirements set forth in its existing bond resolutions; (e) to restore the DISTRICT to a sound financial condition; and (f) to enable the DISTRICT to enhance its financial capacity so it can continue to operate its system in compliance with the federal Safe Drinking Water Act, as amended in 1996, and KRS Chapter 151.

43. In order to comply with all applicable rules and regulations of the PSC, all Exhibits contained in the Exhibit Addendum attached hereto are incorporated herein by reference.

44. A copy of this Petition and Application, together with all exhibits, has been delivered to the Office of Rate Intervention of the Office of the Attorney General as required by 807 KAR 5:011, Section 10(1)(b).

45. A Filing Requirement Index which shows the location of all documents required by the applicable administrative regulations, or explains the reason for the absence of any documents, is included with the Application.

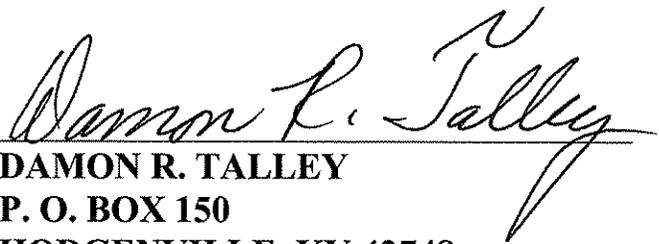
WHEREFORE, the DISTRICT respectfully requests that the PSC take the following actions:

- A. Approve the proposed adjustment of water service rates and charges to all customers;
- B. Grant the DISTRICT a deviation from, or a waiver of, the requirement that it file a capital construction budget as required by 807 KAR 5:001, Section 10(7)(b); and
- C. Grant the DISTRICT any and all other proper relief.

This 5th day of July, 2006.

Respectfully submitted,

**MUHLENBERG COUNTY WATER
DISTRICT**


DAMON R. TALLEY
P. O. BOX 150
HODGENVILLE, KY 42748
(270) 358-3187
FAX: (270) 358-9560
COUNSEL FOR THE DISTRICT

VERIFICATION

I, **BOBBY G. CREAGER**, being first duly sworn according to law, state that I am Chairman of the Board of Commissioners of the **MUHLENBERG COUNTY WATER DISTRICT**; that I have read the foregoing Petition and Application; and that the statements of fact set forth therein are true and accurate to the best of my knowledge and belief.

WITNESS my signature this 5th day of July, 2006.



BOBBY G. CREAGER, CHAIRMAN

STATE OF KENTUCKY

COUNTY OF MUHLENBERG

SUBSCRIBED AND SWORN TO before me this 5th day of July, 2006, by **BOBBY G. CREAGER** in his capacity as Chairman of the Board of Commissioners of the **MUHLENBERG COUNTY WATER DISTRICT**.



NOTARY PUBLIC, State at Large

MY COMMISSION EXPIRES: 6-9-07

GENERAL RATE CASE USING HISTORICAL TEST PERIOD

(Except Sewers)

Filing Requirements Checklist

(Applicable Regulation: 807 KAR 5:001, Sections 8 and 10)

Case No. 2006-00248 Applicant Name Muhlenberg Co. W. D. Received Date July 7, 2006 Form Circulation Date _____

Instructions:

- 1) Each division noted by checkmark () is to complete its review and pass on within two days of receipt.
- 2) This form is to list only the specific filing deficiencies as identified in the regulations. If additional information is needed, an information request must be issued.
- 3) Staff member should use initials and list date review is completed.
- 4) Return to Docket Section following review by all divisions.

Reviewed by following Divisions:

	<u>Date</u>	<u>Staff Member</u>
_____ Filings	_____	_____
_____ Financial Analysis	_____	_____
_____ Engineering	_____	_____
_____ Legal	_____	_____

<u>Division Responsible</u>	<u>Law/Regulation</u>	<u>Filing Requirement</u>	<u>LOCATION OR REASON FOR ABSENCE</u>
Legal	KRS 278.180	30 days' notice of rates to Commission (no effective date means no notice given and this is acceptable)	See cover letter, Paragraph 2 of Petition and Exhibit 21
Filings	807 KAR 5:001: Section 8(1)	Full name and post office address of applicant and a reference to the particular provision of law requiring Commission approval.	Paragraph 5 and page 1
Filings	Section 8(2)	The original and 10 copies of the application with an additional copy for any party named therein as an interested party.	Yes

Legal	Section 10(1)(b)(1)	A statement of the reason the adjustment is required.	Paragraphs 8 and 9
Legal	Section 10(1)(b)(2)	A statement that the utility's annual reports, including the annual report for the most recent calendar year, are on file with the commission in accordance with 807 KAR 5:006, Section 3(1)	Paragraph 12
	Section 10(1)(b)(3) and (5)	If the utility is incorporated, a certified copy of the utility's articles of incorporation and all amendments thereto or out of state documents of similar import. If the utility's articles of incorporation and amendments have already been filed with the Commission in a prior proceeding, the application may state this fact making reference to the style and case number of the prior proceeding <u>and</u> a certificate of good standing or certificate of authorization dated within sixty (60) days of the date the application is filed.	Not Applicable (N/A)
Legal	Section 10(1)(b)(4) and (5)	If applicant is a limited partnership, a certified copy of the limited partnership agreement <u>or</u> if the agreement was filed with the PSC in a prior proceeding, a reference to the style and case number of the prior proceeding <u>and</u> a certificate of good standing or certificate of authorization dated within sixty (60) days of the date the application is filed.	N/A
Legal	Section 10(1)(b)(6)	A certified copy of a certificate of assumed name as required by KRS 365.015 or a statement that such a certificate is not necessary.	N/A
Financial Analysis	Section 10(1)(b)(7)	The proposed tariff in form complying with 807 KAR 5:011 with an effective date not less than thirty (30) days from the date the application is filed.	Exhibit 21
Financial Analysis	Section 10(1)(b)(8)	Proposed tariff changes shown either by providing present and proposed tariffs in comparative form or indicating additions by italicized inserts or underscoring and striking over deletions in a copy of the current tariff.	Exhibit 22
Legal	Section 10(1)(b)(9)	Statement that notice given, see subsections (3) and (4) of 807 KAR 5:001, Section 10 with copy.	Paragraph 33

Legal Section 10(2) If gross annual revenues exceed \$1,000,000 written notice of intent filed at least four (4) weeks prior to application. Notice shall state whether the application will be supported by historical or a fully forecasted test period.

Exhibit 1

FOR UTILITIES USING A HISTORICAL TEST PERIOD THE FOLLOWING INFORMATION MUST BE FILED UNLESS THE UTILITY SUBMITS A STATEMENT WHY THE REQUIRED INFORMATION DOES NOT EXIST AND IS NOT APPLICABLE TO THE UTILITY'S APPLICATION:

Financial Analysis	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.
Financial Analysis	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.
Financial Analysis	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.
Financial Analysis	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.
Financial Analysis	Section 10(6)(f)	If local exchange company, effect upon the average bill for each customer class for change in basic local service.
Financial Analysis	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.
Financial Analysis	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.
Financial Analysis	Section 10(6)(i)	Reconciliation of rate base and capital used to determine revenue requirements.
Financial Analysis	Section 10(6)(j)	Current chart of accounts if more detailed than the Uniform System of Accounts.

Exhibit 13
Utility does not intend to submit prepared testimony. See paragraph 34
Paragraph 1
Exhibit 20
N/A
Exhibit 10
Exhibit 15
N/A. Revenue requirements reflects debt service coverage
N/A

Financial Analysis	Section 10(6)(k)	Independent auditor's annual opinion report, with any written communication from auditor which indicates existence of material weakness in internal controls.	
			Exhibit 9
Financial Analysis	Section 10(6)(l)	The most recent FERC or FCC audit reports.	N/A
Financial Analysis	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
Engineering	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 7. There are no other depreciation studies.
Financial Analysis	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.	Paragraph 38
Financial Analysis	Section 10(6)(p)	Prospectuses of most recent stock or bond offerings.	N/A
Financial Analysis	Section 10(6)(q)	Annual report to shareholders, or members, and statistical supplements covering 2 years prior to application filing date.	N/A
Financial Analysis	Section 10(6)(r)	Monthly managerial reports providing financial results for 12 months in test period.	Exhibit 25
Financial Analysis	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
Financial Analysis	Section 10(6)(t)	If utility had any amounts charged or allocated to it by affiliate or general or home office, or paid any monies to affiliate or general or home office during test period or during previous 3 calendar years, file:	N/A

		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;	N/A
		2. Explanation of how allocator for the test period was determined; and	N/A
		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
Financial Analysis	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
Financial Analysis	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	N/A Gross revenues are \$2,226,075
		1. Jurisdictional separations study consistent with Part 36 of the FCC's rules and regulations; and	N/A
		2. Service specific cost studies supporting pricing of all services that generate annual revenue greater than \$1,000,000 except local exchange access:	N/A
		a. Based on current and reliable data from a single time period; and	N/A
		b. Using generally recognized fully allocated, embedded, or incremental cost principles.	N/A
Financial Analysis	Section 10(7)(a)	Detailed income statement and balance sheet reflecting impact of all proposed adjustments.	Exhibits 5, 6 & 13
Financial Analysis	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	Waiver requested. See paragraph 41

Engineering	Section 10(7)(c)	For each proposed pro forma adjustment reflecting plant additions the following information:	
		1. Starting date of the construction of each major component of plant;	N/A
		2. Proposed in-service date;	N/A
		3. Total estimated cost of construction at completion;	N/A
Financial Analysis		4. Amount contained in construction work in progress at end of test period;	N/A
Engineering		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;	N/A
Engineering		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;	N/A
Engineering		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	N/A
Engineering		8. Impact on depreciation expense of all proposed pro forma adjustments for plant additions and retirements;	N/A
Financial Analysis	Section 10(7)(d)	Operating budget for each month of the period encompassing the pro forma adjustments;	N/A
Financial Analysis	Section 10(7)(e)	Number of customers to be added to the test period – end level of customers and the related revenue requirements <i>impact for all pro forma adjustments with complete details and supporting work papers.</i>	No new customers have been added
Financial Analysis	Section 10(3)(a)	Amount of change requested in dollar amounts and percentage for each customer classification to which change will apply.	Exhibit 19

Financial Analysis	Section 10(3)(b)	Present and proposed rates for each customer class to which change would apply.	Exhibits 19 & 22
Financial Analysis	Section 10(3)(c)	Electric, gas, water and sewer utilities - effect upon average bill for each customer class to which change will apply.	Exhibit 20
Financial Analysis	Section 10(3)(d)	Local exchange companies include effect upon average bill for each customer class for change in basic local service.	N/A
Legal	Section 10(4)	If copy of public notice included, did it meet requirements?*	Exhibit 23

* If applicant has 20 customers or less, written notice of proposed rate changes and estimated amount of increase per customer class shall be mailed to each customer no later than date of application.

For applicants with more than 20 customers, notice of proposed rates and estimated amount of increase per customer class shall be: (1) included with customer billings before application is filed or (2) published in a trade publication or newsletter going to all customers before applications is filed or (3) published once a week for 3 consecutive weeks in a prominent manner in a newspaper of general circulation in its service area, first publication to be made within seven (7) days of the filing of the application.

If the notice is published, an affidavit from the publisher verifying the notice was published, including the dates of the publication with an attached copy of the published notice, shall be filed with the commission no later than forty-five (45) days of the filed date of the application.

If the notice is mailed, a written statement signed by the utility's chief officer in charge of Kentucky operations verifying the notice was mailed shall be filed with the commission no later than thirty (30) days of the filed date of the application.

All utilities, in addition to the above notification, shall post a sample copy of the required notification at their place of business no later than the date on which the application is filed which shall remain posted until the commission has finally determined the utility's rates.

Each notice shall contain the following language:

"The rates contained in this notice are the rates proposed by _____. However, the Public Service Commission may order rates to be charged that differ from these proposed rates. Such action may result in rates for customers other than the rates included in this notice.

"Any corporation, association, body politic or person may request leave to intervene by motion within 30 days after notice of the proposed rate changes is given. The motion shall be submitted to the Public Service Commission, 211 Sower Boulevard, P. O. Box 615, Frankfort, Kentucky 40602, and shall set forth the grounds for the request including the status and interest of the party. Intervenors may obtain copies of the application and testimony by contacting _____ at _____. A copy of the application and testimony shall be available for public inspection at the utility's offices."

EXHIBIT LIST

MUHLENBERG COUNTY WATER DISTRICT

1. Notice of Intent to File Application for Rate Adjustment
2. PSC Acknowledgment Letter
3. Financial Exhibit
4. Schedule of Bonds Authorized & Issued
5. Income Statement
6. Balance Sheet
7. Utility Plant in Service (Property Schedule)
8. PSC Annual Report for 2004
9. Audit Report for 2004
10. Billing Analysis
11. Existing Debt Service Requirements
12. Five Year Average Annual Debt Service Requirement
13. Income and Expense Adjustments
14. Income Available for Debt Service
15. Revenue Requirements
16. Projected Revenues from Proposed Rates
17. Verification of Proposed Rates
18. Cash Flow Summary
19. Comparison of Current and Proposed Rates
20. Effect of Proposed Rates on Average Consumer Bill
21. Proposed Tariff
22. Proposed Tariff in Comparative Form
23. Notice to Customers
24. Affidavit of Publication & Tear Sheets
25. Monthly Managerial Reports

RECEIVED

JUL 07 2006

PUBLIC SERVICE
COMMISSION

DAMON R. TALLEY, P.S.C.

112 N. LINCOLN BLVD.
P.O. BOX 150
HODGENVILLE, KENTUCKY 42748

TEL. (270) 358-3187
FAX (270) 358-9560

DAMON R. TALLEY

ATTORNEY AT LAW

June 5, 2006

Ms. Beth O'Donnell
Executive Director
Public Service Commission
PO Box 615
Frankfort, KY 40602

RE: Muhlenberg County Water District
Notice of Intent to File a Rate Application

Dear Ms. O'Donnell;

The Muhlenberg County Water District hereby gives notice, pursuant to 807 KAR 5:001, Section 10(2), that it intends to file an application for an adjustment of its rates on or about July 6, 2006.

The application will be based on a twelve (12) month historical test period which ended on December 31, 2004.

A copy of this letter has been mailed to the Utility Intervention and Rate Division of the Office of the Attorney General.

Yours truly,

DAMON R. TALLEY, P.S.C.



DAMON R. TALLEY, ATTORNEY FOR
MUHLENBERG COUNTY WATER
DISTRICT

DRT:ms

Enclosures

cc: Attorney General, Utility Intervention and Rate Division
Muhlenberg County Water District

6/MCWD/O'Donnell 6-5-06



Ernie Fletcher
Governor

LaJuana S. Wilcher, Secretary
Environmental and Public
Protection Cabinet

Christopher L. Lilly
Commissioner
Department of Public Protection

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

Mark David Goss
Chairman

Teresa J. Hill
Vice Chairman

Gregory Coker
Commissioner

Honorable Damon R. Talley
Attorney at Law
112 N. Lincoln Blvd.
P. O. Box 150
Hodgenville, KY 42748-0150

June 8, 2006

EXHIBIT 2

RE: Case No 2006-00248
Muhlenberg County Water District
(General Rates)
Notice of Intent to file a rate application

This letter is to acknowledge receipt of notice of intent to file an application in the above case. The notice was date-stamped received June 7, 2006 and has been assigned Case No 2006-00248. In all future correspondence or filings in connection with this case, please reference the above case number.

If you need further assistance, please contact my staff at (502) 564-3940.

Sincerely,

Beth O'Donnell
Executive Director

BOD/sh

EXHIBIT 3
FINANCIAL EXHIBIT
FOR THE YEAR ENDED DECEMBER 31, 2004
MUHLENBERG COUNTY WATER DISTRICT

1. Amount and Types of Stock Authorized.

None.

2. Amount and Types of Stock Issued and Outstanding.

None.

3. Details of Preference Terms of Preferred Stock.

None

4. Mortgage Schedule.

No real estate mortgage has been executed by the District.

5. Schedule of Bonds Authorized and Issued.

See Exhibit 4 for details.
\$148,459 was paid in interest on these Bonds in 2004.

6. Schedule of Outstanding Notes.

On October 1, 2004, the District borrowed \$1,030,000.00 from the Kentucky Rural Water Finance Corporation at an interest rate of 2.0%. The Note matured on July 1, 2005. No interest was paid during calendar year 2004.

7. Other Indebtedness.

None except for routine, monthly expenses incurred in the ordinary course of business.

8. Dividends Paid.

None.

9. Income Statement and Balance Sheet.

The detailed Income Statement for the calendar year ended December 31, 2004 is attached as Exhibit 5.

The detailed Balance Sheet for the calendar year ended December 31, 2004 is attached as Exhibit 6.

SCHEDULE OF BONDS AUTHORIZED AND ISSUED

MUHLENBERG COUNTY WATER DISTRICT

(1) DATE OF ISSUE	(2) FACE VALUE	(3) DATE OF MATURITY	(4) INTEREST RATE	(5) AMOUNT OF INTEREST 2004
1966 RD	\$ 1,126,000	1/1/2006	3.75%	\$ 4,125
1978 RD	2,048,000	1/1/2018	5.00%	14,307
1992 KACOLT	147,000	1/20/2012	5.55%	5,135
1995 BONDS	2,355,000	1/1/2021	5.4% to 5.6%	79,838
2004A BONDS	1,234,000	2/1/2017	2.0% to 3.75%	27,600
2004D BONDS	1,820,000	2/1/2021	3.0% to 4.13%	17,454
TOTAL INTEREST PAID IN 2004				\$ 148,459

SEE EXPLANATORY NOTES ON PAGE 2 OF EXHIBIT 4

EXPLANATORY NOTES

1. **1966 RD BONDS.** These bonds matured on January 1, 2006.
2. **1978 RD BONDS.** These bonds were refunded and paid off in March 2004 by the 2004A Bonds.
3. **1992 KACOLT.** The "bond" issue designated as 1992 KACOLT is actually a 20 year lease with the Kentucky Association of counties Leasing Trust which was facilitated by the Muhlenberg County Fiscal Court. For accounting purposes, the principal and interest components of the monthly "lease" payments are treated as payments on long term debt rather than rental payments.
4. **1995 BONDS.** These bonds were refunded and paid off in October 2004 by the 2004D Bonds.
5. **2004A BONDS.** A bond resolution dated March 24, 2004 authorized these bonds to refund the 1978 RD Bonds.
6. **2004D BONDS.** A bond resolution dated October 19, 2004 authorized these bonds to refund the 1995 Bonds.

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Comparative Operating Statement (Ref Page: 11)

	Previous Year	Current Year
UTILITY OPERATING INCOME		
Operating Revenues (400)	\$2,248,583.00	\$2,226,075.00
Operating Expenses (401)	\$1,904,614.00	\$1,877,201.00
Depreciation Expenses (403)	\$269,070.00	\$271,609.00
Amortization of Utility Plant Acquisition Adjustment (406)		
Amortization Expense (407)		
Taxes Other Than Income (408.10-408.13)	\$53,983.00	\$53,932.00
Utility Operating Expenses	\$2,227,667.00	\$2,202,742.00
Utility Operating Income	\$20,916.00	\$23,333.00
Income From Utility Plant Leased to Others (413)		
Gains (Losses) from Disposition of Utility Property (414)		
Total Utility Operating Income	\$20,916.00	\$23,333.00
OTHER INCOME AND DEDUCTIONS		
Revenues From Merchandising, Jobbing and contract work (415)		
Costs and Expenses of Merchandising, Jobbing and Contract Work (416)		
Interest and Dividend Income (419)	\$17,177.00	\$25,664.00
Allowance for funds Used During Constructions (420)		
Nonutility Income (421)		
Miscellaneous Nonutility Expenses (426)		
Total Other Income and Deductions	\$17,177.00	\$25,664.00
TAXES APPLICABLE TO OTHER INCOME		

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Comparative Operating Statement (Ref Page: 11)

	Previous Year	Current Year
Taxes Other Than Income (408.20)		
Total Taxes Applic. to Other Income		
INTEREST EXPENSE		
Interest Expense (427)	\$185,495.00	\$149,254.00
Amortization of Debt Discount and Exp. (428)	\$4,233.00	\$17,821.00
Amortization of Premium on Debt (429)		
Total Interest Expense	\$189,728.00	\$167,075.00
EXTRAORDINARY ITEMS		
Extraordinary Income (433)		
Extraordinary Deductions (434)		(\$100,427.00)
Total Extraordinary Items		(\$100,427.00)
NET INCOME BEFORE CONTRIBUTIONS	(\$151,635.00)	(\$218,505.00)

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Balance Sheet - Assets and Other Debits (Ref Page: 7)

	Previous Year	Current Year
UTILITY PLANT		
Utility Plant (101-106)	\$10,409,000.00	\$11,450,321.00
Less: Accumulated Depreciation and Amortization (108-110)	\$4,527,665.00	\$4,786,019.00
Net Plant	\$5,881,335.00	\$6,664,302.00
Utility Plant Acquisition Adjustments (Net) (114-115)		
Other Utility Plant Adjustments (116)		
Total Net Utility Plant	\$5,881,335.00	\$6,664,302.00
OTHER PROPERTY AND INVESTMENTS		
Nonutility Property (121)		
Less: Accumulated Depreciation and Amortization (122)		
Net Nonutility Property		
Investment in Associated Companies (123)		
Utility and Other Investments (124-125)		
Sinking Funds (126)	\$270,234.00	\$834,697.00
Other Special Funds (127)	\$285,313.00	\$477,732.00
Total Other Property and Investments	\$555,547.00	\$1,312,429.00
CURRENT AND ACCRUED ASSETS		
Cash (131)	\$181,339.00	\$51,471.00
Special Deposits (132)		
Other Special Deposits (133)		
Working Funds (134)		
Temporary Cash Investments (135)		

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Balance Sheet - Assets and Other Debits (Ref Page: 7)

	Previous Year	Current Year
Accounts and Notes Receivable, Less Accumulated Provision for Uncollectible Accounts (141-144)	\$7,303.00	\$10,454.00
Accounts Receivable from Associated Companies (145)		
Notes Receivable from Associated Companies (146)		
Materials and Supplies (151-153)	\$62,443.00	\$57,024.00
Stores Expense (161)		
Prepayments (162)	\$2,578.00	\$2,572.00
Accrued Interest and Dividends Receivable (171)		
Rents Receivable (172)		
Accrued Utility Revenues (173)		
Misc. Current and Accrued Assets (174)	\$68,074.00	
Total Current and Accrued Assets	\$321,737.00	\$121,521.00
DEFERRED DEBITS		
Unamortized Debt Discount and Expense (181)	\$67,914.00	\$145,530.00
Extraordinary Property Losses (182)		
Preliminary Survey and Investigation Charges (183)		
Clearing Accounts (184)		
Temporary Facilities (185)		
Misc. Deferred Debits (186)	\$16,000.00	\$8,000.00
Research and Development Expenditure (187)		
Total Deferred Debits	\$83,914.00	\$153,530.00
TOTAL ASSETS AND OTHER DEBITS	\$6,842,533.00	\$8,251,782.00

EXHIBIT 6
Page 2 of 4

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Balance Sheet - Equity Capital and Liabilities (Ref Page: 9)

	Previous Year	Current Year
EQUITY CAPITAL		
Appropriated Retained Earnings (214)		
Retained Earnings From Income before contributions (215.1)	(\$594,222.00)	(\$812,727.00)
Donated Capital (215.2)	\$3,863,039.00	\$4,511,489.00
Total Equity Capital	\$3,268,817.00	\$3,698,762.00
LONG-TERM DEBT		
Bonds (221)	\$3,227,000.00	\$4,144,000.00
Reaquired Bonds (222)		
Advances from Associated Companies (223)		
Other Long-Term Debt (224)	\$86,000.00	\$78,000.00
Total Long Term Debt	\$3,313,000.00	\$4,222,000.00
CURRENT AND ACCRUED LIABILITIES		
Accounts Payable (231)	\$132,966.00	\$167,481.00
Notes Payable (232)		
Accounts Payable to Associated Co. (233)		
Notes Payable to Associated Co (234)		
Customer Deposits (235)	\$127,750.00	\$135,740.00
Accrued Taxes (236)		
Accrued Interest (237)		\$27,799.00
Matured Long-Term Debt (239)		
Matured Interest (240)		
Tax Collections Payable (241)		

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Balance Sheet - Equity Capital and Liabilities (Ref Page: 9)

	Previous Year	Current Year
Misc. Current and Accrued Liabilities (242)		
Total Current and Accrued Liabilities	\$260,716.00	\$331,020.00
DEFFERRED CREDITS		
Unamortized Premium on Debt (251)		
Advances for Construction (252)		
Other Deferred Credits (253)		
Total Deferred Credits		
OPERATING RESERVES		
Accumulated Provision For:		
Property Insurance (261)		
Injuries and Damages (262)		
Pensions and Benefits (263)		
Miscellaneous Operating Reserves (265)		
Total Operating Reserves		
Total Equity Capital and Liabilities	\$6,842,533.00	\$8,251,782.00

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Net Utility Plant (Accts. 101-106) (Ref Page: 13)

	Total
Utility Plant in Service (101)	\$10,373,759.00
Utility Plant Leased to Others (102)	
Property Held for Future Use (103)	
Utility Plant Purchased or Sold (104)	
Construction Work in Progress (105)	\$1,076,562.00
Completed Construction Not Classified (106)	
Total Utility Plant	\$11,450,321.00

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Accumulated Depreciation (Acct. 108) (Ref Page: 13)

	Description	Total
Balance First of Year		\$4,527,665.00
Credit during year		
Accruals Charged to Account 108.1		\$271,609.00
Accruals Charged to Account 108.2		
Accruals Charged to Account 108.3		
Accruals Charged to Other Accounts (specify)		
(specify)		
Salvage Value Recovered on Plant Retired		
Other Credits		
(specify)		
Total Credits		\$271,609.00
Debits during year:		
Book Cost of Plant Retired		\$13,255.00
Cost of Removal		
Other Debits		
(specify)		
Total Debits		\$13,255.00
Balance at End of Year		\$4,786,019.00

EXHIBIT 7
Page 2 of 5

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Water Utility Plant Accounts (Ref Page: 14)

	Prev Year (c)	Additions (d)	Retirement (e)	Current Yr(f)	Infringe. Plant (g)	Supply & Pump	Water Treatment	Trans. and Distr.	General Plant
Organization (301)									
Franchises (302)									
Land and Land Rights (303)	\$27,152.00	\$1,500.00		\$28,652.00				\$28,652.00	
Structures and Improvements (304)	\$316,700.00	\$1,278.00		\$317,978.00					\$317,978.00
Collecting and Impounding Reservoirs (305)									
Lakes, Rivers and Other Intakes (306)									
Wells and Springs (307)									
Infiltration Galleries and Tunnels (308)									
Supply Mains (309)									
Power Generation Equipment (310)	\$231,897.00	\$3,107.00		\$235,004.00					\$235,004.00
Pumping Equipment (311)									
Water Treatment Equipment (320)									

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Water Utility Plant Accounts (Ref Page: 14)

	Prev Year (g)	Additions (d)	Retirement (e)	Current Yr (f)	Ingrbls Plant (g)	Supply & Pump	Water Treatment	Trans. and Distr.	General Plant
Distribution Reservoirs and Standpipes (330)	\$497,037.00			\$497,037.00					\$497,037.00
Transmission and Distribution Mains (331)	\$7,159,663.00	\$7,705.00		\$7,167,368.00					\$7,167,368.00
Services (333)	\$123,835.00			\$123,835.00					\$123,835.00
Meters and Meter Installations (334)	\$1,117,754.00	\$14,037.00		\$1,131,791.00					\$1,131,791.00
Hydrants (335)	\$40,960.00	\$1,463.00		\$42,423.00					\$42,423.00
Backflow Prevention Devices (336)									
Other Plant and Misc. Equipment (339)									
Office Furniture and Equip. (340)	\$161,765.00	\$1,483.00		\$163,248.00					\$163,248.00
Transportation Equipment (341)	\$283,812.00	\$10,944.00	\$13,255.00	\$281,501.00					\$281,501.00
Stores Equipment (342)									
Tools, Shop and Garage Equip (343)									
Laboratory Equipment (344)									

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Water Utility Plant Accounts (Ref Page: 14)

	Prev. Year (G)	Additions (d)	Retirement (e)	Current Yr (f)	Intangible Plant (g)	Supply & Pump	Water Treatment	Trans. and Distr.	General Plant
Power Operated Equipment (345)	\$184,272.00			\$184,272.00					\$184,272.00
Communication Equipment (346)	\$84,839.00	\$1,011.00		\$85,850.00					\$85,850.00
Miscellaneous Equipment (347)	\$114,103.00	\$697.00		\$114,800.00					\$114,800.00
Other Tangible Plant (348)									
Total Water Plant	\$10,343,789.00	\$43,225.00	\$13,255.00	\$10,373,759.00		\$235,004.00	\$8,991,106.00		\$1,147,649.00

EXHIBIT 8

PSC ANNUAL REPORT

FOR

2004

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Title Page

Name of Respondent	Addr Line 1	Addr Line 2	City	State	Zip
--------------------	-------------	-------------	------	-------	-----

Water
Districts/Associations

Annual Report of

Respondent

MUHLENBERG COUNTY DEAN ROAD
WATER DISTRICT

GREENVILLE

KY

42345

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Principal Payment and Interest Information

	Amount	Yes/No	PSC Case No.
Amount of Principal Payment During Calendar Year	\$3,167,000.00		
Is Principal Current?		Y	
Is Interest Current?		Y	
Has all long-term debt been approved by the Public Service Commission?		Y	

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Services Performed by Independent CPA

	Yes/No	A/C/R
Are your financial statements examined by a Certified Public Accountant?		
Enter Y for Yes or N for No	Y	
If yes, which service is performed?		
Enter an X on each appropriate line		
Audit		X
Compilation		
Review		

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Additional Requested Information

	Name	Electronic Info
Name of Utility and Web Address	MUHLENBERG COUNTY WATER DISTRICT	61-0667958
Contact Name and Email Address	RONDA HEARLD	ronda360@bellsouth.net

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Additional Information Required

Case Num	Date	Explain
----------	------	---------

NONE

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Major Water Projects

Provide details about each major water project which is planned but has not yet been submitted for approval to the Public Service commission.

For the limited purpose of this report, a "Major Project" is defined as one which is not in the ordinary course of business, and will increase your current utilityplant by at least 20 percent.

Brief Project Description: (improvement, replacement, building construction, expansion. If expansion, provide the estimated number of new customers):

The District is in process of building a new tank at Beechcreek and updating the main distribution line near the main pump intake

Projected Costs and Funding Sources/Amounts:

The aforementioned Project will cost in excess of \$2,000,000 and will convert temporary loan from KRWA of \$1,000,000 to permanent bond issue. The District also received \$1,000,000 for KIA.

Approval Status: (Application for financial assistance filed, but not approved; or application approved, but have not advertised for construction bids)

N/A

Location: (community, area or nearby roads)

Beechcreek, Powderly

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

History-Legal Name (Ref Page: 4)



1. Exact name of utility making this report.

(Use the words "The", "Company" or "Incorporated" only when part of the corporate name.)

MUHLENBERG COUNTY WATER DISTRICT

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

History-Location (Ref Page: 4)

	name	Address	city	state	zip	Phone
Give the location, including street and number, and TELEPHONE NUMBER of the principal office in KY.						
principal office in KY	DEAN ROAD	P.O. BOX 348	GREENVILLE	KY	42345	338-1300
Give name, title, address and TELEPHONE NUMBER of the officer to whom correspondence concerning this report should be addressed.						
	JOE HOLLAND, CHAIRPERSON	84 WHITE DRIVE	BEECHMONT	KY	42323	338-1300
Location where books are located	DEAN ROAD	P.O. BOX 348	GREENVILLE	KY		338-1300

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

History-Date Organized (Ref Page: 4)

Date

Date of Organization

07/01/1962

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

History-Laws of Organization (Ref Page: 4)

List

If a consolidated or merger company, name all contingent and all merged companies. Give reference to charters or general laws governing each, and all amendments of same N/A

Date and Authority for each consolidation and each merger. N/A

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

History-Departments (Ref Page: 4)

List

State whether respondent is a water district or association

WATER DISTRICT

Name all operating departments other than water

N/A

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

History - Counties (Ref Page: 5)

County

List Counties in which you furnish water service

Muhlenberg

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Contacts (Ref Page: 6)

	Title	Last Name	First Name	Bus. Addr.	Salary	Term Expires
Person to send correspondence:	OFFICE MANAGER	HEARLD	RONDA	P.O. BOX 348, GREENVILLE, KY 42345		
Person who prepared this report	CPA	LEWIS	CHARLES R.	P.O. BOX 815, GREENVILLE, KY 42345		
Officers and Managers						
	CHAIRPERSON	HOLLAND	JOE	P.O. BOX 348, GREENVILLE, KY 42345	\$6,000.00	07/24/2005
	TREASURER	CREAGER	BOBBY	P.O. BOX 348, GREENVILLE, KY 42345	\$6,000.00	07/24/2008
	SECRETARY	STEELE	BILLY	P.O. BOX 348, GREENVILLE, KY 42345	\$6,000.00	12/31/2005
	MANAGER	WOODRUFF	TOMMY	P.O. BOX 348, GREENVILLE, KY 42345	\$52,000.00	N/A
	ATTORNEY	YONTS	BRENT	MILL ST., GREENVILLE, KY 42345	\$4,800.00	N/A

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Balance Sheet - Assets and Other Debits (Ref Page: 7)

	Previous Year	Current Year
--	---------------	--------------

UTILITY PLANT

Utility Plant (101-106)	\$10,409,000.00	\$11,450,321.00
Less: Accumulated Depreciation and Amortization (108-110)	\$4,527,665.00	\$4,786,019.00
Net Plant	\$5,881,335.00	\$6,664,302.00
Utility Plant Acquisition Adjustments (Net) (114-115)		
Other Utility Plant Adjustments (116)		
Total Net Utility Plant	\$5,881,335.00	\$6,664,302.00

OTHER PROPERTY AND INVESTMENTS

Nonutility Property (121)		
Less: Accumulated Depreciation and Amortization (122)		
Net Nonutility Property		
Investment in Associated Companies (123)		
Utility and Other Investments (124-125)		
Sinking Funds (126)	\$270,234.00	\$834,697.00
Other Special Funds (127)	\$285,313.00	\$477,732.00
Total Other Property and Investments	\$555,547.00	\$1,312,429.00

CURRENT AND ACCRUED ASSETS

Cash (131)	\$181,339.00	\$51,471.00
Special Deposits (132)		
Other Special Deposits (133)		
Working Funds (134)		
Temporary Cash Investments (135)		

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Balance Sheet - Assets and Other Debits (Ref Page: 7)

	Previous Year	Current Year
Accounts and Notes Receivable, Less Accumulated Provision for Uncollectible Accounts (141-144)	\$7,303.00	\$10,454.00
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Stores Expense (161)		
Prepayments (162)	\$2,578.00	\$2,572.00
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Rents Receivable (172)		
Accrued Utility Revenues (173)		
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Total Current and Accrued Assets	\$321,737.00	\$121,521.00
DEFERRED DEBITS		
Unamortized Debt Discount and Expense (181)	\$67,914.00	\$145,530.00
Extraordinary Property Losses (182)		
Preliminary Survey and Investigation Charges (183)		
Clearing Accounts (184)		
Temporary Facilities (185)		
Misc. Deferred Debits (186)	\$16,000.00	\$8,000.00
Research and Development Expenditure (187)		
Total Deferred Debits	\$83,914.00	\$153,530.00
TOTAL ASSETS AND OTHER DEBITS	\$6,842,533.00	\$8,251,782.00

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Balance Sheet - Equity Capital and Liabilities (Ref Page: 9)

	Previous Year	Current Year
--	---------------	--------------

EQUITY CAPITAL

Appropriated Retained Earnings (214)

Retained Earnings From Income before contributions (215.1)

Donated Capital (215.2)

Total Equity Capital

LONG-TERM DEBT

Bonds (221)

Reaquired Bonds (222)

Advances from Associated Companies (223)

Other Long-Term Debt (224)

Total Long Term Debt

CURRENT AND ACCRUED LIABILITIES

Accounts Payable (231)

Notes Payable (232)

Accounts Payable to Associated Co. (233)

Notes Payable to Associated Co (234)

Customer Deposits (235)

Accrued Taxes (236)

Accrued Interest (237)

Matured Long-Term Debt (239)

Matured Interest (240)

Tax Collections Payable (241)

(\$594,222.00)

\$3,863,039.00

\$3,268,817.00

\$3,227,000.00

\$86,000.00

\$3,313,000.00

\$132,966.00

\$127,750.00

\$27,799.00

\$167,481.00

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Balance Sheet - Equity Capital and Liabilities (Ref Page: 9)

	Previous Year	Current Year
--	---------------	--------------

Misc. Current and Accrued Liabilities (242)

Total Current and Accrued Liabilities

\$260,716.00

\$331,020.00

DEFERRED CREDITS

Unamortized Premium on Debt (251)

Advances for Construction (252)

Other Deferred Credits (253)

Total Deferred Credits

OPERATING RESERVES

Accumulated Provision For:

Property Insurance (261)

Injuries and Damages (262)

Pensions and Benefits (263)

Miscellaneous Operating Reserves (265)

Total Operating Reserves

Total Equity Capital and Liabilities

\$6,842,533.00

\$8,251,782.00

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Comparative Operating Statement (Ref Page: 11)

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Allowance for funds Used During Constructions (420)		
Nonutility Income (421)		
Miscellaneous Nonutility Expenses (426)		
Total Other Income and Deductions	\$17,177.00	\$25,664.00
TAXES APPLICABLE TO OTHER INCOME		

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Comparative Operating Statement (Ref Page: 11)

	Previous Year	Current Year
Taxes Other Than Income (408.20)		
Total Taxes Applic. to Other Income		
INTEREST EXPENSE		
Interest Expense (427)	\$185,495.00	\$149,254.00
Amortization of Debt Discount and Exp. (428)	\$4,233.00	\$17,821.00
Amortization of Premium on Debt (429)		
Total Interest Expense	\$189,728.00	\$167,075.00
EXTRAORDINARY ITEMS		
Extraordinary Income (433)		
Extraordinary Deductions (434)		(\$100,427.00)
Total Extraordinary Items		(\$100,427.00)
NET INCOME BEFORE CONTRIBUTIONS	(\$151,635.00)	(\$218,505.00)

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Statement of Retained Earnings 2002 (Ref Page: 12)

Description	Total
Appropriated Retained earnings (214)	
(state balance and purpose of each appropriated amount at year end:)	
Total Appropriated Retained Earnings	\$0.00
Retained Earnings From Income Before Contributions (215.1)	
Balance beginning of year	(\$594,222.00)
Balance transferred from Net Income Before Contributions (435)	(\$218,505.00)
Changes to account:	
Appropriations of Retained Earnings (436)	
Adjustments to Retained Earnings (439)	
(requires Commission approval prior to use):	
Credits	
Debits	
Balance End of Year	(\$812,727.00)

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Statement of Retained Earnings (cont. 215.2) (Ref Page: 12)

Description	Tapping Fees	Grants	Other	Total
Donated Capital (215.2)				
Balance Beginning of the Year	\$2,218,128.00	\$1,536,949.00	\$107,963.00	\$3,863,040.00
Credits				
Proceeds from capital contributions (432)	\$40,890.00	\$607,559.00		\$648,449.00
Other Credits (explain)				
Debits (explain - requires Commission Approval)				
Balance End of Year	\$2,259,018.00	\$2,144,508.00	\$107,963.00	\$4,511,489.00

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Net Utility Plant (Accts. 101-106) (Ref Page: 13)

	Total
Utility Plant in Service (101)	\$10,373,759.00
Utility Plant Leased to Others (102)	
Property Held for Future Use (103)	
Utility Plant Purchased or Sold (104)	
Construction Work in Progress (105)	\$1,076,562.00
Completed Construction Not Classified (106)	
Total Utility Plant	\$11,450,321.00

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Accumulated Depreciation (Acct. 108) (Ref Page: 13)

Description	Total
Balance First of Year	\$4,527,665.00
Credit during year	
Accruals Charged to Account 108.1	\$271,609.00
Accruals Charged to Account 108.2	
Accruals Charged to Account 108.3	
Accruals Charged to Other Accounts (specify)	
(specify)	
Salvage Value Recovered on Plant Retired	
Other Credits	
(specify)	
Total Credits	\$271,609.00
Debits during year:	
Book Cost of Plant Retired	\$13,255.00
Cost of Removal	
Other Debits	
(specify)	
Total Debits	\$13,255.00
Balance at End of Year	\$4,786,019.00

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Water Utility Plant Accounts (Ref Page: 14)

	Prev Year (c)	Additions (d)	Retirement (e)	Current Yr(f)	Intngble. Plant (g)	Supply & Pump.	Water Treatmnt.	Trans. and Distr.	General Plant
Organization (301)									
Franchises (302)									
Land and Land Rights (303)	\$27,152.00	\$1,500.00		\$28,652.00				\$28,652.00	
Structures and Improvements (304)	\$316,700.00	\$1,278.00		\$317,978.00					\$317,978.00
Collecting and Impounding Reservoirs (305)									
Lakes, Rivers and Other Intakes (306)									
Wells and Springs (307)									
Infiltration Galleries and Tunnels (308)									
Supply Mains (309)									
Power Generation Equipment (310)									
Pumping Equipment (311)	\$231,897.00	\$3,107.00		\$235,004.00		\$235,004.00			
Water Treatment Equipment (320)									

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Water Utility Plant Accounts (Ref Page: 14)

	Prev Year (c)	Additions (d)	Retirement (e)	Current Yr (f)	Intangible Plant (g)	Supply & Pump	Water Treatment	Trans. and Distr.	General Plant
Distribution	\$497,037.00			\$497,037.00					\$497,037.00
Reservoirs and Standpipes (330)									
Transmission and Distribution Mains (331)	\$7,159,663.00	\$7,705.00		\$7,167,368.00					\$7,167,368.00
Services (333)	\$123,835.00			\$123,835.00					\$123,835.00
Meters and Meter Installations (334)	\$1,117,754.00	\$14,037.00		\$1,131,791.00					\$1,131,791.00
Hydrants (335)	\$40,960.00	\$1,463.00		\$42,423.00					\$42,423.00
Backflow Prevention Devices (336)									
Other Plant and Misc. Equipment (339)									
Office Furniture and Equip. (340)	\$161,765.00	\$1,483.00		\$163,248.00					\$163,248.00
Transportation Equipment (341)	\$283,812.00	\$10,944.00	\$13,255.00	\$281,501.00					\$281,501.00
Stores Equipment (342)									
Tools, Shop and Garage Equip (343)									
Laboratory Equipment (344)									

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Water Utility Plant Accounts (Ref Page: 14)

	Prev Year (c)	Additions (d)	Retirement (e)	Current Yr (f)	Intangible Plant (g)	Supply & Pump	Water Treatment	Trans. and Distr.	General Plant
Power Operated Equipment (345)	\$184,272.00			\$184,272.00					\$184,272.00
Communication Equipment (346)	\$84,839.00	\$1,011.00		\$85,850.00					\$85,850.00
Miscellaneous Equipment (347)	\$114,103.00	\$697.00		\$114,800.00					\$114,800.00
Other Tangible Plant (348)									
Total Water Plant	\$10,343,789.00	\$43,225.00	\$13,255.00	\$10,373,759.00	\$235,004.00	\$8,991,106.00			\$1,147,649.00

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Analysis of Accumulated Depreciation and Amortization by Primary Acct (Ref Page: 15)

	Balance Beg Yr(c)	Cr-Chg Dep Exp(d)	Other Credits (e)	Charges-Plant Ret(f)	Other Charges (g)	Balance End Yr (h)
Organization (301)						
Franchises (302)						
Land and Land Rights (303)						
Structures and Improvements (304)	\$193,894.00	\$17,399.00				\$211,293.00
Collecting and Impounding Reservoirs (305)						
Lake, River and Other Intakes (306)						
Wells and Springs (307)						
Infiltration Galleries and Tunnels (308)						
Supply Mains (309)						
Power Generating Equipment (310)						
Pumping Equipment (311)						
Water Treatment Equipment (320)						
Distributions Reservoirs and Standpipes (330)						
Transmission and Distribution Mains (331)	\$3,651,186.00	\$206,467.00				\$3,857,653.00
Services (333)						
Meters and Meter Installations (334)						

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Analysis of Accumulated Depreciation and Amortization by Primary Acct (Ref Page: 15)

	Balance Beg Yr (c)	Cr-Chg Dep Exp (d)	Other Credits (e)	Charges-Plant Ret (f)	Other Charges (g)	Balance End Yr (h)
Hydrants (335)						
Backflow Prevention Devices (336)						
Other Plant and Miscellaneous Equipment (339)	\$175,604.00	\$22,034.00		\$13,255.00		\$184,383.00
Office Furniture and Equip. (340)	\$141,201.00	\$2,720.00				\$143,921.00
Transportation Equipment (341)	\$228,850.00	\$7,003.00				\$235,853.00
Stores Equipment (342)						
Tools, Shop and Garage Equip (343)						
Laboratory Equipment (344)						
Power Operated Equipment (345)	\$136,930.00	\$15,986.00				\$152,916.00
Communication Equipment (346)						
Miscellaneous Equipment (347)						
Other Tangible Plant (348)						
Totals	\$4,527,665.00	\$271,609.00		\$13,255.00		\$4,786,019.00

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004
 Accumulated Amortization (Acct. 110) (Ref Page: 16)

Description	Total
Balance First of Year	\$0.00
Credit during year	\$0.00
Accruals Charged to Account 110.1	\$0.00
Accruals Charged to Account 110.2	\$0.00
Other Credits	
(specify)	
Total Credits	\$0.00
Debits during year:	
Book Cost of Plant Retired	\$0.00
Other Debits	
(specify)	
Total Debits	\$0.00
Balance end of Year	\$0.00

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Utility Plant Acquisition Adjustments (Accts. 114-115) (Ref Page: 16)

	Description	Total
Acquisition Adjustments (114)		
(specify)		\$0.00
Total Plant Acquisition Adjustments		
Accumulated Amortization (115)		
(specify)		
Total Accumulated Amortization		
Net Acquisition Adjustments		\$0.00

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Investments and Special Funds (Ref Page: 17)

	Description (a)	Face or Par Value (b)	Year End Book Cost
Investment in Associated Companies (123)			
Total Investment in Associated Companies			
Utility Investments (124)			
Total Utility Investments			
Other Investments (125)			
Total Other Investments			
Sinking Funds (126)			
	BOND/INTEREST REDEMPTION CHECKING	\$90,234.00	\$834,697.00
	1995 BOND - CERTIFICATE OF DEPOSIT	\$180,000.00	
Total Sinking Funds		\$270,234.00	\$834,697.00
Other Special Funds (127)			
	DEPOSIT FUNDS	\$127,010.00	\$134,904.00
	DEPRECIATION FUNDS	\$158,303.00	\$342,667.00
	CONSTRUCTION FUND	\$0.00	\$161.00
Total Other Special Funds		\$285,313.00	\$477,732.00

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004
Accounts and Notes Receivable - Net (Accts 141-144) (Ref Page: 18)

Description	Total
Accounts and Notes Receivable	
Customer Accounts Receivable (141)	\$5,145.00
Other Accounts Receivable (142)	
CITY OF DRAKESBORO	\$5,309.00
Total Other Accounts Receivable	\$5,309.00
Notes Receivable (144)	
Total Notes Receivable	\$0.00
Total Accounts and Notes Receivable	\$10,454.00
Accumulated Provision for Uncollectible Accounts (143)	
Balance First of Year	
Add:	
Provision for uncollectibles for current year	
Collections of accounts previously written off	
Other	
(specify)	
Total Additions	
Deduct accounts written off during year:	
Other	
(specify)	
Total Deductions	
Balance end of Year	\$0.00

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Accounts and Notes Receivable - Net (Accts 141-144) (Ref Page: 18)

	Description	Total
Total Accounts and Notes Receivable - Net		\$10,454.00

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Materials and Supplies (151-153) (Ref Page: 19)

Total	
Plant Materials and Supplies (151)	\$57,024.00
Merchandise (152)	
Other Materials and Supplies (153)	
Total Materials and Supplies	\$57,024.00

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Prepayments (Acct. 162) (Ref Page: 19)

Description	Total
Prepaid Insurance	\$2,572.00
Prepaid Rents	
Prepaid Interest	
Prepaid Taxes	
Other Prepayments	
(Specify)	
Total Prepayments	\$2,572.00

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Miscellaneous Deferred Debits (Acct. 186) (Ref Page: 20)

	Total
Miscellaneous Deferred Debits (186)	
Deferred Rate Case Expense (186.1)	\$8,000.00
Other Deferred Debits (186.2)	
Regulatory Assets (186.3)	
Total Miscellaneous Deferred Debits	\$8,000.00

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Unamortized Debt Discount and Expense and Premium on Debt (Accts 181 and 251) (Ref Page: 20)

Description	Amt Written Off during year	Year End Balance
Unamortized Debt Discount and Expense (181)		
	\$17,821.00	\$145,530.00
Total Unamortized Debt Discount and Expense	\$17,821.00	\$145,530.00
Unamortized Premium on Debt (251)		
Total Unamortized Premium on Debt	\$0.00	\$0.00

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Extraordinary Property Losses (Acct. 182) (Ref Page: 21)

	Description	Total
Extraordinary Property Losses (182)	(Specify)	
Total Extraordinary Property Losses		\$0.00

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Advances for Construction (Acct. 252) (Ref Page: 21)

Total	
-------	--

Balance First of Year	
Add credits during year	
Deduct charges during year	
Balance end of year	\$0.00

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Long Term Debt (Ref Page: 22)

Description of Obligation (a)	Issue Date (b)	Mature Date (c)	Interest Expense for Year Rate (d)	Interest Expense for Year Amount(e)	Principal per Balance Sheet Date (f)
KACO LEASING TRUST 11-12-92			0		
20 YEARS, FINAL PAYMENTS DUE 6-20-12	11-12-92	06-20-12	0	\$5,135.00	\$78,000.00
Total			0	\$5,135.00	\$78,000.00

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Bonds - Account 221 (Ref Page: 23)

	Par Value of Actual Issue (1)	Cash Realized on Actual Issue (2)	Par Val of Amt. Held by or for Respondent (3)	Actually Outstanding at Close of Year (4)	Interest During Year Accrued (5)	Interest During Year Actually Paid (6)
	\$1,126,000.00	\$1,126,000.00		\$60,000.00	\$4,125.00	\$4,125.00
	\$2,048,000.00	\$2,048,000.00		\$0.00	\$14,307.00	\$14,307.00
	\$2,355,000.00	\$2,355,000.00		\$0.00	\$79,838.00	\$79,838.00
	\$1,234,000.00	\$1,234,000.00		\$1,234,000.00	\$27,600.00	\$17,255.00
	\$1,820,000.00	\$1,820,000.00		\$1,820,000.00	\$17,454.00	\$0.00
	\$1,030,000.00	\$1,030,000.00		\$1,030,000.00		
Total	\$9,613,000.00	\$9,613,000.00		\$4,144,000.00	\$143,324.00	\$115,525.00

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Schedule of Bond Maturities (Ref Page: 23)

Bond Numbers (7)	Maturity Date (8)	Interest Rate (9)	Principal Amt (10)	Amounts Paid (11)	Remaining Bonds Outstanding (12)
001	01-01-70	3.7500	\$6,000.00	\$6,000.00	
002	01-01-71	3.7500	\$10,000.00	\$10,000.00	
003	01-01-72	3.7500	\$10,000.00	\$10,000.00	
004-005	01-01-73	3.7500	\$20,000.00	\$20,000.00	
006-007	01-01-74	3.7500	\$20,000.00	\$20,000.00	
008-009	01-01-75	3.7500	\$20,000.00	\$20,000.00	
010-011	01-01-76	3.7500	\$20,000.00	\$20,000.00	
012-013	01-01-77	3.7500	\$20,000.00	\$20,000.00	
014-015	01-01-78	3.7500	\$20,000.00	\$20,000.00	
016-017	01-01-79	3.7500	\$20,000.00	\$20,000.00	
018-019	01-01-80	3.7500	\$20,000.00	\$20,000.00	
020-021	01-01-81	3.7500	\$20,000.00	\$20,000.00	
022-023	01-01-82	3.7500	\$20,000.00	\$20,000.00	
024-025	01-01-83	3.7500	\$20,000.00	\$20,000.00	
026-027	01-01-84	3.7500	\$20,000.00	\$20,000.00	
028-030	01-01-85	3.7500	\$30,000.00	\$30,000.00	
031-033	01-01-86	3.7500	\$30,000.00	\$30,000.00	
034-036	01-01-87	3.7500	\$30,000.00	\$30,000.00	
037-039	01-01-88	3.7500	\$30,000.00	\$30,000.00	
040-042	01-01-89	3.7500	\$30,000.00	\$30,000.00	
043-045	01-01-90	3.7500	\$30,000.00	\$30,000.00	

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Schedule of Bond Maturities (Ref Page: 23)

Bond Numbers (7)	Maturity Date (8)	Interest Rate (9)	Principal Amt (10)	Amounts Paid (11)	Remaining Bonds Outstanding (12)
046-048	01-01-91	3.7500	\$30,000.00	\$30,000.00	
049-051	01-01-92	3.7500	\$30,000.00	\$30,000.00	
052-054	01-01-93	3.7500	\$30,000.00	\$30,000.00	
055-058	01-01-94	3.7500	\$40,000.00	\$40,000.00	
059-062	01-01-95	3.7500	\$40,000.00	\$40,000.00	
063-066	01-01-96	3.7500	\$40,000.00	\$40,000.00	
067-070	01-01-97	3.7500	\$40,000.00	\$40,000.00	
071-074	01-01-98	3.7500	\$40,000.00	\$40,000.00	
075-078	01-01-99	3.7500	\$40,000.00	\$40,000.00	
079-082	01-01-00	3.7500	\$40,000.00	\$40,000.00	
083-087	01-01-01	3.7500	\$50,000.00	\$50,000.00	
088-092	01-01-02	3.7500	\$50,000.00	\$50,000.00	
093-097	01-01-03	3.7500	\$50,000.00	\$50,000.00	
098-102	01-01-04	3.7500	\$50,000.00	\$50,000.00	
103-107	01-01-05	3.7500	\$50,000.00	\$50,000.00	
108-113	01-01-06	3.7500	\$60,000.00		\$60,000.00
		0			
		0			
		0			
	02-01-05	2.0000	\$86,000.00		\$86,000.00
	02-01-06	2.0000	\$87,000.00		\$87,000.00

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Schedule of Bond Maturities (Ref Page: 23)

Bond Numbers (7)	Maturity Date (8)	Interest Rate (9)	Principal Amt (10)	Amounts Paid (11)	Remaining Bonds Outstanding (12)
	02-01-07	2.0000	\$89,000.00		\$89,000.00
	02-01-08	2.2500	\$91,000.00		\$91,000.00
	02-01-09	2.2500	\$93,000.00		\$93,000.00
	02-01-10	2.5000	\$95,000.00		\$95,000.00
	02-01-11	2.7000	\$97,000.00		\$97,000.00
	02-01-12	3.0000	\$100,000.00		\$100,000.00
	02-01-13	3.1250	\$104,000.00		\$104,000.00
	02-01-14	3.3750	\$106,000.00		\$106,000.00
	02-01-15	3.5000	\$110,000.00		\$110,000.00
	02-01-16	3.6250	\$114,000.00		\$114,000.00
	02-01-17	3.7500	\$62,000.00		\$62,000.00
	02-01-05	3.0000	\$42,000.00		\$42,000.00
	02-01-06	3.0000	\$64,000.00		\$64,000.00
	02-01-07	3.0000	\$98,000.00		\$98,000.00
	02-01-08	3.1000	\$102,000.00		\$102,000.00
	02-01-09	3.2500	\$101,000.00		\$101,000.00
	02-01-10	3.2500	\$105,000.00		\$105,000.00
	02-01-11	3.2500	\$109,000.00		\$109,000.00
	02-01-12	3.3800	\$113,000.00		\$113,000.00
	02-01-13	3.5000	\$119,000.00		\$119,000.00
	02-01-14	4.0000	\$127,000.00		\$127,000.00

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Notes Payable (Accts 232 and 234) (Ref Page: 24)

Description	Nominal Date of Issue	Date of Maturity	Int. Rate	Int. Payment	Principal Amt Per Bal Sheet
Account 232 - Notes Payable				0	
Total Account 232					
Account 234 - Notes Payable to Associated Companies				0	
Total Account 234					\$0.00

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Accounts Payable to Associated Companies (Acct. 233) (Ref Page: 24)

	Description	Total
Show Payable to Each Associated Company Separately		
(Specify)		
Total		\$0.00

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Taxes Accrued (Acct. 236) (Ref Page: 25)

	Total
Balance First of Year	\$0.00
Accruals Charged:	
Utility regulatory assessment fees (408.10)	\$3,881.00
Property taxes (408.11)	
Payroll taxes (employer's portion) (408.12)	\$50,051.00
Other taxes and licenses (408.13)	
Taxes other than income, other income and deductions (408.20)	
Total taxes accrued	\$53,932.00
Taxes paid during year:	
Utility regulatory assessment fees (408.10)	\$3,881.00
Property taxes (408.11)	
Payroll taxes (employer's portion) (408.12)	\$50,051.00
Other taxes and licenses (408.13)	
Taxes other than income, other income and deductions (408.20)	
Total Taxes Paid	\$53,932.00
Balance end of year	\$0.00

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Accrued Interest (Account 237) 2002 (Ref Page: 25)

Description of Debt (a)	Balance Beg of Year (b)	Interest Accrued(c)	Interest Paid (d)	Balance End of Year (e)
Long Term Debt:				
BONDS		\$143,323.00	\$115,524.00	\$27,799.00
KACO LEASING		\$5,135.00	\$5,135.00	\$0.00
Notes Payable:				
Customer Deposits:				
		\$796.00	\$796.00	\$0.00
Other				
Total Acct. No 237		\$149,254.00	\$121,455.00	\$27,799.00

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Miscellaneous Current and Accrued Liabilities (Acct. 242) (Ref Page: 26)

Description	Balance End Year
Total Miscellaneous Current and Accrued Liabilities	\$0.00

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Regulatory Commission Expense(Acct 666 and 667) (Ref Page: 26)

Description of Case (Docket No.) (a)	Total Incurred During Year (b)	Amt Transferred to Acct 186.1 (c)	Expensed During Year Acct (d)	Expensed During Year Amount (e)
RATE STUDY CASE	\$0.00	\$8,000.00	666	\$8,000.00
Total	\$0.00	\$8,000.00		\$8,000.00

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Water Operating Revenue (Ref Page: 27)

	Beginning Year Customers	Year End Customers	Amount
Operating Revenues			
Unmetered Water Revenue (460)	0	0	\$0.00
Metered Water Revenue (461)			
Sales to Residential Customers (461.1)	5,703	5,705	\$1,722,950.00
Sales to Commercial Customers (461.2)	306	303	\$256,513.00
Sales to Industrial Customers (461.3)	8	8	\$109,949.00
Sales to Public Authorities (461.4)	0	0	\$0.00
Sales to Multiple Family Dwellings (461.5)	0	0	\$0.00
Sales through Bulk Loading Stations (461.6)	0	0	\$0.00
Total Metered Sales	6,017	6,016	\$2,089,412.00
Fire Protection Revenue (462)			
Public Fire Protection (462.1)	0	0	\$0.00
Private Fire Protection (462.2)	0	0	\$0.00
Total Fire Protection Revenue	0	0	\$0.00
Other Sales to Public Authorities (464)	0	0	\$0.00
Sales to Irrigation Customers (465)	0	0	\$0.00
Sales for Resale (466)	1	1	\$63,218.00
Interdepartmental Sales (467)	0	0	\$0.00
Total Sales of Water	6,018	6,017	\$2,152,630.00
Other Water Revenues			
Guaranteed Revenues (469)	0	0	\$0.00
Forfeited Discounts (470)			\$38,063.00

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Water Operating Revenue (Ref Page: 27)

	Beginning Year Customers	Year End Customers	Amount
Miscellaneous Service Revenues (471)			\$35,382.00
Rents from Water Property (472)			\$0.00
Interdepartments Rents (473)			\$0.00
Other Water Revenues (474)			\$0.00
Total Other Water Revenues			\$73,445.00
Total Water Operating Revenues			\$2,226,075.00

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Water Utility Expense Accounts (Ref Page: 28)

	Current Year (c)	Supply and Exp-Op. (d)	Supply and Exp-Maint. (e)	Water Treatmnt. Exp-Op. (f)	Water Treatmnt. Exp-Maint. (g)	Trans and Dist. Exp-Op (h)	Trans and Dist. Exp- Maint. (i)	Customer Accts Exp. (j)	Admin and Gen Exp.
Salaries and Wages-Employees (601)	\$630,252.00					\$445,467.00		\$100,240.00	\$84,545.00
Salaries and Wages-Officers, Directors and Majority Stockholders (603)	\$18,000.00								\$18,000.00
Employee Pensions and Benefits (604)	\$277,074.00								\$277,074.00
Purchased Water (610)	\$638,163.00	\$638,163.00							
Purchased Power (615)	\$44,971.00	\$44,971.00							
Fuel for Power Production (616)									
Chemicals (618)	\$4,211.00			\$4,211.00					
Materials and Supplies (620)	\$65,018.00						\$65,018.00		
Contractual Services - Eng. (631)	\$2,243.00								\$2,243.00
Contractual Services - Acct. (632)	\$5,125.00								\$5,125.00
Contractual Services - Legal (633)	\$4,800.00								\$4,800.00

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Water Utility Expense Accounts (Ref Page: 28)

	Current Year (c)	Supply and Exp-Op. (d)	Supply and Exp-Maint. (e)	Water Treatmnt. Exp-Op. (f)	Water Treatmnt. Exp-Maint. (g)	Trans and Dist. Exp- Op (h)	Trans and Dist. Exp- Maint. (i)	Customer Accts Exp. (j)	Admin and Gen Exp.
Contractual Services - Management Fees (634)				\$3,896.00					
Contractual Serves - Water Testing (635)	\$3,896.00								
Contractual Services - Other (636)									
Rental of Bld./Real Property (641)	\$1,148.00						\$1,148.00		
Rental of Equipment (642)	\$1,150.00						\$1,150.00		
Transportation Expenses (650)	\$41,499.00						\$41,499.00		
Insurance - Vehicle (656)									
Insurance - General Liability (657)									
Insurance - Worker's Compensation (658)	\$46,584.00								\$46,584.00
Insurance - Other (659)	\$27,862.00								\$27,862.00
Advertising Expenses (660)	\$1,312.00								\$1,312.00

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Water Utility Expense Accounts (Ref Page: 28)

	Current Year (c)	Supply and Exp-Op. (d)	Supply and Exp-Maint. (e)	Water Treatmnt. Exp-Op. (f)	Water Treatmnt. Exp-Maint. (g)	Trans and Dist. Exp- Op (h)	Trans and Dist. Exp- Maint. (i)	Customer Accts Exp. (j)	Admin and Gen Exp.
Regulatory Commission Exp.									
- Amortization of Rate Case (666)	\$8,000.00								\$8,000.00
-Other (667)									
Water Resource Conservation Expense (668)									
Bad Debt (670)	\$5,084.00							\$5,084.00	
Miscellaneous Expenses (675)	\$50,809.00								\$50,809.00
Total	\$1,877,201.00	\$683,134.00		\$8,107.00		\$445,467.00	\$108,815.00	\$105,324.00	\$526,354.00

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Pumping and Water Statistics - part one (Ref Page: 29)

	Water Purchased For Resale (Omit 000's) (b)	Water Pumped from Wells (Omit 000's) (c)	Total Water Pumped and Purchased (Omit 000's) (d)	Water Sold To Customers (Omit 000's) (e)
January	45,050		45,050	28,275
February	41,094		41,094	34,301
March	38,203		38,203	28,210
April	43,865		43,865	26,031
May	40,168		40,168	32,628
June	40,789		40,789	29,107
July	50,123		50,123	35,950
August	44,683		44,683	31,340
September	45,500		45,500	31,391
October	41,313		41,313	34,559
November	39,144		39,144	32,808
December	42,023		42,023	31,706
Total for the year	511,955		511,955	376,306

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Pumping and Water Statistics - part two (Ref Page: 29)

	Gallons	Date
Maximum Gallons pumped by all methods in any one day (Omit 000's)	1,827	02/03/2004
Minimum Gallons pumped by all methods in any one day (Omit 000's)	1,085	03/09/2004

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Pumping and Water Statistics - part three (Ref Page: 29)

List

If water is purchased indicate the following:

Vendor MUNICIPAL WATER & SEWER SYSTEM

Point of Delivery PUMP STATION HWY 62, CENTRAL CITY, KENTUCKY

If water is sold to other water utilities for redistribution,

list names of such utilities below:

DRAKESBORO WATER & GAS

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Sales For Resale (466) (Ref Page: 30)

Company	Gallons (omit 000's)	Avg. Rate Per 1000 Gallons (Cents)	Amount
CITY OF DRAKESBORO	23,328	\$2.71	\$63,218.00
Total	23,328		\$63,218.00

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Water Statistics (Ref Page: 30)

	Gallons (Omit 000's)	Percent
1. Water Produced, Purchased and Distributed		
2. Water Produced		
3. Water Purchased	511,954	
4. Total Produced and Purchased	511,954	
6. Water Sales:		
7. Residential	264,546	
8. Commercial	54,344	
9. Industrial	34,088	
10. Bulk Loading Stations		
11. Resale	23,328	
12. Other Sales		
13. Total Water Sales	376,306	
15. Other Water Used		
16. Utility/water treatment plant	87	
17. Wastewater plant	3,806	
18. System flushing		
19. Fire department	193	
20. Other	25,947	
21. Total Other Water Used	30,033	
23. Water Loss:		
24. Tank Overflows	105,615	
25. Line Breaks		

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Water Statistics (Ref Page: 30)

	Gallons (omit 000's)	Percent
26. Line Leaks		
27. Other		
28. Total Line Loss	105,615	
Note: Line 13 + Line 21 + Line 28 must equal Line 4		
32. Water Loss Percentage		
33. Line 28 divided by Line 4		20.6298

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Plant Statistics (Ref Page: 31)

Give the following information	
Number of fire hydrants, by size	31 FIRE HYDRANTS - 6 INCH HYDRANT - 5/1/4 INCH VALVE OPENING, 2 (3"), FIRE HYDRANT, 1 (4") FIRE HYDRANT
Number of private fire hydrants, by size	NONE
If produced whether water supply is river, impounded streams, well, springs, artificial lake, or collector well	WATER PURCHASED FROM CENTRAL CITY, KENTUCKY, WHOSE SOURCE IS GREEN RIVER
If produced whether supply is by gravity, pumping or a combination	SUPPLY IS BY PUMPING AND GRAVITY
Type, capacity, and elevation of reservoirs at overflow and ground level	POWDERLY RESERVOIR 500,000 GALLONS: OVERFLOW 667.25: GROUND 627.25, DEPOY RESERVOIR 250,000 GALLONS: OVERFLOW 703.00: GROUND 673.00, BEECH CREEK RES. 250,000 GALLONS: OVERFLOW 670.00: GROUND 610.25, CLEATON RESERVOIR 150,000 GALLONS: OVERFLOW 619.00: GROUND 568.00, NOT ENOUGH ROOM TO COMPLETE, PLEASE SEE ATTACHED PAPER SHEETS.
Miles of main by size and kind	10 INCH CEMENT ASBESTOS PIPE 14,351 FEET - 2.7 MILES, 8 INCH CEMENT ASBESTOS PIPE 42,343 FEET - 8.1 MILES, 6 INCH CEMENT ASBESTOS PIPE 164,544 FEET - 31.1 MILES, 4 INCH CEMENT ASBESTOS PIPE 54,399 FEET - 10.3 MILES, 3 INCH CEMENT ASBESTOS PIPE 101,898 FEET - 19.4 MILES, NOT ENOUGH ROOM TO COMPLETE, PLEASE SEE ATTACHED PAPER SHEETS.
Types of filters: gravity or pressure, number of units and total rated in capacity in gal. per min.	PURCHASED FROM CENTRAL CITY, KENTUCKY
Type of disinfectant, number of units and capacity in pounds per 24 hours	3 ROTOMETER GAS FED CHLORINATORS
Station Equipment. List each pump, giving type and capacity, HP of driving unit and character of driving unit (steam/electric/int. combustion) also whether pump is high/ low duty	PUMP STATION A: 2 BOOSTER PUMPS - HORIZONTAL CENTRIFUGAL - 485 GALLONS PER MINUTE, 20 HORSEPOWER, 240 VOLT, 90 FEET DYNAMIC HEAD, 2 BOOSTER PUMPS - HORIZONTAL CENTRIFUGAL - 490 GALLONS PER MINUTE, 129 FEET HEAD, 25 HP, ELECTRIC; PUMP STATION B: 2 BOOSTER PUMPS - VERTICAL TURBINE - 360 GALLONS PER MINUTE. NOT ENOUGH ROOM TO COMPLETE, PLEASE SEE ATTACHED SHEETS
Quantity of fuel used: coal in lbs., gas in cu.ft., oil in gals., and electric in KWH	ELECTRICITY
Give description and total cost of any sizable additions or retirements to plant and service outside the normal system of growth for the period covered by this report	NONE
Capacity of clear well	NONE
Peak month, in gallons of water sold	JULY 35,950,000

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Plant Statistics (Ref Page: 31)

Give the following information

Peak day, in gallons of water sold

FEBRUARY 3, 2004 1,827,000

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Plant Statistics - Part B (Ref Page: 31)

Type
Purchase

Choose one to indicate the type of Water Supply

25800 Muhlenberg County Water District 01/01/2004 - 12/31/2004

Plant Statistics - Part C (Ref Page: 31)

Type
Pumping

Choose one to indicate the type of Water Supply Method

EXHIBIT 9

AUDIT REPORT

FOR

2004

MUHLENBERG COUNTY WATER DISTRICT

ANNUAL FINANCIAL REPORT AND
SUPPLEMENTARY DATA

Years Ended December 31, 2004 and 2003

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CHARLES R. LEWIS

CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

To the Commissioners
Muhlenberg County Water District
Greenville, Kentucky

I have audited the accompanying financial statements of the Muhlenberg County Water District as of and for the years ended December 31, 2004 and 2003, as listed in the table of contents. These financial statements are the responsibility of Muhlenberg County Water District's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

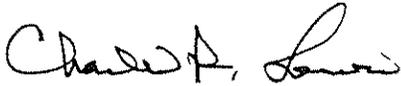
In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Muhlenberg County Water District as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, Muhlenberg County Water District has implemented a new financial reporting model, as required by provisions of GASB Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, as of December 31, 2004.

In accordance with Government Auditing Standards, I have also issued a report dated July 31, 2005 on my consideration of Muhlenberg County Water District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

The management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The schedules listed in the table of contents (on pages 32 to 40) are required for purposes of additional analysis and are not a required part of the financial statements of the Muhlenberg County Water District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



Charles R. Lewis
Certified Public Accountant

Greenville, Kentucky
July 31, 2005

MUHLENBERG COUNTY WATER DISTRICT
Management's Discussion and Analysis
December 31, 2004 and 2003

The discussion and analysis of the Muhlenberg County Water District financial performance provides an overview and analysis of the District's financial activities for the years ended December 31, 2004 and 2003. It should be read in conjunction with the accompanying basic financial statements.

Financial Highlights for the Year 2004

- * The District's net assets increased \$429.9 thousand or 13.2% from \$3,268.8 million to \$3,698.8 million.
- * Income before capital contributions decreased \$66.9 thousand or 44.1% from the prior year.

Overview of the Financial Statements

This report consists of this management's discussion and analysis, basic financial statements, and notes to the financial statements. The basic financial statements are reported using the full accrual basis of accounting.

Basic financial statements

The Statements of Net Assets include information on the District's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). In simple terms, this statement presents a snap-shot view of the assets the District owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts.

The Statements of Revenues, Expenses, and Changes in Fund Net Assets include the District's revenues and expenses for the years ended December 31, 2004 and 2003. This statement provides information on the District's operations and can be used to determine whether the District has recovered all of its actual and projected costs through user fees and other charges.

The Statements of Cash Flows include information on the District's cash receipts and payments and the changes in cash balances resulting from operating activities, investing activities, and financing activities.

The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the District's financial condition.

MUHLENBERG COUNTY WATER DISTRICT
Management's Discussion and Analysis
December 31, 2004 and 2003

District Financial Analysis

A summary of the District's Statements of Net Assets is presented below:

Table I
Condensed Statements of Net Assets
(in thousands)

	2004	2003	dollar change	percent change
	-----	-----	-----	-----
Current assets	\$ 1,434.0	\$ 877.3	\$ 556.7	63.5%
Noncurrent assets	6,817.8	5,965.2	852.6	14.3%
	-----	-----		
Total assets	8,251.8	6,842.5	1,409.3	20.6%
	-----	-----		
Current liabilities	1,549.0	449.7	1,099.3	244.5%
Long-term liabilities	3,004.0	3,124.0	< 120.0 >	< 4.0% >
	-----	-----		
Total liabilities	4,553.0	3,573.7	979.3	27.4%
	-----	-----		
Net assets invested in capital assets, net of related debt	2,442.3	2,568.3	< 126.0 >	< 5.2% >
Net assets restricted for debt service	834.7	270.2	564.5	209.0%
Net assets restricted for capital projects	342.8	158.3	184.5	116.6%
Unrestricted net assets	78.9	271.9	< 193.0 >	<244.6% >
	-----	-----		
Total net assets	\$ 3,698.7	\$ 3,268.7	\$ 430.0	8.8%
	=====	=====		

MUHLENBERG COUNTY WATER DISTRICT
Management's Discussion and Analysis
 December 31, 2004 and 2003

District Financial Analysis (Continued)

A summary of the District's Statements of Net Assets is presented below:

Table I
 Condensed Statements of Net Assets
 (in thousands)

	2002	dollar change	percent change
	-----	-----	-----
Current assets	\$ 917.3	\$< 40.0>	< 4.6%>
Noncurrent assets	6,047.7	< 82.5>	< 1.4%>

Total assets	6,965.0	< 122.5>	< 1.8%>

Current liabilities	375.1	74.6	19.9%
Long-term liabilities	3,313.0	< 189.0>	< 6.0%>

Total liabilities	3,688.1	114.4	3.1%

Net assets invested in capital assets, net of related debt	2,458.5	109.8	4.5%
Net assets restricted for debt service	258.1	12.1	4.7%
Net assets restricted for capital projects	162.3	< 4.0>	< 2.5%>
Unrestricted net assets	397.9	< 126.0>	< 46.3%>

Total net assets	\$ 3,276.8	\$< 8.1>	< .2%>
	=====		

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$3.7 million at the close of the current year.

MUHLENBERG COUNTY WATER DISTRICT
Management's Discussion and Analysis
December 31, 2004 and 2003

2003 to 2004

As shown in table 1, the District's total assets increased by \$1.4 million from \$6.8 million to \$8.2 million. Current assets increased \$557,000 primarily due to increases in cash balances held by fiscal agents which increased \$834,000.

The District's total liabilities increased \$979,000. This decrease results from a \$1,030,000 increase in current liabilities which is due to the District borrowing short term money for an expansion project.

The District's total net assets increased \$430,000, primarily due to the net effect of the increase in total assets and the decrease in total liabilities referred to above.

2002 to 2003

As shown in table 1, the District's total assets decreased by \$123,000 from \$6,965,000 to \$6,843,000. Current assets decreased \$40,000 primarily due to decreases in O & M cash balances.

The District's total liabilities decreased \$114,000. This decrease results from a decrease in noncurrent liabilities which is due to the District making debt service payments as scheduled.

The District's total net assets decreased \$8,000, primarily due to the net effect of the increase in total assets and the decrease in total liabilities referred to above.

A summary of the District's Statements of Revenues, Expenses and Changes in Fund Net Assets is presented on the following pages.
(Pages 7 & 8)

MUHLENBERG COUNTY WATER DISTRICT
Management's Discussion and Analysis
December 31, 2004 and 2003

Table 2
 Condensed Statements of Revenues, Expenses, and Changes
 in Fund Net Assets
 (in thousands)

	2004	2003	dollar change	percent change
Operating revenues	\$ 2,226.1	\$ 2,248.6	\$< 22.5>	1.0%
Nonoperating revenues	25.7	17.2	8.5	49.4%
Total revenues	2,251.8	2,265.8	< 14.0>	.1%
Operating expenses	2,202.7	2,219.7	< 17.0>	7.7%
Nonoperating expenses	267.5	197.7	69.8	35.3%
Total expenses	2,470.2	2,417.4	52.8	2.2%
Income <Loss>, before capital contributions	< 218.4>	< 151.6>	< 66.8>	< 44.1%>
Capital contributions	648.5	143.6	504.9	351.6%
Changes in net assets	430.1	< 8.0>	438.1	5,476.3%
Beginning net assets	3,268.8	3,276.8	< 8.0>	2.4%
Ending net assets	\$ 3,698.9	\$ 3,268.8	\$ 430.1	13.2%

MUHLENBERG COUNTY WATER DISTRICT
Management's Discussion and Analysis
 December 31, 2004 and 2003

Table 2 (Continued)
 Condensed Statements of Revenues, Expenses, and Changes
 in Fund Net Assets
 (in thousands)

	2002	dollar change	percent change
	-----	-----	-----
Operating revenues	\$ 2,226.3	\$ 22.3	1.0%
Nonoperating revenues	22.8	< 5.6>	32.6%

Total revenues	2,249.1	16.7	.7%

Operating expenses	2,069.0	150.7	7.3%
Nonoperating expenses	205.9	< 8.2>	< 4.0%>

Total expenses	2,274.9	142.5	6.3%

Income <Loss>, before capital contributions	< 25.8>	< 125.8>	83.0%
Capital contributions	106.6	37.0	34.7%

Changes in net assets	80.8	< 88.8>	1,000.1%
Beginning net assets	3,196.0	80.8	2.5%

Ending net assets	\$ 3,276.8	\$ 8.0	2.4%
	=====		

MUHLENBERG COUNTY WATER DISTRICT
Management's Discussion and Analysis
December 31, 2004 and 2003

2003 to 2004

As shown in table 2, the District's total revenues remained consistent to the prior year with less than a 1% increase. The District's nonoperating revenues increased \$8,500 primarily due to more interest income.

The District's total expenses increased \$52,800 from the prior year primarily due to a \$69,800 increase in nonoperating expenses. In the current year, the District had a \$100,427 loss from early retirement of revenue bonds.

Capital contributions increased \$502,000 due to grants for water line expansion.

Changes in net assets, increased \$438,000 primarily due to the net effect of the above changes.

2002 to 2003

As shown in table 2, the District's operating revenues remained consistent to the prior year with a 1% increase. The District's nonoperating revenues decreased \$5,600.

The District's total expenses increased \$142,500 from the prior year primarily due to a \$151,000 increase in operating expenses.

Capital contributions increased \$37,000 due to an increased number of tap fees and no significant customer contributions.

Changes in net assets, decreased \$89,000, primarily due to the net effect of the above changes.

Capital Assets and Debt Administration

Capital Assets

At December 31, 2004 the District had \$6,664,302 invested in capital assets, net of accumulated depreciation, including land, structures, improvements and water system, and office furniture and equipment. This amount represents a net increase (additions, retirements, depreciation) of \$782,967 from the prior year. The increase is primarily due to \$271,609 depreciation expense in 2004 and significant additions during the year for water line upgrades (\$1,054,576).

At December 31, 2003 the District had \$5,881,335 invested in capital assets, net of accumulated depreciation, including land, structures, improvements and water system, and office furniture and equipment. This amount represents a net decrease (additions, retirements, depreciation) of \$70,208 from the prior year. The decrease is primarily due to \$269,070 depreciation expense in 2003, and additions during the year.

MUHLENBERG COUNTY WATER DISTRICT
Management's Discussion and Analysis
December 31, 2004 and 2003

Long-Term Debt

At December 31, 2004, the District had \$4,222,000 in revenue bonds outstanding which was an increase of \$909,000 from the prior year balance of \$3,313,000. Both of the District's bond issues were paid as scheduled.

During 2004, the District financed new water line and water tank construction with grant proceeds (\$675,634) and short term borrowing to be converted to long term bonds (\$1,030,000). Also, two old bond issues were refinanced with the issuance of new revenue bonds (\$3,054,000).

Additional information on the District's long-term debt can be found in Note 7 of the financial statements.

Requests For Information

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Muhlenberg County Water District, P.O. Box 348, Greenville, Kentucky 42345.

MUHLENBERG COUNTY WATER DISTRICT
STATEMENT OF NET ASSETS
December 31, 2004 and 2003

	2004	2003
	-----	-----
ASSETS		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 51,471	\$ 181,339
Restricted Cash and Cash Equivalents (Note 4)	478,160	555,547
Cash with Fiscal Agent (Note 4)	834,269	-0-
Accounts Receivable (Net)	10,454	7,303
Intergovernmental Receivables	-0-	68,074
Prepaid Expenses (Note 3)	2,572	2,578
Material and Parts Inventory (Note 1)	57,024	62,443
	-----	-----
TOTAL CURRENT ASSETS	1,433,950	877,284
	-----	-----
<u>Noncurrent Assets</u>		
Unamortized Debit Discount, Issuance Costs	145,530	67,914
Unamortized Rate Case Costs (Note 15)	8,000	16,000
Capital Assets:		
Construction in Progress (Note 5)	1,076,562	65,211
Nondepreciable - Land (Note 5)	28,652	27,152
Depreciable, net of Accumulated Depreciation (Note 5)	5,559,088	5,788,972
	-----	-----
TOTAL NONCURRENT ASSETS	6,817,832	5,965,249
	-----	-----
TOTAL ASSETS	8,251,782	6,842,533
	-----	-----
LIABILITIES		
<u>Current Liabilities</u>		
Accounts Payable	167,481	132,966
Current Liabilities, Payable from Restricted Assets:		
Accrued Interest Payable	27,799	-0-
Customer Deposits	135,740	127,750
Note Payable - Short-Term (Note 6)	1,030,000	-0-
Current Portion of Long-Term Debt	188,000	189,000
	-----	-----
TOTAL CURRENT LIABILITIES	1,549,020	449,716
	-----	-----
<u>Noncurrent Liabilities</u>		
Bonds Payable (Note 7)	3,004,000	3,124,000
	-----	-----
TOTAL LIABILITIES	4,553,020	3,573,716
	-----	-----
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	2,442,302	2,568,335
Restricted for:		
Debt Service	834,697	270,234
Capital Projects	342,828	158,303
Unrestricted	78,935	271,945
	-----	-----
TOTAL NET ASSETS	\$ 3,698,762	\$ 3,268,817
	=====	=====

See accompanying notes to the financial statements.

MUHLENBERG COUNTY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For The Years Ended December 21, 2004 and 2003

	2004	2003
	-----	-----
OPERATING REVENUES		
Water Sales	\$ 2,152,630	\$ 2,174,283
Other Operating Revenues	73,445	74,301
	-----	-----
TOTAL OPERATING REVENUES	2,226,075	2,248,584
	-----	-----
OPERATING EXPENSES		
Source of Supply Expenses	638,163	659,648
Pumping Expenses	57,276	59,108
Water Treatment Expenses	8,107	10,158
Transmission and Distribution Expenses	395,613	413,854
Customer Accounts Expenses	124,858	124,961
Administrative and General Expenses	656,841	632,946
Depreciation (Note 1)	271,609	269,070
Taxes	50,276	49,924
	-----	-----
TOTAL OPERATING EXPENSES	2,202,743	2,219,669
	-----	-----
OPERATING INCOME <LOSS>	23,332	28,915
	-----	-----
NONOPERATING REVENUES <EXPENSES>		
Loss on Early Retirement of Bonds Payable	< 100,427>	-0-
Interest Revenue	25,664	17,178
Interest on Long Term Debt	< 148,457>	< 184,676>
Other Interest	< 796>	< 819>
Amortization of Debt Discount, Rate Case Expenses	< 17,821>	< 12,233>
	-----	-----
TOTAL NONOPERATING REVENUES <EXPENSES>	< 241,837>	< 180,550>
	-----	-----
INCOME <LOSS>, Before Contributions	< 218,505>	< 151,635>
	-----	-----
Capital Contributions - Tap Fees	40,890	48,343
Capital Contributions - Grants	607,560	95,261
	-----	-----
Change in Net Assets <Decrease>	429,945	< 8,031>
NET ASSETS AT BEGINNING OF YEAR	3,268,817	3,276,848
	-----	-----
NET ASSETS AT END OF YEAR	\$ 3,698,762	\$ 3,268,817
	=====	=====

See accompanying notes to the financial statements.

MUHLENBERG COUNTY WATER DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2004 and 2003

	2004	2003
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 2,204,546	\$ 2,261,585
Cash Payments to Suppliers -		
Goods and Services	<1,260,942>	<1,274,505>
Cash Payments to Employees for Services	< 630,252>	< 629,207>
Other Operating Revenues	18,378	11,560
	-----	-----
Net Cash Provided by Operating Activities	331,730	369,433
	-----	-----
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of		
Capital Assets	<1,054,576>	< 198,864>
Principal Paid on Bond Maturities	< 58,000>	< 180,000>
Interest Paid on Bonds	< 120,658>	< 184,676>
Interest Paid on Customer Deposits	< 796>	< 819>
Customer Deposits Collected	34,400	39,940
Customer Deposits Refunded	< 26,410>	< 28,390>
Capital Contributions from Customers	40,890	48,343
Grants Received	675,634	27,187
Proceeds from Short-Term Note	1,030,000	-0-
Principal Paid on Bonds - Early Retirement	<3,117,000>	-0-
Proceeds from Issuance of Bonds	3,054,000	-0-
Issuance Costs - New Bonds	< 87,437>	-0-
Loss on Early Extinguishment of Bonds	< 100,427>	-0-
	-----	-----
Net Cash Provided for Capital and Related Financial Activities	269,620	< 477,279>
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Income	25,664	17,178
	-----	-----
Net Cash Provided by Investing Activities:	25,664	17,178
	-----	-----
Net Increase <Decrease> in Cash and Cash Equivalents	627,014	< 90,668>
Cash and Cash Equivalents at Beginning of Year	736,886	827,554
	-----	-----
Cash and Cash Equivalents at End of Year	\$ 1,363,900	\$ 736,886
	=====	=====

See accompanying notes to the financial statements.

MUHLENBERG COUNTY WATER DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended December 31, 2004 and 2003

	2004	2003
	-----	-----
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED <USED> BY OPERATING ACTIVITIES		
Operating Income <Loss>	\$ 23,332	\$ 28,915
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	271,609	269,070
Changes in Assets and Liabilities		
<Increase> Decrease in Accounts Receivable	< 3,151 >	24,561
<Increase> Decrease in Inventory	5,419	< 6,498 >
<Increase> Decrease in Prepaids	6	< 688 >
Increase <Decrease> in Accounts Payable	34,515	54,073
	-----	-----
TOTAL ADJUSTMENTS	308,398	340,518
	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 331,730	\$ 369,433
	=====	=====

MUHLENBERG COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004 and 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Muhlenberg County Water District conform to Generally Accepted Accounting Principles (GAAP) as applicable to governments. The District applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements, in which case, GASB prevails. The following is a summary of the more significant policies:

New Accounting Standards

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. Certain of the significant changes in the Statement include the following:

For the first time the financial statements include a Management Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and results of operations.

The effect of the District's implementation of GASB No. 34 is primarily limited to changes in presentation. The Statement of Net Assets presents in an assets-liabilities-net assets format with net assets replacing fund equity.

Certain reclassifications have been made to the December 31, 2003 amounts to be comparative to the December 31, 2004 presentation. Fund equity including retained earnings presented in the prior year is now presented as net assets. Also, GASB No. 34 requires tap fee and customer contributions to be presented after Income (Loss) Before Contributions. GASB No. 34 requires liabilities to be reported in two components - 1) amount due within one year and 2) amount due in more than one year. This requirement applies not only to traditional debt but also to operating liabilities such as accumulated compensated absences and customer deposits. December 31, 2003 current amounts have been reclassified to be comparative.

GASB has also issued and the District has implemented Statement No. 38, Certain Financial Statement Note Disclosures which modifies, establishes and rescinds certain financial statement disclosure requirements.

These changes are reflected in the accompanying financial statements (including notes to financial statements).

MUHLENBERG COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004 and 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. The Financial Reporting Entity

Muhlenberg County Water District (the "District") was created in July 1962, under the provisions of Chapter 74 of the Kentucky Revised Statutes of the Commonwealth of Kentucky. Actual operation began in December, 1967. The principal office of the District is located at Greenville, Kentucky. The District is composed of three commissioners who are appointed by the Muhlenberg County Judge Executive and provides water to its members in Muhlenberg County, Kentucky.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14 - The Financial Reporting Entity.

2. Basis of Presentation, Measurement Focus, and Basis for Accounting

The accounts of the District are organized in accordance with the uniform system of accounts adopted by the Public Service Commission of Kentucky. Those accounts are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, liabilities, net assets, revenues, and expenses. Enterprise Funds account for activities 1) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or 2) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or 3) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statements of net assets. Net assets are required to be displayed in three components: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted.

MUHLENBERG COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004 and 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Basis of Presentation, Measurement Focus, and Basis for Accounting (Continued)

Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. The statements of revenue, expenses, and changes in fund net assets present increases (revenues) and decreases (expenses) in net assets.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The accounts of the District are maintained on the accrual basis of accounting. Its revenues are recognized when they are earned, and its expenses are recognized when they are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues and expenses of the District's enterprise fund are charges to customers for sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, the District generally first uses restricted resources, then unrestricted resources as they are needed.

3. Cash and Cash Equivalents

All cash except for a small amount kept "on hand" is deposited in financial institutions. Deposits are interest bearing checking accounts and certificates of deposit. Unrestricted cash is available to be expended for normal operating expenses. Restricted cash is limited to payments of bond principal and interest, emergency capital improvements, and other designated purposes. Cash and cash equivalents are defined as being all monies on deposit in banks.

MUHLENBERG COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004 and 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Inventory

Inventory consists primarily of replacement parts and supplies. Inventory is stated at the lower of cost or market. Cost is determined primarily by the first-in, first-out method.

5. Capital Assets

Capital assets, which include property, plant, and equipment, are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. No interest was capitalized during the years ended December 31, 2004 and 2003.

Capital assets of the District are depreciated using a straight-line method over the following estimated useful lives:

Structures, improvements and water system	10 to 40 years
Furniture, machinery and equipment	3 to 10 years
Vehicles	3 to 5 years

6. Restricted Net Assets

Restricted net assets are cash set aside for the repayment of debt in compliance with bond covenants and cash restricted for future operations in compliance with escrow reserve agreements.

7. Long-Term Liabilities

Long-term debt is reported as liabilities in the statement of net assets. Long-term debt is reported at face value.

8. Uncollectible Accounts

All accounts receivable are considered by management to be collectible, therefore no provision for uncollectible accounts has been established. Uncollectible accounts are expensed using the direct write-off method.

MUHLENBERG COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004 and 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Uncollectible Accounts (Continued)

\$5,084 and \$5,861 have been written off as bad debts for the years of 2004 and 2003 as reflected on the Statement of Revenues, Expenses, and Changes in Net Assets.

9. Use of Estimates

The preparation of financial statements in accordance with accounting principals generally accepted in the United States requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from those estimates.

10. Budgets and Budgetary Accounting

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

- (1) In accordance with the Public Service Commission and the Department of Rural Development guidelines, the District submits a proposed budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- (2) The District is required to submit a budget to RD for each fiscal year as stipulated in the bond agreement. For 2004, Muhlenberg County Water District satisfied this requirement.

The District adopted a fixed dollar budget for the year ended December 31, 2004. Flexible budgets prepared for several levels of possible activity are better for proprietary fund planning, control, and evaluation purposes than are fixed budgets. For this reason, actual comparison of the fixed operating budget adopted by the District and actual operating revenues and expenses are not shown in this financial statement.

NOTE 2. DEPOSITS

The District maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times.

MUHLENBERG COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004 and 2003

NOTE 2. DEPOSITS (Continued)

In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (1) in writing, (2) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (3) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law.

Deposits are categorized to give an indication of risk assumed by the District at the end of the year. Category 1 includes deposits that are insured, Category 2 includes collateralized deposits held by the pledging institution's trust department or agent in the District's name, and Category 3 includes uncollateralized and uninsured deposits.

On December 31, 2004, the reconciled balance of the District's deposits totaled \$1,363,900. Of this balance, \$834,269 was held by fiscal paying agents to redeem refinanced bond issues and was properly secured by the paying agents, leaving \$529,631 under control of the District. Of this balance \$100,000 was covered by federal depository insurance (category 1), \$429,631 was collateralized by additional securities held by the pledging depository institution's trust department or agent on the District's name (category 2) and none remained uncollateralized (category 3). A list of the pledged securities is listed below.

On December 31, 2003, the reconciled balance of the District's deposits totaled \$736,436. Of the bank balances \$100,000 was covered by federal depository insurance (category 1) and \$577,316 was collateralized by additional securities held by the pledging depository institution's trust department or agent in the District's name (category 2) and \$59,120 was uncollateralized (category 3).

MUHLENBERG COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004 and 2003

NOTE 2. DEPOSITS (Continued)

Summary of Pledged Investments - December 31, 2004

Instrument	Rate	Book Value	Maturity	Market Value
FNMA - REMIC	4.50%	\$ 376,159	04-25-30	\$ 374,267
FNMA - POOL	7.00%	57,675	07-01-28	61,129
BELLEFONTAINE, OHIO SEWER	4.00%	100,000	12-01-06	103,325
DUPAGE CO ILL SCHOOL	6.70%	285,100	01-01-08	292,582
MEADE CO. KY SCHOOL	5.60%	25,000	02-01-06	25,587
FHLMC - POOL	4.50%	22,638	07-01-23	22,045
FNMA	2.64%	55,580	03-25-09	55,784
MASON CO, KY SCHOOL	4.30%	133,986	08-01-09	142,200
TOTALS		\$1,056,138		\$1,076,919

NOTE 3. PREPAID EXPENSES

Prepaid expenses include prepaid insurance which represents the amount of unexpired insurance which the District had previously paid for at the balance sheet date.

At December 31, 2004, the District's prepaid expenses consisted of \$2,572 of insurance. At December 31, 2003, the District's prepaid expenses consisted of \$2,578 of insurance.

NOTE 4. RESTRICTED CASH AND CASH EQUIVALENTS

The District has cash set aside for the repayment of debt in compliance with bond covenants, cash restricted for future operations in compliance with escrow reserve agreements, cash set aside for future capital assets, and cash set aside for repayment of customer deposits.

Restricted balances as of December 31 are as follows:

	2004	2003
Bond and interest redemption fund	\$ 834,697	\$ 270,234
Bond depreciation fund	342,667	158,303
Customer meter deposit fund	134,904	127,010
Construction fund	161	-0-
Totals	\$1,312,429	\$ 555,547

MUHLENBERG COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2004 and 2003

NOTE 5. CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2004 and 2003, were as follows:

	Balance 12-31-02	Transfers/ Additions	Transfers/ Retirement	Balance 12-31-03
	-----	-----	-----	-----
Business type activities:				
Capital Assets not being depreciated:				
Land & Land Rights	\$ 27,152	\$ -0-	\$ -0-	\$ 27,152
Construction in Progress	51,298	65,211	51,298	65,211
	-----	-----	-----	-----
Total	78,450	65,211	51,298	92,363
Capital Assets being depreciated:				
Buildings	680,184	558	-0-	680,742
Water System	8,699,322	107,782	-0-	8,807,104
Office Furniture & Equipment	160,255	1,510	-0-	161,765
Vehicles & Equip.	602,622	75,099	10,695	667,026
	-----	-----	-----	-----
Total	10,142,383	184,949	10,695	10,316,637
	-----	-----	-----	-----
Total Capital Assets	\$10,220,833	\$ 250,160	\$ 61,993	\$10,409,000
	=====	=====	=====	=====
Less Accumulated Depreciation	4,269,290	269,070	10,695	4,527,665
	=====	=====	=====	=====
Total Business - Type Activities Capital Assets - Net	\$ 5,951,543	\$< 18,910>	\$ 51,298	\$ 5,881,335
	=====	=====	=====	=====

MUHLENBERG COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004 and 2003

NOTE 5. CAPITAL ASSETS (Continued)

Capital asset activity for the years ended December 31, 2004 and 2003, were as follows: (Continued)

	Transfers/ Additions	Transfers/ Retirement	Balance 12-31-04
	-----	-----	-----
Business type activities:			
Capital Assets not being depreciated:			
Land & Land Rights	\$ 1,500	\$ -0-	\$ 28,652
Construction in Progress	1,011,351	-0-	1,076,562
	-----	-----	-----
Total	1,012,851	-0-	1,105,214
Capital Assets being depreciated:			
Buildings	1,536	-0-	682,278
Water System	26,054	-0-	8,833,158
Office Furniture & Equipment	1,483	-0-	163,248
Vehicles & Equip.	12,652	13,255	666,423
	-----	-----	-----
Total	41,725	13,255	10,345,107
	-----	-----	-----
Total Capital Assets	\$ 1,054,576	\$ 13,255	\$11,450,321
	=====	=====	=====
Less Accumulated Depreciation	271,609	13,255	4,786,019
	=====	=====	=====
Total Business - Type Activities Capital Assets - Net	\$ 782,967	\$ -0-	\$ 6,664,302
	=====	=====	=====

NOTE 6. SHORT-TERM DEBT

In October 2004, the District entered into an agreement with Kentucky Rural Water Finance Corporation for the purpose of funding water system improvements in the amount of \$1,030,000. This obligation will be due on July 1, 2005 with accrued interest at the rate of 2.0%. At this time, the District will issue additional bonds to retire this short-term debt and finance additional costs incurred for water system improvements. At December 31, 2004, the amount of \$662,340 was being held in escrow as monies not obligated as of this date.

MUHLENBERG COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2004 and 2003

NOTE 7. LONG-TERM DEBT

Long-term debt activity for the years ended December 31, 2004 and 2003, were as follows:

	Balance 12-31-02	Additions	Reductions	Balance 12-31-03
	-----	-----	-----	-----
Revenue Bonds:				
Series 1966	\$ 160,000	\$ -0-	\$ 50,000	\$ 110,000
Series 1978	1,260,000	-0-	58,000	1,202,000
Series 1995	1,980,000	-0-	65,000	1,915,000
Series 2004 A	-0-	-0-	-0-	-0-
Series 2004 D	-0-	-0-	-0-	-0-
	-----	-----	-----	-----
	3,400,000	-0-	173,000	3,227,000
Capital Lease	93,000	-0-	7,000	86,000
	-----	-----	-----	-----
Total	\$ 3,493,000	\$ -0-	\$ 180,000	\$ 3,313,000
	=====	=====	=====	=====

MUHLENBERG COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004 and 2003

NOTE 7. LONG-TERM DEBT (Continued)

Long-term debt activity for the years ended December 31, 2004 and 2003, were as follows: (Continued)

	Additions	Reductions	Balance 12-31-04
	-----	-----	-----
Revenue Bonds			
Series 1966	\$ -0-	\$ 50,000	\$ 60,000
Series 1978	-0-	1,202,000	-0-
Series 1995	-0-	1,915,000	-0-
Series 2004 A	1,234,000	-0-	1,234,000
Series 2004 D	1,820,000	-0-	1,820,000
	-----	-----	-----
	3,054,000	3,167,000	3,114,000
Capital Lease	-0-	8,000	78,000
	-----	-----	-----
Total	\$ 3,054,000	\$ 3,175,000	\$ 3,192,000
	=====	=====	=====

Description of Debt

1966 BOND ISSUE

An RECD bond resolution dated March 1, 1966, authorized issuance of \$1,126,000 of waterworks revenue bonds maturing in annual installments through 2006. Interest is payable semi-annually on January 1 and July 1, at 3.75% per annum and principal is payable annually on January 1.

1978 BOND ISSUE

An RECD bond resolution dated February 2, 1978, authorized issuance of \$2,048,000 of waterworks revenue bonds maturing in annual installments beginning January 1, 1981 through 2018. Interest is payable semi-annually on January 1 and July 1 at 5% per annum and principal is payable annually on January 1. The 1978 bonds are issued on a parity with the 1966 bonds. In March, 2004 this issue was paid off with a refinancing issue 2004-A issue described below.

1995 BOND ISSUE

A bond resolution dated October 1, 1995, authorized issuance of \$2,355,000 of refunding revenue bonds maturing in annual installments through 2021. Interest is paid semi-annually on January 1 and July 1, from 5.4% to 5.6% per annum and principal is payable annually on January 1. Bonds maturity on or after January 1, 2006, are subject to redemption at the option of the District.

MUHLENBERG COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2004 and 2003

NOTE 7. LONG-TERM DEBT (Continued)

1995 BOND ISSUE (Continued)

In October 2004, this issue was paid off with a refinancing issue 2004-D issue described below.

2004-A BOND ISSUE

A bond resolution dated March 24, 2004, authorized issuance of \$1,234,000 of refunding revenue bonds maturing in annual installments through 2017. Interest is paid semi-annually on February 1 and August 1, from 2.0% to 3.75% per annum and principal is payable annually on February 1.

2004-D BOND ISSUE

A bond resolution dated October 19, 2004, authorized issuance of \$1,820,000 of refunding revenue bonds maturing in annual installments through 2021. Interest is paid semi-annually on February 1 and August 1, from 3.0% to 4.13% per annum and principal is payable annually on February 1.

KACO CAPITAL LEASE

During 1992, the District entered into a phase of construction to service an area known as "Forest Oak." The District received a Community Block Grant in the amount of \$153,770 and borrowed \$147,000 from the Kentucky Association of Counties Leasing Trust. These monies were remitted through the Muhlenberg County Fiscal Court. The interest rate on this obligation is 5.55% over a 20 year term.

All long-term debt has been retired on schedule. The following is a schedule of total debt retirement for each issue:

Series of 1966

Year Ending December 31	Bonds Due	Interest Due	Total
-----	-----	-----	-----
2005	\$ 60,000	\$ 1,125	\$ 61,125
	=====	=====	=====

MUHLENBERG COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004 and 2003

NOTE 7. LONG-TERM DEBT (Continued)

Series of 2004-A

Year Ending December 31	Bonds Due	Interest Due	Total
-----	-----	-----	-----
2005	\$ 86,000	\$ 33,649	\$ 119,649
2006	87,000	31,919	118,919
2007	89,000	30,159	119,159
2008	91,000	28,245	119,245
2009	93,000	26,175	119,175
2010	95,000	23,942	118,942
2011	97,000	21,445	118,445
2012	100,000	18,635	118,635
2013	104,000	15,510	119,510
2014	106,000	12,096	118,096
2015	110,000	8,383	118,383
2016	114,000	4,391	118,391
2017	62,000	1,163	63,163
	-----	-----	-----
	\$1,234,000	\$ 255,712	\$1,489,712
	=====	=====	=====

Series of 2004-D

Year Ending December 31	Bonds Due	Interest Due	Total
-----	-----	-----	-----
2005	\$ 42,000	\$ 54,598	\$ 96,598
2006	64,000	64,053	128,053
2007	98,000	61,623	159,623
2008	102,000	58,572	160,572
2009	101,000	55,350	156,350
2010	105,000	52,002	157,002
2011	109,000	48,525	157,525
2012	113,000	44,844	157,844
2013	119,000	40,852	159,852
2014	127,000	36,229	163,229
2015	129,000	31,109	160,109
2016	139,000	25,749	164,749
2017	143,000	20,109	163,109
2018	151,000	14,229	165,229
2019	141,000	8,389	149,389
2020	68,000	4,209	72,209
2021	69,000	1,424	70,424
	-----	-----	-----
	\$1,820,000	\$ 621,875	\$2,441,875
	=====	=====	=====

MUHLENBERG COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004 and 2003

NOTE 7. LONG-TERM DEBT (Continued)

KACO CAPITAL LEASE

Year	Principal	Note Interest	Total Payment
2005	\$ 8,000	\$ 3,899	\$ 11,899
2006	9,000	3,398	12,398
2007	9,000	2,938	11,938
2008	9,000	2,437	11,437
2009	10,000	1,885	11,885
Years Thereafter	33,000	15,825	48,825
Totals	\$ 78,000	\$ 30,382	\$ 108,382

A recapitulation of annual debt service requirements at December 31, 2004 is as follows:

Year Ended December 31	Business-Type Activities		Total
	Principal	Interest	
2005	\$ 196,000	\$ 93,271	\$ 289,271
2006	160,000	99,370	259,370
2007	196,000	94,720	290,720
2008	202,000	89,254	291,254
2009	204,000	83,410	287,410
Years Thereafter	2,234,000	449,069	2,683,069
Totals	\$3,192,000	\$ 909,094	\$4,101,094

The indentures require that the District set aside as restricted funds an amount equal to each years principal and interest requirements. To date, the District has met all principal and interest installments timely.

NOTE 8. EMPLOYEES' PENSION PLAN

Plan Description

The District and covered employees contribute to the County Employers Retirement System (CERS), a cost-sharing multiple-employer defined benefit plan administered by the Board of Trustees of the Kentucky Retirement System.

The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under circumstances. Cost-of-living adjustments are provided at the discretion of the State legislature. Kentucky Revised Statute Section 61.645 assigns the authority to establish and amend benefit provisions to the Board of Trustees of the Kentucky Retirement Systems.

MUHLENBERG COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004 and 2003

NOTE 8. EMPLOYEES' PENSION PLAN (Continued)

Plan Description (Continued)

The CERS financial statements and other supplementary information are contained in the publicly available annual financial report of the Kentucky Retirement Systems. Copies of the report are sent to each participating employer as well as distributed to legislative personnel, state libraries and other interested parties. Copies may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601 or by calling 1-502-564-4646 or on the internet at www.kyret.com.

Funding Policy

Per Kentucky Revised Statute 61.565, normal contribution and past service contribution rates shall be determined by the Board of Trustees of the Kentucky Retirement Systems on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board.

For the year ended December 31, 2004, plan members were required to contribute 5% of their annual creditable compensation.

The District is required to contribute at an actuarially determined rate. The District was required to contribute 8.48% of each employee's creditable compensation for the final six months of the year ended December 31, 2004. The District was required to contribute 7.34% of each employee's creditable compensation for the first six months of the year ended December 31, 2004 and for the final six months of the year ended December 31, 2003. The District was required to contribute 6.34% of each employee's creditable compensation for the first six months of the year ended December 31, 2003 and for the final six months of the year ended December 31, 2002. The District was required to contribute 6.41% of each employee's creditable compensation for the first six months of the year ended December 31, 2002. The District's contributions to CERS for the years ended December 31, 2004, 2003, and 2002 were \$48,819, \$41,479, and \$35,103, respectively.

NOTE 9. WATER CONTRACT - MAJOR SUPPLIER

The District has a long-term contract with Central City Municipal Water and Sewer for the purchase of treated water.

MUHLENBERG COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004 and 2003

NOTE 9. WATER CONTRACT - MAJOR SUPPLIER (Continued)

The contract for water was amended September 9, 1981, and is for a period of 50 years. There are no minimum payments required under the contracts except for actual delivery, and the rates are adjusted periodically.

Purchases of water by the District were \$638,163 and \$659,648 for 2004 and 2003.

NOTE 10. LITIGATION

Various claims and lawsuits are pending against the Water District. In the opinion of the District's Attorney, the potential loss on all claims will not be significant to the District's financial statements.

NOTE 11. PUBLIC SERVICE COMMISSION REGULATIONS

The District is required to file with the Commission a report of its gross earnings or receipts derived from intra-state business for the preceding calendar year. The District satisfied this requirement.

The Water District also filed the 2004 Annual PSC Report as required.

Another PSC requirement is that all customer deposit refunds be paid with interest. This requirement was met. Public Service Commission Regulations require that disbursements of the District be published in the newspaper. This requirement was met.

NOTE 12. RISK MANAGEMENT

The District was exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The District purchases commercial insurance for all risks of losses. Settlements resulting from these risks have not exceeded commercial insurance coverage in the current year. See the supplementary data for a detail of insurance coverage.

NOTE 13. WHOLESALE WATER SUPPLIER

The Muhlenberg County Water District sells water on a wholesale basis to the City of Drakesboro, Kentucky. A contract originally dated October, 1967 has been amended as of May, 1997 to extend this contract to October, 2047. The District has the authority by the Public Service Commission of Kentucky, to periodically adjust the rates charged to the City of Drakesboro. Total sales to the City of Drakesboro amounted to \$63,218 for 2004 and \$65,181 for 2003.

MUHLENBERG COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004 and 2003

NOTE 14. WORK IN PROGRESS

In 2002 the District initiated an improvement project to replace and update certain pump stations, tanks, and water main improvements. The anticipated cost of the project is approximately \$2,000,000. The District will fund this project with a \$1,000,000 grant from the Kentucky Infrastructure Authority with the remaining to be financed. This work in progress is engineering fees and construction costs for work on the project. This grant agreement was executed on July 1, 2003. At December 31, 2003 the amount of \$68,074 had been expended for this Project and billed to the Kentucky State Treasurer. This amount was received after December 31, 2003 and is shown on the Balance Sheet as a receivable.

During 2004, \$607,560 was received from the Kentucky Infrastructure Authority for this project.

NOTE 15. AMORTIZATION EXPENSE

In 2001, the District expended \$40,000 for purpose of a rate study case with the Kentucky Public Service Commission. This amount is being amortized over a 5 year period utilizing a straight line method. The current year expense is \$8,000.

SUPPLEMENTARY DATA

MUHLENBERG COUNTY WATER DISTRICT
REVENUES AND EXPENSES STATEMENT DETAIL
 For the Years Ended December 31, 2004 and 2003

	2004	2003
	-----	-----
OPERATING REVENUES		
Metered Water Sales	\$ 2,048,228	\$ 2,047,175
Other Sales of Water-Drakesboro, TVA	104,401	127,108
Miscellaneous Service Revenues	17,005	22,177
Other Water Revenues	18,378	11,560
Forfeited Discounts	38,063	40,564
	-----	-----
TOTAL OPERATING REVENUES	2,226,075	2,248,584
	-----	-----
OPERATING EXPENSES		
<u>Source of Supply Expenses</u>		
Purchased Water	638,163	659,648
	-----	-----
<u>Pumping Expenses</u>		
Power Purchased for Pumping	44,971	49,983
Operation Supplies and Expenses	206	512
Maintenance of Pumping Plant	12,099	8,613
	-----	-----
TOTAL PUMPING EXPENSES	57,276	59,108
	-----	-----
<u>Water Treatment Expenses</u>		
Chemicals and Analysis	8,107	10,158
	-----	-----
TOTAL WATER TREATMENT EXPENSES	8,107	10,158
	-----	-----
<u>Transmission and Distribution Expenses</u>		
Operation Labor	348,177	361,380
Operation Supplies	6,813	9,319
Maintenance of Dist. Standpipes	-0-	200
Maintenance of Mains	21,583	28,683
Maintenance of Meters/Hydrants	19,040	14,272
	-----	-----
TOTAL TRANS. AND DIST. EXPENSES	\$ 395,613	\$ 413,854
	-----	-----

See accompanying notes to the financial statements.

MUHLENBERG COUNTY WATER DISTRICT
REVENUES AND EXPENSES STATEMENT DETAIL
For the Years Ended December 31, 2004 and 2003

	2004	2003
	-----	-----
OPERATING EXPENSES (Continued)		
<u>Customer Accounts Expenses</u>		
Meter Reading Labor, Collections	\$ 100,240	\$ 96,067
Supplies and Expenses	19,534	23,033
Uncollectible Accounts	5,084	5,861
	-----	-----
TOTAL CUSTOMER ACCOUNTS EXPENSE	124,858	124,961
	-----	-----
<u>Administrative and General Expenses</u>		
Administrative and General Salaries	181,835	171,760
Office Supplies and Other Expenses	24,250	36,060
Outside Services Employed	12,168	10,708
Property Insurance, Workers Compensation	74,445	56,936
Injuries and Damages	823	284
Employee Pensions and Benefits	277,074	267,593
Regulatory Commission Expenses	3,881	4,059
Miscellaneous General Expenses	20,996	31,363
Transportation and Equipment Expense	46,776	42,015
Maintenance of General Plant	14,593	12,168
	-----	-----
TOTAL ADM. AND GENERAL EXPENSES	\$ 656,841	\$ 632,946
	-----	-----

See accompanying notes to financial statements.

MUHLENBERG COUNTY WATER DISTRICT
SCHEDULE OF INSURANCE
For the Year Ended December 31, 2004

Grange Insurance Company

6/19/04 to 6/19/05

Fire and Lightning and extended coverage including vandalism and malicious mischief - \$1,000 deductible; 80% co-insurance - includes earthquake - \$50,000 mine subsidence

Office Building - \$312,000
Office Contents of Building - \$101,000
Shop Building - \$83,200
Equipment Garage Building - \$52,000
Water Pump Station, Belton - \$53,440
Water Pump Station, Lake Malone - \$50,206
Water Pump Station, Stephen Meadows #2 - Weir - \$57,824
Water Pump Station, Powderly - Nebo - \$54,992
Water Pump Station, Central City - Cleaton/Powderly - \$103,274
Water Pump Station, TVA - \$52,000
Water Pump Station, Luzerne Lake, Depoy - \$64,298
Water Pump Station, Nelson - \$52,000
Water Pump Station, Dunmor - \$67,600
Metal Water Tank - 50,000 gallon capacity, Belton/Twin Tunnel - \$62,400
Metal Water Tank - 123,000 gallon cap., Lake Malone - \$127,920
Metal Water Tank - 70,000 gallon capacity, Weir - \$72,800
Metal Water Tank - 61,000 gallon capacity, Nelson - \$63,440
Metal Water Tank - 56,000 gallon capacity, Nebo - \$58,240
Metal Water Tank - 100,000 gallon capacity, Dunmor - \$104,000
Metal Water Tank - 500,000 gallon cap., Powderly - \$520,000
Metal Water Tank - 250,000 gallon capacity, Depoy - \$260,000
Metal Water Tank - 250,000 gallon cap., Beech Creek - \$260,000
Metal Water Tank - 150,000 gallon capacity, Cleaton - \$156,000
Metal Water Tank - 200,000 gallon capacity, TVA - \$208,000
Metal Water Tank - Beech Creek - \$51,438

General Liability:

Products/Completed Operations Aggregate - \$2,000,000
General Aggregate Limit - \$2,000,000
Bodily Injury and Property Damage - \$1,000,000 each occurrence and aggregate
Premises medical payments - \$5,000 each person
Fire Damage - \$100,000
Crime - \$ 10,000, \$250 Deductible
Encroachment Bond - \$5,000

Business Automobile:

Liability - \$1,000,000
Personal Injury Protection - \$20,000
Uninsured Motorist - \$60,000, Underinsured Motorists - \$60,000
Comprehensive - Actual Cash Value (\$100 Deductible)
Collision - Actual Cash Value (\$500 Deductible)

Contractor's Equipment Floater - Broad Form:

Ditch With - \$58,251 (\$1,000 Deductible)
John Deere Backhoe - \$58,500 (\$1,000 Deductible)
24' X 8' Gooseneck Trailer - \$3,993 (\$1,000 Deductible)
1998 Trailer - \$4,400 (1,000 Deductible)

MUHLENBERG COUNTY WATER DISTRICT
SCHEDULE OF INSURANCE (Continued)
For the Year Ended December 31, 2004

Contractor's Equipment Floater - Broad Form: (Continued):

Tiller - \$1,550 (\$1,000 Deductible)
Honda - 4 Wheeler - \$6,949 (\$1,000 Deductible)
Ditch Witch - Earth Mover - \$7,500
John Deere Excavator - \$28,750
John Deere Riding Mower - \$1,799
Office Equipment - \$20,449 (\$1,000 Deductible)
Dual Loader - \$2,650 (\$1,000 Deductible)
Radio, Telemetry Equipment - \$141,000 (\$1,000 Deductible)
1995 Ford Tractor - \$17,336 (\$1,000 Deductible)
1996 Torro Mower - \$2,100 (\$1,000 Deductible)

Comprehensive Crime Insurance:

Loss Inside of Premises - \$10,000
Loss Outside of Premises - \$10,000

Kentucky Employees Mutual Insurance

Workers Compensation and Employer's Liability -
\$500,000/\$500,000/\$500,000

The First Reinsurance Company

\$1,000,000 Public Officials Liability

Ohio Casualty Group

Employees Dishonesty - \$5,000 Deductible
\$500,000

Certificate of Insurance
Page 2, Attachment 5
GUIDE LTR "C2"

I Certify that the insurance and bond coverage shown is currently effective and copies of the insurance policies are on file with our office.

Date

Officer

MUHLENBERG COUNTY WATER DISTRICT
SUPPLEMENTAL DATA AND COMMENTS REQUIRED BY RD
For the Year Ended December 31, 2004

- I. Generally accepted auditing procedures and Government Audit Standards were used by the independent Certified Public Accountant in the preparation of this audit.

- II. The system of internal control was evaluated. See auditors Report on the Internal Control Structure - Government Auditing Standards.

- III. The District's accounting records are adequate and appear to be prepared in a timely manner. The records also contain several subsidiary accounts to detail asset, liability, revenues, and expense account balances. No improvements are deemed necessary. No unsatisfactory conditions were noted in the past two years; therefore no corrective action was necessary.

- IV. Physical control over assets is adequate. The District's records contain subsidiary records to maintain control over inventory and fixed assets. Segregation of duties to safeguard assets such as cash and receivables is as adequate as possible within a limited number of staff.

- V. All bond payment requirements and reserve balances have been either paid currently or reserved in separate bank accounts for the year.

- VI. All funds of the District have been placed at Old National Bank, Greenville, Kentucky - member of FDIC. Per audit report funds are secured by pledged instruments in the amount of \$1,076,919.

- VII. Insurance and bonding coverage appears to be adequate and is currently in force. See Schedule of Insurance in Force.

- VIII. Accounts receivable are closely monitored and subsidiary detailed records are reconciled to other cash transactions. The aged breakdown of the Balance Sheet amount of \$10,454 is as follows:

0-30 days	30-60 days
-----	-----
\$ 7,593	\$ 2,861

ADDITIONAL INFORMATION SHEET

Governing Body:

Name of RD Borrower: Muhlenberg County Water District

Name of Current Contact Person and Telephone Number:
Rebecca Wright, Office Manager, (270) 338-1300

Name =====	Address & Telephone # =====	Expiration Term of Office =====

Chairman/Commissioner -----		
Joseph Holland	84 White Drive Beechmont, KY 42323 Phone: (270) 476-2954	07/24/2005

Secretary/Commissioner -----		
Billy Steele	374 Whispering Hills Dr. Greenville, KY 42345 Phone: (270) 338-2274	12/31/2005

Treasurer/Commissioner -----		
Bobby Creager	211 Sunset Drive Central City, KY 42330 Phone: (270) 338-3569	07/24/2008

Breakdown of Users:

(For System Extension Funded w/FmHA Grant Funds)

Residential Users	5,705
Commercial Users w/ residential size service	236
Commercial Users	311
Date of Verification	12/31/04

Ethnic Race Breakdown:

White	5,940
Black	56
Hispanic	20
Asian/PI	0
Am. Indian/AN	0

Breakdown of Users:

Residential Users	5,705
Commercial Users w/ residential size service	236
Commercial Users w/larger than residential size service	75
Date of Verification	12/31/04

Certified Operator:

Certified Operator Employed:	X	-----
	Yes	No

MUHLENBERG COUNTY WATER DISTRICT
 SCHEDULE OF FUNDS IN FINANCIAL INSTITUTIONS AS OF DECEMBER 31, 2004

A.	Regular Operating Account:		
	1. Old National Bank,		
	Regular Operating Account	\$	51,021

B.	Funds Held in Trust, Security Deposit:		
	1. Old National Bank, Security Deposit		134,904

C.	Escrow Funds:		
	Construction Fund, Checking, Old National Bank		161
	Depreciation Fund, Checking, Old National Bank		19,313
	Depreciation Fund, CD, Old National Bank		143,354
	Bond Sinking Fund, Checking, Old National Bank		427
	Bond Sinking Fund, CD, Old National Bank		180,000
	Bond Sinking Fund, Regions Bank		834,269

			1,177,524

	TOTAL FUNDS IN FINANCIAL INSTITUTIONS	\$	1,363,449
			=====

CHARLES R. LEWIS

CERTIFIED PUBLIC ACCOUNTANT

123 S. MAIN ST.
GREENVILLE, KY 42345
TELEPHONE (270) 338-1709
FAX (270) 338-7200

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

To the Commissioners
Muhlenberg County Water District
Greenville, Kentucky

I have audited the financial statements of Muhlenberg County Water District as of and for the years ended December 31, 2004 and 2003, and have issued my report thereon dated July 31, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Muhlenberg County Water District internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgement, could adversely affect Muhlenberg County Water District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The internal control over financial reporting relating to receipts and disbursements is inadequate due to a lack of segregation of duties. Adequate segregation of duties is essential to effective internal control over financial reporting. The lack of proper segregation of duties may permit errors or irregularities to go undetected. Effective segregation of duties does not appear to be feasible due to a limited number of employees.

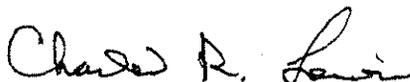
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not

necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

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

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



Charles R. Lewis
Certified Public Accountant

Greenville, Kentucky
July 31, 2005

BILLING ANALYSIS

Table 101	Combined Usage & Revenue Table for 5/8" x 3/4" Meters
Table 102	Combined Usage & Revenue Table for 1" Meters
Table 103	Combined Usage & Revenue Table for 1 1/2" Meters
Table 104	Combined Usage & Revenue Table for 2" Meters
Table 105	Combined Usage & Revenue Table for 3" Meters
Table 106	Combined Usage & Revenue Table for 4" Meters
Table 107	Combined Usage & Revenue Table for Wholesale Customers
Table 108	Revenue Summary from Billing Analysis
Table 109	Combined Usage & Revenue Table for Retail Customers
Table 110	Revenue Analysis by Volume Usage

TABLE 101

COMBINED USAGE & REVENUE TABLE FOR 5/8" x 3/4" METERS

(1) USAGE BRACKET	(2) BILLS	(3) GALLONS (000)	(4) FIRST 2,000 GALLONS	(5) NEXT 8,000 GALLONS	(6) NEXT 10,000 GALLONS	(7) NEXT 30,000 GALLONS	(8) OVER 50,000 GALLONS
First 2,000 Gallons	20,815	20,638	20,638	0	0	0	0
Next 8,000	47,780	213,174	95,560	117,614	0	0	0
Next 10,000	2,140	27,532	4,280	17,120	6,132	0	0
Next 30,000	372	10,170	744	2,976	3,720	2,730	0
Over 50,000	57	5,191	114	456	570	1,710	2,341
TOTALS	71,164	276,705	121,336	138,166	10,422	4,440	2,341
CURRENT RATE			\$ 15.02 MINIMUM	\$ 4.86 PER 1,000 GAL	\$ 4.40 PER 1,000 GAL	\$ 3.95 PER 1,000 GAL	\$ 3.49 PER 1,000 GAL
REVENUE			\$ 1,068,883	\$ 671,487	\$ 45,857	\$ 17,538	\$ 8,170

TOTAL REVENUE \$ 1,811,935

TABLE 102

COMBINED USAGE & REVENUE TABLE FOR 1" METERS

(1) USAGE BRACKET	(2) BILLS	(3) GALLONS (000)	(4) FIRST 5,000 GALLONS	(5) NEXT 5,000 GALLONS	(6) NEXT 10,000 GALLONS	(7) NEXT 30,000 GALLONS	(8) OVER 50,000 GALLONS
First 5,000 Gallons	191	328	328	0	0	0	0
Next 5,000	43	303	215	88	0	0	0
Next 10,000	53	722	265	265	192	0	0
Next 30,000	39	1,366	195	195	390	586	0
Over 50,000	48	5,112	240	240	480	1,440	2,712
TOTALS	374	7,831	1,243	788	1,062	2,026	2,712
CURRENT RATE			\$ 29.60 MINIMUM	\$ 4.86 PER 1,000 GAL	\$ 4.40 PER 1,000 GAL	\$ 3.95 PER 1,000 GAL	\$ 3.49 PER 1,000 GAL
REVENUE			\$ 11,070	\$ 3,830	\$ 4,673	\$ 8,003	\$ 9,465

TOTAL REVENUE \$ 37,041

TABLE 103

COMBINED USAGE & REVENUE TABLE FOR 1 1/2" METERS

(1) USAGE BRACKET	(2) BILLS	(3) GALLONS (000)	(4) FIRST 11,000 GALLONS	(5) NEXT 9,000 GALLONS	(6) NEXT 30,000 GALLONS	(7) OVER 50,000 GALLONS
First 11,000 Gallons	33	126	126	0	0	0
Next 9,000	1	12	11	1	0	0
Next 30,000	14	479	154	126	199	0
Over 50,000	0	0	0	0	0	0
TOTALS	48	617	291	127	199	0
CURRENT RATE			\$ 58.30 MINIMUM	\$ 4.40 PER 1,000 GAL	\$ 3.95 PER 1,000 GAL	\$ 3.49 PER 1,000 GAL
REVENUE			\$ 2,798	\$ 559	\$ 786	0

TOTAL REVENUE \$ 4,143

TABLE 104

COMBINED USAGE & REVENUE TABLE FOR 2" METERS

(1) USAGE BRACKET	(2) BILLS	(3) GALLONS (000)	(4) FIRST 16,000 GALLONS	(5) NEXT 4,000 GALLONS	(6) NEXT 30,000 GALLONS	(7) OVER 50,000 GALLONS
First 16,000 Gallons	83	465	465	0	0	0
Next 4,000	12	215	192	23	0	0
Next 30,000	79	2,580	1,264	316	1,000	0
Over 50,000	167	42,127	2,672	668	5,010	33,777
TOTALS	341	45,387	4,593	1,007	6,010	33,777
CURRENT RATE			\$ 80.30 MINIMUM	\$ 4.40 PER 1,000 GAL	\$ 3.95 PER 1,000 GAL	\$ 3.49 PER 1,000 GAL
REVENUE			\$ 27,382	\$ 4,431	\$ 23,740	117,882

TOTAL REVENUE

\$ 173,435

TABLE 105

COMBINED USAGE & REVENUE TABLE FOR 3" METERS

(1) USAGE BRACKET	(2) BILLS	(3) GALLONS (000)	(4) FIRST 26,000 GALLONS	(5) NEXT 24,000 GALLONS	(6) OVER 50,000 GALLONS
First 26,000 Gallons	13	21	21	0	0
Next 24,000	0	0	0	0	0
Over 50,000	16	2,364	416	384	1,564
TOTALS	29	2,385	437	384	1,564
CURRENT RATE			\$ 121.60 MINIMUM	\$ 3.95 PER 1,000 GAL	\$ 3.49 PER 1,000 GAL
REVENUE			\$ 3,526	\$ 1,517	\$ 5,458

TOTAL REVENUE \$ 10,501

TABLE 106

COMBINED USAGE & REVENUE TABLE FOR 4" METERS

(1) USAGE BRACKET	(2) BILLS	(3) GALLONS (000)	(4) FIRST 36,000 GALLONS	(5) NEXT 14,000 GALLONS	(6) OVER 50,000 GALLONS
First 36,000 Gallons	7	106	106	0	0
Next 14,000	1	46	36	10	0
Over 50,000	11	4,915	396	154	4,365
TOTALS	19	5,067	538	164	4,365
CURRENT RATE			\$ 161.10 MINIMUM	\$ 3.95 PER 1,000 GAL	\$ 3.49 PER 1,000 GAL
REVENUE			\$ 3,061	\$ 648	\$ 15,234

TOTAL REVENUE \$ 18,943

TABLE 107

**COMBINED USAGE & REVENUE TABLE
FOR WHOLESALE CUSTOMERS**

(1) BILLS	(2) GALLONS (000)	(3) CURRENT RATE	(4) REVENUE
24	37,441	\$ 2.71	\$ 101,465

NOTES: A. THE DISTRICT HAS 2 WHOLESALE CUSTOMERS:

(1) City of Drakesboro: 23,328,000 Gallons
(2) TVA: 14,113,000 Gallons

B. Technically, TVA is not a wholesale customer because it does not purchase water for resale. It is treated as a wholesale customer, however, because the contract with TVA provides that the District will charge TVA the same flat rate per 1,000 gallons that it charges Drakesboro.

TABLE 108¹**REVENUE SUMMARY FROM BILLING ANALYSIS
JANUARY 1, 2004 THROUGH DECEMBER 31, 2004**

(1) METER SIZE	(2) BILLS	(3) USAGE GALLONS (000)	(4) USAGE %	(5) ANNUAL REVENUE	(6) % REVENUE
5/8" x 3/4"	71,164	276,705	73.7%	\$ 1,811,935	84.0%
1"	374	7,831	2.1%	\$ 37,041	1.7%
1 1/2"	48	617	0.2%	\$ 4,143	0.2%
2"	341	45,387	12.1%	\$ 173,435	8.0%
3"	29	2,385	0.6%	\$ 10,501	0.5%
4"	19	5,067	1.3%	\$ 18,943	0.9%
SUBTOTALS	71,975	337,992	90.0%	\$ 2,055,998	95.3%
WHOLESALE	24	37,441	10.0%	\$ 101,465	4.7%
TOTALS	71,999	375,433	100.0%	\$ 2,157,463	100.0%

CONFIRMATION OF BILLING ANALYSIS

The Billing Analysis produces a usage of 873,000 gallons less than that shown in the PSC Annual Report. This is a difference of 0.2%. It produces revenue of \$4,833 more than that shown in the PSC Annual Report. This is a difference of 0.2%. Both are well within an acceptable range of error. Therefore, the Billing Analysis is appropriate for predicting future revenues generated through adjusted rates.

¹ Source: Tables 101 through 107 of Billing Analysis

TABLE 110

REVENUE ANALYSIS BY VOLUME USAGE (BASED ON 2004 BILLING ANALYSIS)

MUHLENBERG COUNTY WATER DISTRICT

(1) USAGE BRACKET	(2) GALLONS (000)	(3) % USAGE	(4) CURRENT RATE	(5) ANNUAL REVENUE	(6) % REVENUE
0 to 2,000	122,953	32.7%	Min. \$15.02	\$1,081,065 *	50.3%
2,001 to 10,000	142,637	38.0%	4.86	693,216	32.3%
10,001 to 20,000	14,132	3.8%	4.40	62,181	3.0%
20,001 to 50,000	13,511	3.6%	3.95	53,368	2.4%
OVER 50,000	44,759	11.9%	3.49	156,209	7.3%
SUBTOTALS	337,992	90.0%	N/A	\$2,046,039	95.3%
WHOLESALE	37,441	10.0%	2.71	101,465	4.7%
TOTALS	375,433	100.0%	N/A	\$2,147,504	100.0%

*Based upon 71,975 total monthly bills during 2004 calendar year (5,998 retail customers)

SOURCE: TABLES 107 & 109 OF BILLING ANALYSIS

EXHIBIT 11**EXISTING DEBT SERVICE REQUIREMENTS****PRINCIPAL**

BOND ISSUE	2007	2008	2009	2010	2011	TOTALS
1992 KACOLT	\$ 9,000	\$ 9,000	\$ 10,000	\$ 10,000	\$ 11,000	\$ 49,000
2004A BONDS	89,000	91,000	93,000	95,000	97,000	465,000
2004D BONDS	98,000	102,000	101,000	105,000	109,000	515,000
2006 BONDS	24,000	25,000	27,000	28,000	29,000	133,000
TOTALS	\$220,000	\$227,000	\$231,000	\$238,000	\$246,000	\$1,162,000

INTEREST

1992 KACOLT	3,443	2,855	2,208	1,555	843	10,904
2004A BONDS	30,159	28,245	26,175	23,942	21,445	129,966
2004D BONDS	61,623	58,572	55,350	52,002	48,525	276,072
2006 BONDS	99,150	97,680	96,195	94,655	93,060	480,740
TOTALS	\$194,375	\$187,352	\$179,928	\$172,154	\$163,873	\$897,682

TOTAL PRINCIPAL AND INTEREST	\$414,375	\$414,352	\$410,928	\$410,154	\$409,873	\$2,059,682
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**FIVE YEAR AVERAGE ANNUAL DEBT
SERVICE REQUIREMENT 2007 - 2011**

YEAR ENDING DECEMBER 31	PRINCIPAL	INTEREST	TOTAL PRINCIPAL & INTEREST
2007	\$220,000	\$194,375	\$414,375
2008	227,000	187,352	414,352
2009	231,000	179,928	410,928
2010	238,000	172,154	410,154
2011	<u>246,000</u>	<u>163,873</u>	<u>409,873</u>
TOTALS	\$1,162,000	\$897,682	\$2,059,682
AVERAGE ANNUAL DEBT SERVICE			\$411,936
DEBT SERVICE COVERAGE (20%)			82,387
ANNUAL DEBT SERVICE REQUIREMENT			\$494,323

PROPOSED ADJUSTMENTS TO TEST YEAR OPERATIONS

	(1) Actual Test Year Operations	(2) Proposed Adjustments	(3) Ref.	(4) Adjusted Test Year Operations
1 OPERATING REVENUES				
2 Retail Water Sales	2,051,165			2,051,165
3 Sales for Resale	101,465			101,465
4 Other Operating Revenues	73,445			73,445
5 Total Operating Revenues	2,226,075			2,226,075
6 OPERATING EXPENSES				
7 Salaries & Wages - Employees	630,252			630,252
8 Salaries & Wages - Officers	18,000			18,000
9 Employee Pensions & Benefits	277,074	34,311	A	311,385
10 Purchased Water	638,163			638,163
11 Purchased Power	44,971			44,971
12 Chemicals	4,211			4,211
13 Materials & Supplies	65,018			65,018
14 Contractual Services - Engineering	2,243			2,243
15 Contractual Services - Accounting	5,125			5,125
16 Contractual Services - Legal	4,800			4,800
17 Contractual Services-Water Testing	3,896			3,896
18 Rental of Equipment & Building	2,298			2,298
19 Transportation Expenses	41,499			41,499
20 Insurance - Gen. Liability & Veh.	27,862			27,862
21 Insurance - Work Comp.	46,584			46,584
22 Advertising Expense	1,312			1,312
23 Amort. Of Rate Case Expense	8,000	(2,000)	B	6,000
24 Regulatory Comm. Expense	3,881			3,881
25 Bad Debt Expense	5,084			5,084
26 Miscellaneous Expense	46,928			46,928
27 Total O & M Expense	1,877,201	32,311		1,909,512
28 Depreciation Expense	271,609	73,577	C	345,186
29 Taxes Other Than Income	53,932			53,932
30 Total Operating Exp.	2,202,742	105,888		2,308,630
31 NET OPERATING INCOME	23,333	(105,888)		(82,555)
32 OTHER INCOME (EXPENSE)				
33 Interest Income	25,664	(25,664)	D	-0-
34 INCOME AVAILABLE TO SERVICE DEBT	48,997	(131,552)		(82,555)

**EXPLANATION OF PROPOSED ADJUSTMENTS
TO TEST YEAR OPERATIONS**

A. EMPLOYEE PENSIONS & BENEFITS. The District proposes to increase Test Year employee benefits by \$34,311 to reflect the increase in retirement contributions which the District will be required to pay. The District has been notified by the Executive Director of the Kentucky Retirement Systems that the employer's mandatory contribution rate will be increased to 13.19% effective July 1, 2006. The District participates in the County Employees Retirement System (CERS). Based upon test year salaries of \$630,252 and the new contribution rate of 13.19%, the District's new annual contribution amount will be \$83,130 ($\$630,252 \times 13.19\%$). The amount of the increase over Test Year contributions is computed as follows:

New contribution amount:	\$ 83,130
Old contribution amount:	<u>48,819</u>
Increase:	\$ 34,311

B. AMORTIZATION OF RATE CASE EXPENSE. The District proposes to make a pro forma adjustment to this account because of the rate case expense which the District will have to pay to its attorney, Damon R. Talley. Mr. Talley has informed the District that his fee for preparing the rate case application and for all other legal services associated with the rate case will be at least \$18,000. The District proposes to amortize this expense over three (3) years. During the Test Year, the District reported \$8,000 in amortized rate case expense from its previous rate case (see PSC Case No. 1999-512). The final amortization of that rate case expense occurred in 2005. Therefore, the District proposes to reduce the Test Year rate case expense by \$2,000 as determined by the following calculation:

Test Year Rate Case Expense:	\$ 8,000
Less Proposed	
Rate Case Expense:	<u>(6,000)</u>
<i>(\$18,000 ÷ 3 years = \$6,000)</i>	
Decrease:	\$ 2,000

C. DEPRECIATION EXPENSE. Since the Test Year, the District has constructed and placed into service several water system improvement projects. The annual depreciation expense attributable to these capital projects total \$73,577. Therefore, the District proposes to increase Test Year Depreciation expense by **\$73,577**.

D. INTEREST INCOME. The District proposes to make a pro forma adjustment and decrease Test Year interest income by **\$25,664**, which is the amount of the interest earned on unrestricted reserve funds during the Test Year. The District had a negative cash flow during 2003, 2004 and 2005. The negative cash flow is continuing during 2006. The District has been forced to use almost all of its unrestricted reserve funds to pay principal payments on its long term debt and to pay monthly operating expenses. The District anticipates that all of its unrestricted reserve funds will be depleted before the conclusion of this rate case. Therefore, it will have no interest earnings that can be used to reduce its revenue requirements.

INCOME AVAILABLE FOR DEBT SERVICE

1	OPERATING REVENUES	
2	Metered Sales to Customers	\$2,152,630
3	Forfeited Discounts	38,063
4	Miscellaneous Service Revenues	<u>35,382</u>
5	Total Operating Revenues	\$2,226,075
6	EXPENSES (ADJUSTED)	
7	Operating Expenses (Adjusted)	\$1,909,512
8	Depreciation Expense	345,186
9	Taxes	<u>53,932</u>
10	Total Operating Expenses	\$2,308,630
11	NET OPERATING INCOME	(\$82,555)
12	OTHER INCOME (AND EXPENSE)	
	Interest (Adjusted)	<u><u>-0-</u></u>
13	INCOME AVAILABLE FOR DEBT SERVICE	(\$82,555)

SOURCE: 2004 PSC ANNUAL REPORT, EXHIBIT 13,
AND TABLE 110 OF BILLING ANALYSIS

REVENUE REQUIREMENTS

1 Debt Service Requirements (Exhibit 12)	494,323
2 Less Income Available for Debt Service (Exhibit 14)	<u>(82,555)</u>
3 INCREASE NEEDED	\$ 576,878
4 Percentage Increase Needed: $\$576,878 \div \$2,152,630 = 0.268 =$	27%
5 REVENUES THAT NEED TO BE GENERATED BY PROPOSED RATES (\$2,152,630 + \$576,878)	\$ 2,729,508
6 REVENUES PROJECTED TO BE GENERATED BY PROPOSED RATES (See Exhibit 17)	<u>\$ 2,729,504</u>
7 SHORTFALL	\$ 4

SOURCE: Exhibits 12, 14 & 17

EXHIBIT 16

PROJECTED REVENUES FROM PROPOSED RATES

MUHLENBERG COUNTY WATER DISTRICT

(1) USAGE BRACKET	(2) GALLONS (000)	(3) % USAGE	(4) PROPOSED RATE	(5) ANNUAL REVENUE	(6) % REVENUE
0 to 2,000	122,953	32.7%	Min. \$19.08	\$1,373,283 *	50.3%
2,001 to 10,000	142,637	38.0%	6.18	881,497	32.3%
10,001 to 20,000	14,132	3.8%	5.59	78,998	2.9%
20,001 to 50,000	13,511	3.6%	5.02	67,825	2.5%
OVER 50,000	44,759	11.9%	4.44	198,730	7.3%
SUBTOTALS	337,992	90.0%	N/A	\$2,600,333	95.3%
WHOLESALE	37,441	10.0%	3.45	129,171	4.7%
TOTALS	375,433	100.0%	N/A	\$2,729,504	100.0%

*Based upon 71,975 total monthly bills during 2004 calendar year (5,998 retail customers)

SOURCE: TABLES 107 & 109 OF BILLING ANALYSIS

VERIFICATION OF PROPOSED RATES

UTILITY REQUESTED REVENUE				
	Bills	Gallons (000)	Rate	Revenue
First 2,000 Gallons	71,975	122,953	\$19.08	\$1,373,283
Next 8,000 Gallons		142,637	6.18	\$881,497
Next 10,000 Gallons		14,132	5.59	\$78,998
Next 30,000 Gallons		13,511	5.02	\$67,825
Over 50,000 Gallons		44,759	4.44	\$198,730
Retail Revenue				\$2,600,333
Wholesale Revenue		37,441	3.45	\$129,171
Total Revenue				\$2,729,504

CASH FLOW SUMMARY (PROJECTED)

1	OPERATING REVENUES	
2	Water Sales (Exhibit 17)	\$ 2,729,504
3	Forfeited Discounts	38,063
4	Miscellaneous Service Revenues	35,382
5	Interest Income	<u>-0-</u>
6	Total Operating Revenues	\$ 2,802,949
7	EXPENSES	
8	Operating Expenses	1,909,512
9	Depreciation Expense	345,186
10	Taxes	53,932
11	Debt Service (Including Coverage)	<u>494,323</u>
12	Total Expenses	\$ 2,802,953
13	DIFFERENCE	\$ (4)

SOURCE: EXHIBITS 12, 14, 15, 16, & 17

COMPARISON OF CURRENT RATES AND PROPOSED RATES

USAGE	CURRENT RATES	PROPOSED RATES	AMOUNT OF INCREASE PER 1,000 GALLONS	% INCREASE
FIRST 2,000 Gallons	\$ 15.02 Minimum Bill	\$ 19.08 Minimum Bill	\$ 2.03	27.0%
NEXT 8,000 Gallons	\$ 4.86 per 1,000 Gallons	\$ 6.18 per 1,000 Gallons	\$ 1.32	27.2%
NEXT 10,000 Gallons	\$ 4.40 per 1,000 Gallons	\$ 5.59 per 1,000 Gallons	\$ 1.19	27.0%
NEXT 30,000 Gallons	\$ 3.95 per 1,000 Gallons	\$ 5.02 per 1,000 Gallons	\$ 1.07	27.1%
OVER 50,000 Gallons	\$ 3.49 per 1,000 Gallons	\$ 4.44 per 1,000 Gallons	\$ 0.95	27.2%
WHOLESALE	\$ 2.71 per 1,000 Gallons	\$ 3.45 per 1,000 Gallons	\$ 0.74	27.3%

EFFECT ON AVERAGE CONSUMER BILL

(ASSUMING USAGE OF 4,000 GALLONS)¹

RATE SCHEDULE	AMOUNT OF MONTHLY BILL
PROPOSED RATES	\$ 31.44
CURRENT RATES	<u>\$ 24.74</u>
INCREASE	\$ 6.70
% INCREASE	27%

¹ Source: Billing Analysis (Table 101 of Exhibit 10) shows that the average consumer uses 4,000 (3,888 before rounding) gallons per month. (276,705,000 gallons ÷ 71,164 bills = 3,888).

EXHIBIT 21

For Muhlenberg County, Kentucky
Community, Town or City
P.S.C. KY. NO. _____

Muhlenberg County Water District
(Name of Utility)

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

CLASSIFICATION OF SERVICE

RATE
PER UNIT

PROPOSED RATES

**5/8 X 3/4 Inch
Connection**

First	2,000	gallons	\$ 19.08 (Minimum Bill)
Next	8,000	gallons	6.18 per 1,000 gallons
Next	10,000	gallons	5.59 per 1,000 gallons
Next	30,000	gallons	5.02 per 1,000 gallons
Over	50,000	gallons	4.44 per 1,000 gallons

**1 Inch
Connection**

First	5,000	gallons	\$ 37.62 (Minimum Bill)
Next	5,000	gallons	6.18 per 1,000 gallons
Next	10,000	gallons	5.59 per 1,000 gallons
Next	30,000	gallons	5.02 per 1,000 gallons
Over	50,000	gallons	4.44 per 1,000 gallons

**1-1/2 Inch
Connection**

First	11,000	gallons	\$ 74.11 (Minimum Bill)
Next	9,000	gallons	5.59 per 1,000 gallons
Next	30,000	gallons	5.02 per 1,000 gallons
Over	50,000	gallons	4.44 per 1,000 gallons

DATE OF ISSUE June 26, 2006 DATE EFFECTIVE August 7, 2006

ISSUED BY *Bobby L. Creager* TITLE CHAIRMAN
(Signature of Officer)

Issued by authority of an Order of the public Service Commission of Kentucky in Case No. 2006-00248 dated case pending.

For Muhlenberg County, Kentucky
Community, Town or City
P.S.C. KY. NO. _____

Muhlenberg County Water District
(Name of Utility)

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

CLASSIFICATION OF SERVICE

RATE
PER UNIT

PROPOSED RATES

**2 Inch
Connection**

First	16,000 gallons	\$ 102.06 (Minimum Bill)
Next	4,000 gallons	5.59 per 1,000 gallons
Next	30,000 gallons	5.02 per 1,000 gallons
Over	50,000 gallons	4.44 per 1,000 gallons

**3 Inch
Connection**

First	26,000 gallons	\$154.54 (Minimum Bill)
Next	24,000 gallons	5.02 per 1,000 gallons
Over	50,000 gallons	4.44 per 1,000 gallons

**4 Inch
Connection**

First	36,000 gallons	\$204.74 (Minimum Bill)
Next	14,000 gallons	5.02 per 1,000 gallons
Over	50,000 gallons	4.44 per 1,000 gallons

Wholesale \$ 3.45 per 1,000 gallons

DATE OF ISSUE June 26, 2006 DATE EFFECTIVE August 7, 2006

ISSUED BY *Bobby A. Creager* TITLE CHAIRMAN
(Signature of Officer)

Issued by authority of an Order of the public Service Commission of Kentucky in Case No. 2006-00248 dated case pending.

EXHIBIT 22

For Muhlenberg County, Kentucky
Community, Town or City
P.S.C. KY. NO. _____

Muhlenberg County Water District
(Name of Utility)

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

CLASSIFICATION OF SERVICE

		RATE PER UNIT	
		CURRENT RATES	PROPOSED RATES
5/8 X 3/4 Inch Connection			
First	2,000 gallons	\$ 15.02 (Minimum Bill)	\$ 19.08 (Minimum Bill)
Next	8,000 gallons	4.86 per 1,000 gallons	6.18 per 1,000 gallons
Next	10,000 gallons	4.40 per 1,000 gallons	5.59 per 1,000 gallons
Next	30,000 gallons	3.95 per 1,000 gallons	5.02 per 1,000 gallons
Over	50,000 gallons	3.49 per 1,000 gallons	4.44 per 1,000 gallons
1 Inch Connection			
First	5,000 gallons	\$ 29.60 (Minimum Bill)	\$ 37.62 (Minimum Bill)
Next	5,000 gallons	4.86 per 1,000 gallons	6.18 per 1,000 gallons
Next	10,000 gallons	4.40 per 1,000 gallons	5.59 per 1,000 gallons
Next	30,000 gallons	3.95 per 1,000 gallons	5.02 per 1,000 gallons
Over	50,000 gallons	3.49 per 1,000 gallons	4.44 per 1,000 gallons
1-1/2 Inch Connection			
First	11,000 gallons	\$ 58.30 (Minimum Bill)	\$ 74.11 (Minimum Bill)
Next	9,000 gallons	4.40 per 1,000 gallons	5.59 per 1,000 gallons
Next	30,000 gallons	3.95 per 1,000 gallons	5.02 per 1,000 gallons
Over	50,000 gallons	3.49 per 1,000 gallons	4.44 per 1,000 gallons

DATE OF ISSUE June 26, 2006 DATE EFFECTIVE August 7, 2006

ISSUED BY *Bobby G. Cresger* TITLE CHAIRMAN
(Signature of Officer)

Issued by authority of an Order of the public Service Commission of Kentucky in Case No. 2006-00248 dated case pending.

For Muhlenberg County, Kentucky
Community, Town or City
P.S.C. KY. NO. _____

Muhlenberg County Water District
(Name of Utility)

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

CLASSIFICATION OF SERVICE

		RATE PER UNIT	
		CURRENT RATES	PROPOSED RATES
2 Inch Connection			
First	16,000 gallons	\$ 80.30 (Minimum Bill)	\$ 102.06 (Minimum Bill)
Next	4,000 gallons	4.40 per 1,000 gallons	5.59 per 1,000 gallons
Next	30,000 gallons	3.95 per 1,000 gallons	5.02 per 1,000 gallons
Over	50,000 gallons	3.49 per 1,000 gallons	4.44 per 1,000 gallons
3 Inch Connection			
First	26,000 gallons	\$ 121.60 (Minimum Bill)	\$154.54 (Minimum Bill)
Next	24,000 gallons	3.95 per 1,000 gallons	5.02 per 1,000 gallons
Over	50,000 gallons	3.49 per 1,000 gallons	4.44 per 1,000 gallons
4 Inch Connection			
First	36,000 gallons	\$ 161.10 (Minimum Bill)	\$204.74 (Minimum Bill)
Next	14,000 gallons	3.95 per 1,000 gallons	5.02 per 1,000 gallons
Over	50,000 gallons	3.49 per 1,000 gallons	4.44 per 1,000 gallons
Wholesale		\$ 2.71 per 1,000 gallons	\$ 3.45 per 1,000 gallons

DATE OF ISSUE June 26, 2006 DATE EFFECTIVE August 7, 2006

ISSUED BY *Bobby A. Crager* TITLE CHAIRMAN
(Signature of Officer)

Issued by authority of an Order of the public Service Commission of Kentucky in Case No. 2006-00248 dated case pending.

PUBLIC NOTICE OF PROPOSED ADJUSTMENT OF WATER RATES

MUHLENBERG COUNTY WATER DISTRICT

CASE NO. 2006-00248

NOTICE OF APPLICATION TO PUBLIC SERVICE
COMMISSION OF KENTUCKY

Notice is hereby given that the MUHLENBERG COUNTY WATER DISTRICT (the DISTRICT) has filed an Application with the Public Service Commission of Kentucky (the PSC) seeking approval of revised water service rates and charges. The DISTRICT plans to implement the proposed rates on August 7, 2006.

NOTICE OF PROPOSED INCREASE IN MONTHLY WATER RATES

USAGE (GALLONS)	CURRENT RATES PER 1,000 GALLONS	PROPOSED RATES PER 1,000 GALLONS	AMOUNT OF INCREASE PER 1,000 GALLONS	% INCREASE
5/8 x 3/4 Inch Connection				
First 2,000	15.02 min bill	19.08 min bill	2.03	27.0%
Next 8,000	4.86	6.18	1.32	27.2%
Next 10,000	4.40	5.59	1.19	27.0%
Next 30,000	3.95	5.02	1.07	27.1%
Over 50,000	3.49	4.44	0.95	27.2%
1 Inch Connection				
First 5,000	29.60 min bill	37.62 min bill	1.60	27.1%
Next 5,000	4.86	6.18	1.32	27.2%
Next 10,000	4.40	5.59	1.19	27.0%
Next 30,000	3.95	5.02	1.07	27.1%
Over 50,000	3.49	4.44	0.95	27.2%

EXHIBIT 23

USAGE (GALLONS)	CURRENT RATES PER 1,000 GALLONS	PROPOSED RATES PER 1,000 GALLONS	AMOUNT OF INCREASE PER 1,000 GALLONS	% INCREASE
1-1/2 Inch Connection				
First 11,000	58.30 min bill	74.11 min bill	1.44	27.1%
Next 9,000	4.40	5.59	1.19	27.0%
Next 30,000	3.95	5.02	1.07	27.1%
Over 50,000	3.49	4.44	0.95	27.2%
2 Inch Connection				
First 16,000	80.30 min bill	102.06 min bill	1.36	27.1%
Next 4,000	4.40	5.59	1.19	27.0%
Next 30,000	3.95	5.02	1.07	27.1%
Over 50,000	3.49	4.44	0.95	27.2%
3 Inch Connection				
First 26,000	121.60 min bill	154.54 min bill	1.27	27.1%
Next 24,000	3.95	5.02	1.07	27.1%
Over 50,000	3.49	4.44	0.95	27.2%
4 Inch Connection				
First 36,000	161.10 min bill	204.74 min bill	1.21	27.1%
Next 14,000	3.95	5.02	1.07	27.1%
Over 50,000	3.49	4.44	0.95	27.2%
Wholesale	2.71	3.45	0.74	27.3%

The rates contained in this Notice are the rates proposed by the DISTRICT. However, the Public Service Commission may order rates to be charged that differ from these proposed rates. Such action may result in rates for consumers other than those rates included in this Notice.

EFFECT ON AVERAGE CUSTOMER BILL

If the PSC approves the proposed rates, then the average customer's bill would increase by \$6.70 per month (from \$24.74 to \$31.44). This is a 27% increase. The DISTRICT'S average customer uses 4,000 gallons per month.

NOTICE OF RIGHT OF CUSTOMERS TO INTERVENE

Customers of the DISTRICT are advised that the DISTRICT anticipates filing its Application with the PSC on or about July 6, 2006 (PSC Case No.2006-00248) and are advised that any corporation, association, body politic or person with a substantial interest in the matter may, by written request, within thirty (30) days after publication of this Notice of the proposed rate changes request to intervene by motion to the PSC. Intervention may be granted beyond the thirty (30) day period for good cause shown. Any motion by customers desiring to intervene shall be submitted to the Public Service Commission, 211 Sower Blvd., P.O. Box 615, Frankfort, Kentucky 40602; Attn: Beth O'Donnell, Executive Director (Telephone: 502-564-3940), and shall set forth the grounds for the request, including the status and interest of the party intervening. Intervenors may obtain copies of the rate Application and any other filings made by the **DISTRICT** by contacting the DISTRICT (ATTN: Tommy Woodruff, Superintendent) at the address or telephone number shown below. Any person may examine the rate Application and any other filings made by the DISTRICT at the DISTRICT'S main office located at 301 Dean Road, Greenville, Kentucky 42345 (Telephone: 270-338-1300) or at the Public Service Commission's office located at 211 Sower Blvd., Frankfort, Kentucky 40602 (Telephone: 502-564-3940).

MUHLENBERG COUNTY WATER DISTRICT
301 DEAN ROAD, P. O. BOX 348
GREENVILLE, KY 42345
TELEPHONE: (270) 338-1300

EXHIBIT 24

AFFIDAVIT OF PUBLICATION & TEAR SHEETS

(To be filed upon receipt from newspaper)

EXHIBIT 25

**MONTHLY
MANAGERIAL
REPORTS**

FOR THE PERIOD 01/01/04 TO 01/31/04
INCOME STATEMENT

	CURRENT PERIOD			YEAR TO DATE		
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
UTILITY OPERATING INCOME						
OPERATING REVENUES:						
461 METERED WATER REVENUE	153,330.53	176,709.00	(23,378.47)	2,212,207.57	176,709.00	2,035,498.57
461-1 MTR SALES TO RESIDENTIAL	.00	.00	.00	.00	.00	.00
461-2 MTR SALES TO COMMERCIAL	.00	.00	.00	.00	.00	.00
461-3 MTR SALES TO INDUSTRIAL	.00	.00	.00	.00	.00	.00
461-4 MTR SALES TO PUBLIC AUTH	.00	.00	.00	.00	.00	.00
461-5 MTR SALES TO MULTI FAMI	.00	.00	.00	.00	.00	.00
466 SALES FOR RESALE D'BORD	5,727.31	.00	5,727.31	64,692.32	.00	64,692.32
467-SALES FOR RESALE TVA	6,688.28	5,334.00	1,354.28	68,614.49	5,334.00	63,280.49
470 FORFEITED DISCOUNTS	.00	.00	.00	.00	.00	.00
471-GAIN ON EQUIPMENT SOLD	.00	.00	.00	.00	.00	.00
471-1 RECONNECTS	510.00	917.00	(407.00)	10,785.00	917.00	9,868.00
471-2 DISCONNECTS	660.00	1,000.00	(340.00)	12,562.00	1,000.00	11,562.00
471-3 PENALTIES	2,948.57	3,500.00	(551.43)	43,512.80	3,500.00	40,012.80
471-4 MATER., PIPE, PARTS SOLD	.00	250.00	(250.00)	1,268.31	250.00	1,018.31
471-5 MISCELLANEDUS REVENUE	703.68	750.00	(46.32)	10,025.57	750.00	9,275.57
471-6 CASH/OVER	.00	.00	.00	(95.26)	.00	(95.26)
471-7 RETURNED CHECK CHARGES	120.00	.00	120.00	910.00	.00	910.00
471-8 METER REPAIR	.00	.00	.00	.00	.00	.00
471-9 METER EXCHANGE	.00	.00	.00	.00	.00	.00
TOTAL OPERATING REVENUES \$	170,688.37 \$	188,460.00 \$	(17,771.63)	\$ 2,424,482.80 \$	188,460.00 \$	2,236,022.80
OPERATING EXPENSES:						
601-1 OPERATIONS SALARIES	30,998.83	30,334.00	664.83	392,378.59	30,334.00	362,044.59
602-1 MAINTENANCE FORE SALARY	7,306.42	6,250.00	1,056.42	80,810.70	6,250.00	74,560.70
610-1 PURCHASED WATER/OPERAT	56,574.17	.00	56,574.17	659,648.40	.00	659,648.40
615-1 POWER PURCHASED FOR PUMP	(490.27)	3,750.00	(4,240.27)	47,013.44	3,750.00	43,263.44
620-1 PUMP STA OPER SUPPLIES	4.62	50.00	(45.38)	516.24	50.00	466.24
636-1 MAINT. OF PUMPING EQUIP	68.96	834.00	(765.04)	8,613.21	834.00	7,779.21
620-2 OPERATION SUPPLIES & EXP	498.42	750.00	(251.58)	9,817.33	750.00	9,067.33
635-2 OPERATION LABOR	.00	.00	.00	.00	.00	.00
636-2 EQUIP MAINT. AND REPAIRS	595.35	500.00	95.35	5,839.45	500.00	5,339.45
618-3 CHEMICALS AND ANALYSIS	1,005.86	417.00	588.86	5,923.09	417.00	5,506.09
635-5 MAIN DIST. RESER & STPIP	.00	34.00	(34.00)	200.00	34.00	166.00
636-5 CONTRACT LABOR	.00	41.00	(41.00)	3,568.61	41.00	3,527.61
636-6 MAINTENANCE OF MAINS	.00	4,834.00	(4,834.00)	51,856.59	4,834.00	47,022.59
637-6 MAINTENANCE OF METERS	1,735.99	1,667.00	68.99	22,469.37	1,667.00	20,802.37
638-6 MAINTENANCE OF HYDRANTS	.00	167.00	(167.00)	1,681.43	167.00	1,514.43
600-7 OFFICE SALARIES	9,129.60	8,000.00	1,129.60	105,196.70	8,000.00	97,196.70
670-7 BAD DEBT EXPENSE /CUST	.00	.00	.00	.00	.00	.00
676-7 POSTAGE	1,636.35	1,834.00	(197.65)	23,103.15	1,834.00	21,269.15
679-7 OFFICE SUPP CUST BILLS	1,567.01	1,600.00	(32.99)	3,100.10	1,600.00	1,500.10
601-8 SUPERINTENDENT SALARY	4,745.45	4,209.00	536.45	53,900.54	4,209.00	49,691.54
602-8 OFFICE MANAGER'S SALARY	2,896.48	2,625.00	271.48	33,997.33	2,625.00	31,372.33
607-8 COMMISSIONERS' SALARIES	1,500.00	1,500.00	.00	19,500.00	1,500.00	18,000.00
EMPLOYEE HEALTH INSURANC	19,277.87	18,834.00	443.87	245,391.66	18,834.00	226,557.66
605-8 EMPLOYER RETIRE EXPENSE	4,042.64	3,500.00	542.64	45,521.67	3,500.00	42,021.67
615-8 OFFICE UTILITIES	503.10	500.00	3.10	7,013.87	500.00	6,513.87
620-8 MATERIALS & SUP /AD&G	425.29	500.00	(74.71)	6,452.90	500.00	5,952.90

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	CURRENT PERIOD			YEAR TO DATE		
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
631-B CONTR SERV -ENG /AD&G	1,962.50	500.00	1,462.50	26,197.41	500.00	25,697.41
632-B CONTR SERV -ACCT /AD&G	.00	.00	.00	4,990.00	.00	4,990.00
633-B CONTR SERV -LEGAL /A&G	400.00	400.00	.00	4,800.00	400.00	4,400.00
635-B CONT SERV WATER TEST/ADG	387.00	417.00	(30.00)	5,401.00	417.00	4,984.00
637-B COMMUN. RADIO/TELEMETRY	19.95	100.00	(80.05)	885.29	100.00	785.29
641-B RENT	44.65	200.00	(155.35)	2,089.80	200.00	1,889.80
642-B EQUIP RENT RADIO TOWER	100.00	100.00	.00	1,300.00	100.00	1,200.00
650-B GAS AND OIL	995.44	2,000.00	(1,004.56)	23,987.42	2,000.00	21,987.42
651-B TRUCK REPAIR & MAINT	1,346.54	584.00	762.54	7,734.65	584.00	7,150.65
658-B INSUR WKMN'S COMP /AD&G	2,289.57	2,500.00	(210.43)	31,424.21	2,500.00	28,924.21
659-B INSURANCE PROPERTY & VEH	1,645.91	1,646.00	(.09)	32,025.41	1,646.00	30,379.41
660-B ADVERTISING EXP /AD&G	22.25	84.00	(61.75)	1,136.50	84.00	1,052.50
675-B OFFICE TELEPHONE	206.94	200.00	6.94	2,623.61	200.00	2,423.61
676-B TEL & CELLULAR PHONES	680.01	900.00	(219.99)	9,838.58	900.00	8,938.58
677-B MAINTENANCE AGREEMENT	.00	333.00	(333.00)	3,486.00	333.00	3,153.00
678-B SEMINARS AND TRAINING	140.88	1,000.00	(859.12)	10,083.91	1,000.00	9,083.91
679-B OFFICE SUPPLIES	357.48	584.00	(226.52)	8,035.63	584.00	7,451.63
680-B PAYROLL TAXES (UI3/FICA)	4,117.42	4,166.00	(48.58)	54,040.93	4,166.00	49,874.93
681-B OVERPAID FINALS/REFUND	49.63	.00	49.63	181.53	.00	181.53
682-B UNIFORMS AND MATS	564.33	500.00	64.33	6,547.53	500.00	6,047.53
683-B DAMAGES	.00	84.00	(84.00)	283.92	84.00	199.92
684-B DUES AND SUBSCRIPTIONS	75.00	84.00	(9.00)	1,238.50	84.00	1,154.50
685-B OFFICE & GARAGE MAINT.	71.95	417.00	(345.05)	4,853.55	417.00	4,436.55
686-B OFFICE CLEANING & MAINT.	31.04	41.00	(9.96)	517.79	41.00	476.79
687-B TRAVEL AND MILEAGE	.00	42.00	(42.00)	.00	42.00	(42.00)
688-B MEETING EXPENSES	29.65	84.00	(54.35)	998.18	84.00	914.18
689-B LICENSE	93.00	42.00	51.00	5,231.00	42.00	5,189.00
690-B SAFETY PROMOTION	.00	.00	.00	.00	.00	.00
691-B FLOWERS	104.00	42.00	62.00	529.71	42.00	487.71
692-B ROOM AND BOARD	.00	.00	.00	.00	.00	.00
693-B NOTARY EXPENSE	.00	.00	.00	100.00	.00	100.00
694-B GARNISH WAGES	.00	.00	.00	.00	.00	.00
695-B NAME TAGS	.00	.00	.00	.00	.00	.00
696-B SURVEYING LAND	.00	.00	.00	.00	.00	.00
697-B MISCELLANEOUS EXPENSE	170.13	833.00	(662.87)	8,500.48	833.00	7,667.48
698-B DIVISION OF SURPLUS	.00	.00	.00	.00	.00	.00
699-B FIRST AID SUPPLIES	42.63	.00	42.63	491.37	.00	491.37
403 DEPRECIATION EXPENSE	22,500.00	22,500.00	.00	287,500.00	22,500.00	265,000.00
406 AMORT UTIL PLT ACQU ADJMT	.00	.00	.00	.00	.00	.00
407 AMORTIZATION-RATE CASE	.00	.00	.00	.00	.00	.00
408-10 PSC ASSESSMENT TAX	.00	.00	.00	4,058.50	.00	4,058.50
408-13 SALES TAX EXPENSE	742.52	875.00	(132.48)	11,955.87	875.00	11,080.87
TOTAL OPERATING EXPENSES \$	183,212.56 \$	133,988.00 \$	49,224.56 \$	2,396,582.65 \$	133,988.00 \$	2,262,594.65
OTHER OPER. INCOME:						
414 SALE OF FIXED ASSETS	.00	.00	.00	.00	.00	.00
TOTAL UTIL.OPER.INCOME \$	(12,524.19)\$	54,472.00 \$	(66,996.19) \$	27,900.15 \$	54,472.00 \$	(26,571.85)

	CURRENT PERIOD			YEAR TO DATE		
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
OTHER INCOME & DEDUCTIONS						
OTHER INCOME:						
419-1 INTEREST INCOME GEN ACCT	42.81	166.00	(123.19)	1,090.09	166.00	924.09
419-2 INTEREST INCOME CONSTRUC	.00	.00	.00	.00	.00	.00
419-3 INTEREST INCOME DEPRECIA	3.34	.00	3.34	127.26	.00	127.26
419-4 INTEREST INCOME MCW BOND	23.35	.00	23.35	1,074.44	.00	1,074.44
419-5 INTEREST INCOME GRAHAM B	.00	.00	.00	.00	.00	.00
419-6 INTEREST INCOME DEPOSIT	86.02	.00	86.02	838.74	.00	838.74
419-7 INTEREST INCOME CD'S	117.47	.00	117.47	2,188.16	.00	2,188.16
419-8 INTEREST INCOME GEN CD'S	.00	.00	.00	.00	.00	.00
419-9 INT INCOME 1995 BOND CD	.00	.00	.00	.00	.00	.00
420-1 ACCRUED INT INC 1995 BON	6,115.85	.00	6,115.85	18,247.20	.00	18,247.20

TOTAL OTHER INCOME \$ 6,388.84 \$ 166.00 \$ 6,222.84 \$ 23,565.89 \$ 166.00 \$ 23,399.89

OTHER INCOME DEDUCTIONS:

426 MISC NONUTILITY EXPENSE	.00	.00	.00	.00	.00	.00
700-1 TRANS TO BOND FROM GENER	.00	.00	.00	.00	.00	.00
700-2 TRANS TO/FROM DEPRECIATN	.00	.00	.00	.00	.00	.00

TOTAL OTHER INC. DEDUCTIONS \$.00 \$.00 \$.00 \$.00 \$.00 \$.00

TOTAL OTH. INC. & DEDUCT. \$ 6,388.84 \$ 166.00 \$ 6,222.84 \$ 23,565.89 \$ 166.00 \$ 23,399.89

NET OTH. INC. & DEDUCTIONS \$.00 \$.00 \$.00 \$.00 \$.00 \$.00

INTEREST CHARGES

427-1 INTEREST EXP. KACD LOAN	467.76	425.00	42.76	6,118.97	425.00	5,693.97
427-2 INTEREST EXP FHA BOND	.00	.00	.00	69,000.00	.00	69,000.00
427-3 INTEREST EXP GRAHAM BOND	.00	.00	.00	.00	.00	.00
427-4 INTEREST EXPENSE DEPOSIT	40.50	13.00	27.50	859.66	13.00	846.66
427-5 INTEREST EXPENSE 1995 BD	.00	.00	.00	110,025.00	.00	110,025.00

TOTAL INTEREST CHARGES \$ 508.26 \$ 438.00 \$ 70.26 \$ 186,003.63 \$ 438.00 \$ 185,565.63

NET INCOME \$ (6,643.61) \$ 54,200.00 \$ (60,843.61) \$ (134,537.59) \$ 54,200.00 \$ (188,737.59)

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AS OF 01/31/04

AS OF 01/31/3

ASSETS & OTHER DEBITS

UTILITY PLANT

UTILITY PLANT IN SERVICE (101)	10,248,475.72	10,076,055.11
105 CONSTR. WORK IN PROGRESS	56,787.28	.00
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TOTAL UTILITY PLANT	\$ 10,305,263.00	\$ 10,076,055.11
ACCUM PROV FOR DEPR & AMORT	4,556,790.28	4,029,794.28
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NET UTILITY PLANT	\$ 5,748,472.72	\$ 6,046,260.83

OTHER PROPERTY & INVESTMENTS

126-1 DEPOSIT FUND	126,682.06	103,037.71
126-2 BOND AND INTEREST GRAHAM	.00	.00
126-3 BOND AND INTEREST MCWD	125,624.49	100,448.48
126-4 DEPRECIATION FUND	16,314.11	22,477.91
126-5 DEPRECIATION FUND C D'S	143,174.46	137,789.53
126-6 CONSTRUCTION FUND	.00	.00
126-7 GENERAL FUND C D	.00	.00
126-8 BOND ISSUE 1995 C D	180,000.00	180,000.00
126-9 1995 BOND CASH	.00	.00
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TOTAL	\$ 591,795.12	\$ 543,753.63

CURRENT & ACCRUED ASSETS

131 CASH	152,530.21	324,530.84
141 CUSTOMER ACCTS. REC. WATER	6,091.16	19,275.13
141-1 CUSTOM.ACCTS. REC. OTHER	.00	.00
142 ACCOUNTS RECEIVABLE D'BORD	.00	.00
142-1 RETURNED CHECKS	283.90	431.24
142-2 ACCOUNTS RECEIVABLE TVA	.00	.00
146 NOTES RECEIV FROM ASSD CO	.00	.00
151 PLANT MATERIAL & SUPPLIES	55,944.69	63,352.85
162 PREPAYMENTS	.00	.00
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TOTAL	\$ 214,849.96	\$ 407,590.06

DEFERRED DEBITS

181 UNAMORTIZED DEBT DISCOUNT	1,550.00	1,800.00
182 ISSUANCE COST 1995 BOND IS	37,155.62	39,254.20
183 1995 BOND DISCOUNT	33,441.00	35,325.00
186 REGULATORY COSTS-RATE CASE	40,000.00	40,000.00
RESERVE FOR AMORT-RATECASE	16,000.00	8,000.00
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TOTAL	\$ 96,146.62	\$ 108,379.20

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AS OF 01/31/04

AS OF 01/31/3

TOT. ASSET & OTHER DEBITS

\$ 6,651,264.42

\$ 7,105,983.72

LIAB. & OTHER CREDITS

EQUITY CAPITAL

215 UNAPPRO RETAINED EARNINGS	(442,587.13)	(416,746.44)
435 BALANCE TRANS.FROM INCOME	(134,537.59)	144,332.52
TOTAL EQUITY	\$ (577,124.72)	\$ (272,413.92)

LIABILITIES

LONG TERM DEBT

221-1 BONDS PAY. FHA 1987 ISS.	.00	.00
221-2 BONDS PAY FHA 66 ISSUE	110,000.00	210,000.00
221-3 BONDS PAY FHA 1978 ISSUE	1,202,000.00	1,316,000.00
221-4 BONDS PAYABLE CAPITAL B	.00	.00
221-5 NOTE PAYABLE KACO LEASE	78,000.00	93,000.00
221-6 BONDS PAYABLE 1995 ISSUE	1,915,000.00	2,040,000.00
TOTAL	\$ 3,305,000.00	\$ 3,659,000.00

CURRENT AND ACCRUED LIAB.

231 ACCOUNTS PAYABLE	.00	.00
232 1995 BOND TRANS ACCOUNT P	.00	.00
235 CUSTOMER DEPOSITS	127,651.94	103,701.33
236-1 FICA & FED W/H ACCRUED	.00	.00
236-2 KENTUCKY WITHHOLDING	.00	.00
236-3 UNEMPLOYMENT PAYABLE	.00	.00
236-4 RETIREMENT PAYABLE	.00	.00
236-5 SALES TAX PAYABLE	.00	.00
236-6 RETIREMENT INSTALLMENT	.00	.00
236-7 CHRISTMAS DONATION FUND	202.50	338.75
236-8 DEFCOMP	.00	.00
236-9 LIFE INS	.00	892.95
241 AFLAC	.00	.00
241-1 WAGE ASSIGNMENT	.00	.00
TOTAL	\$ 127,854.44	\$ 104,933.03

CONTRIBUTIONS IN AID OF CONST.

271-1 TAP ON FEES	2,218,698.49	2,112,055.49
271-2 FED, LOCAL, STATE GRANTS	1,468,874.23	1,394,447.14
271-3 CONTRIBUTIONS OTHER	107,961.98	107,961.98
TOTAL	\$ 3,795,534.70	\$ 3,614,464.61

AS OF 01/31/04

AS OF 01/31/3

TOTAL LIAB. & OTH. CREDITS

\$ 6,651,264.42

\$ 7,105,983.72

MISCELLANEOUS INCOME

1. Old final bills.....	199.96
2. Broken locks,setter, damages.....	478.72
3. Powderly Sewer List.....	25.00
Total miscellaneous revenue.....	\$ 703.68

MISCELLANEOUS EXPENSE

1. Jail employee lunches.....	\$ 170.13
Total Miscellaneous expense.....	\$ 170.13

ASSETS

1. New door/Beech Creek Pump Station.....	1,020.52
2. Pump for Weir Pump Station.....	752.70
Total assets.....	\$ 1,773.22

Customers

Beginning	6008	
Additions	54	
Deletions	54	
Ending	6008	February report

GALLONS

Water Purchased	45,050,300	Water Purchased in January 2004	
Sold	23,847,900	Muhlenberg County Sold January 2004	
	2,113,400	Sold to Drakesboro January 2004	
	2,468,000	Sold to TVA in January 2004	
	0	Sold to Greenville January 2004	
Lost	16,621,000	(\$20,872.65)	37 % loss
Leaks	200,000		
Flushing	58,000		
Fire Department	6,400		
Adjusted Usage			
Office	6,100		
Unaccounted Loss	16,350,500	(\$20,532.96)	36% loss

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INCOME STATEMENT

	CURRENT PERIOD			YEAR TO DATE		
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
UTILITY OPERATING INCOME						
OPERATING REVENUES:						
461 METERED WATER REVENUE	179,991.16	176,709.00	3,282.16	2,392,198.73	353,418.00	2,038,780.73
461-1 MTR SALES TO RESIDENTIAL	.00	.00	.00	.00	.00	.00
461-2 MTR SALES TO COMMERCIAL	.00	.00	.00	.00	.00	.00
461-3 MTR SALES TO INDUSTRIAL	.00	.00	.00	.00	.00	.00
461-4 MTR SALES TO PUBLIC AUTH	.00	.00	.00	.00	.00	.00
461-5 MTR SALES TO MULTI FAMI	.00	.00	.00	.00	.00	.00
466 SALES FOR RESALE D'BORO	5,332.74	5,000.00	332.74	70,025.06	5,000.00	65,025.06
467-SALES FOR RESALE TVA	6,750.61	5,334.00	1,416.61	75,365.10	10,668.00	64,697.10
470 FORFEITED DISCOUNTS	.00	.00	.00	.00	.00	.00
471-GAIN ON EQUIPMENT SOLD	.00	.00	.00	.00	.00	.00
471-1 RECONNECTS	690.00	917.00	(227.00)	11,475.00	1,834.00	9,641.00
471-2 DISCONNECTS	704.00	1,000.00	(296.00)	13,266.00	2,000.00	11,266.00
471-3 PENALTIES	3,501.90	3,500.00	1.90	47,014.70	7,000.00	40,014.70
471-4 MATER.,PIPE, PARTS SOLD	19.11	250.00	(230.89)	1,287.42	500.00	787.42
471-5 MISCELLANEOUS REVENUE	2,384.44	750.00	1,634.44	12,410.01	1,500.00	10,910.01
471-6 CASH/OVER	(7.52)	.00	(7.52)	(102.78)	.00	(102.78)
471-7 RETURNED CHECK CHARGES	80.00	.00	80.00	990.00	.00	990.00
471-8 METER REPAIR	.00	.00	.00	.00	.00	.00
471-9 METER EXCHANGE	.00	.00	.00	.00	.00	.00
TOTAL OPERATING REVENUES	\$ 199,446.44	\$ 193,460.00	\$ 5,986.44	\$ 2,623,929.24	\$ 381,920.00	\$ 2,242,009.24
OPERATING EXPENSES:						
601-1 OPERATIONS SALARIES	22,597.59	30,334.00	(7,736.41)	414,976.18	60,668.00	354,308.18
602-1 MAINTENANCE FORE SALARY	5,685.84	6,250.00	(564.16)	86,496.54	12,500.00	73,996.54
610-1 PURCHASED WATER/OPERAT	51,605.35	55,834.00	(4,228.65)	711,253.75	55,834.00	655,419.75
615-1 POWER PURCHASED FOR PUMP	3,851.45	3,750.00	101.45	50,864.89	7,500.00	43,364.89
620-1 PUMP STA OPER SUPPLIES	.00	50.00	(50.00)	516.24	100.00	416.24
636-1 MAINT. OF PUMPING EQUIP	382.14	834.00	(451.86)	8,995.35	1,668.00	7,327.35
620-2 OPERATION SUPPLIES & EXP	276.90	750.00	(473.10)	10,094.23	1,500.00	8,594.23
635-2 OPERATION LABOR	.00	.00	.00	.00	.00	.00
636-2 EQUIP MAINT. AND REPAIRS	248.64	500.00	(251.36)	6,088.09	1,000.00	5,088.09
618-3 CHEMICALS AND ANALYSIS	.00	417.00	(417.00)	5,923.09	834.00	5,089.09
635-5 MAIN DIST. RESER & STPIP	.00	34.00	(34.00)	200.00	68.00	132.00
636-5 CONTRACT LABOR	.00	41.00	(41.00)	3,568.61	82.00	3,486.61
636-6 MAINTENANCE OF MAINS	1,260.48	4,834.00	(3,573.52)	53,117.07	9,668.00	43,449.07
637-6 MAINTENANCE OF METERS	1,367.66	1,667.00	(299.34)	23,837.03	3,334.00	20,503.03
638-6 MAINTENANCE OF HYDRANTS	.00	167.00	(167.00)	1,681.43	334.00	1,347.43
600-7 OFFICE SALARIES	7,185.07	8,000.00	(814.93)	112,381.77	16,000.00	96,381.77
670-7 BAD DEBT EXPENSE /CUST	.00	.00	.00	.00	.00	.00
676-7 POSTAGE	1,342.01	1,834.00	(491.99)	24,445.16	3,668.00	20,777.16
679-7 OFFICE SUPP CUST BILLS	.00	.00	.00	3,100.10	1,600.00	1,500.10
601-8 SUPERINTENDENT SALARY	3,706.36	4,209.00	(502.64)	57,606.90	8,418.00	49,188.90
602-8 OFFICE MANAGER'S SALARY	2,370.28	2,625.00	(254.72)	36,367.61	5,250.00	31,117.61
603-8 COMMISSIONERS' SALARIES	1,500.00	1,500.00	.00	21,000.00	3,000.00	18,000.00
604-8 EMPLOYEE HEALTH INSURANC	19,077.53	18,834.00	243.53	264,469.19	37,668.00	226,801.19
605-8 EMPLOYER RETIRE EXPENSE	3,049.40	3,500.00	(450.60)	48,571.07	7,000.00	41,571.07
615-8 OFFICE UTILITIES	1,028.28	500.00	528.28	8,042.15	1,000.00	7,042.15
620-8 MATERIALS & SUP /AD&G	859.00	500.00	359.00	7,311.90	1,000.00	6,311.90

	CURRENT PERIOD			YEAR TO DATE		
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
631-8 CONTR SERV -ENG /AD&G	11,606.04	500.00	11,106.04	37,803.45	1,000.00	36,803.45
632-8 CONTR SERV -ACCT /AD&G	.00	.00	.00	4,990.00	.00	4,990.00
633-8 CONTR SERV -LEGAL /A&G	400.00	400.00	.00	5,200.00	800.00	4,400.00
635-8 CONT SERV WATER TEST/ADG	326.00	417.00	(91.00)	5,727.00	834.00	4,893.00
637-8 COMMUN. RADIO/TELEMETRY	19.95	100.00	(80.05)	905.24	200.00	705.24
641-8 RENT	.00	200.00	(200.00)	2,089.80	400.00	1,689.80
642-8 EQUIP RENT RADIO TOWER	100.00	100.00	.00	1,400.00	200.00	1,200.00
650-8 GAS AND OIL	2,618.57	2,000.00	618.57	26,605.99	4,000.00	22,605.99
651-8 TRUCK REPAIR & MAINT	1,553.54	584.00	969.54	9,288.19	1,168.00	8,120.19
658-8 INSUR WKMN'S COMP /AD&G	2,289.57	2,500.00	(210.43)	33,713.78	5,000.00	28,713.78
659-8 INSURANCE PROPERTY & VEH	1,674.81	1,646.00	28.81	33,700.22	3,292.00	30,408.22
660-8 ADVERTISING EXP /AD&G	22.25	84.00	(61.75)	1,158.75	168.00	990.75
675-8 OFFICE TELEPHONE	201.50	200.00	1.50	2,825.11	400.00	2,425.11
676-8 TEL & CELLULAR PHONES	633.34	900.00	(266.66)	10,471.92	1,800.00	8,671.92
677-8 MAINTENANCE AGREEMENT	.00	333.00	(333.00)	3,486.00	666.00	2,820.00
678-8 SEMINARS AND TRAINING	1,825.00	1,000.00	825.00	11,908.91	2,000.00	9,908.91
679-8 OFFICE SUPPLIES	299.37	584.00	(284.63)	8,335.00	1,168.00	7,167.00
680-8 PAYROLL TAXES (UI3/FICA)	3,405.04	4,166.00	(760.96)	57,445.97	8,332.00	49,113.97
681-8 OVERPAID FINALS/REFUND	.00	.00	.00	181.53	.00	181.53
682-8 UNIFORMS AND MATS	573.20	500.00	73.20	7,120.73	1,000.00	6,120.73
683-8 DAMAGES	.00	84.00	(84.00)	283.92	168.00	115.92
684-8 DUES AND SUBSCRIPTIONS	20.00	84.00	(64.00)	1,258.50	168.00	1,090.50
685-8 OFFICE & GARAGE MAINT.	263.51	417.00	(153.49)	5,117.06	834.00	4,283.06
686-8 OFFICE CLEANING & MAINT.	19.84	41.00	(21.16)	537.63	82.00	455.63
687-8 TRAVEL AND MILEAGE	.00	42.00	(42.00)	.00	84.00	(84.00)
688-8 MEETING EXPENSES	60.73	84.00	(23.27)	1,058.91	168.00	890.91
689-8 LICENSE	.00	42.00	(42.00)	5,231.00	84.00	5,147.00
690-8 SAFETY PROMOTION	.00	.00	.00	.00	.00	.00
691-8 FLOWERS	.00	42.00	(42.00)	529.71	84.00	445.71
692-8 ROOM AND BOARD	.00	.00	.00	.00	.00	.00
693-8 NOTARY EXPENSE	.00	.00	.00	100.00	.00	100.00
694-8 GARNISH WAGES	.00	.00	.00	.00	.00	.00
695-8 NAME TAGS	.00	.00	.00	.00	.00	.00
696-8 SURVEYING LAND	.00	.00	.00	.00	.00	.00
697-8 MISCELLANEOUS EXPENSE	1,258.86	833.00	425.86	9,759.34	1,666.00	8,093.34
698-8 DIVISION OF SURPLUS	.00	.00	.00	.00	.00	.00
699-8 FIRST AID SUPPLIES	.00	.00	.00	491.37	.00	491.37
403 DEPRECIATION EXPENSE	22,500.00	22,500.00	.00	310,000.00	45,000.00	265,000.00
406 AMORT UTIL PLT ACQU ADJMT	.00	.00	.00	.00	.00	.00
407 AMORTIZATION-RATE CASE	.00	.00	.00	.00	.00	.00
408-10 PSC ASSESSMENT TAX	.00	.00	.00	4,058.50	.00	4,058.50
408-13 SALES TAX EXPENSE	954.66	875.00	79.66	12,910.53	1,750.00	11,160.53
TOTAL OPERATING EXPENSES	\$ 180,019.76	\$ 188,222.00	(8,202.24)	\$ 2,576,602.41	\$ 322,210.00	\$ 2,254,392.41

OTHER OPER. INCOME:

414 SALE OF FIXED ASSETS	.00	.00	.00	.00	.00	.00
TOTAL UTIL.OPER.INCOME	\$ 19,426.68	\$ 5,238.00	\$ 14,188.68	\$ 47,326.83	\$ 59,710.00	(12,383.17)

	CURRENT PERIOD			YEAR TO DATE		
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
OTHER INCOME & DEDUCTIONS						
IR INCOME:						
419-1 INTEREST INCOME GEN ACCT	38.12	166.00	(127.88)	1,128.21	332.00	796.21
419-2 INTEREST INCOME CONSTRUC	.00	.00	.00	.00	.00	.00
419-3 INTEREST INCOME DEPRECIA	4.75	.00	4.75	132.01	.00	132.01
419-4 INTEREST INCOME MCW BOND	80.74	.00	80.74	1,155.18	.00	1,155.18
419-5 INTEREST INCOME GRAHAM B	.00	.00	.00	.00	.00	.00
419-6 INTEREST INCOME DEPOSIT	53.54	.00	53.54	892.28	.00	892.28
419-7 INTEREST INCOME CD'S	117.35	.00	117.35	2,305.51	.00	2,305.51
419-8 INTEREST INCOME GEN CD'S	.00	.00	.00	.00	.00	.00
419-9 INT INCOME 1995 BOND CD	.00	.00	.00	.00	.00	.00
420-1 ACCRUED INT INC 1995 BON	.00	.00	.00	18,247.20	.00	18,247.20
TOTAL OTHER INCOME	\$ 294.50	\$ 166.00	\$ 128.50	\$ 23,860.39	\$ 332.00	\$ 23,528.39
OTHER INCOME DEDUCTIONS:						
426 MISC NONUTILITY EXPENSE	.00	.00	.00	.00	.00	.00
700-1 TRANS TO BOND FROM GENER	.00	.00	.00	.00	.00	.00
700-2 TRANS TO/FROM DEPRECIATN	.00	.00	.00	.00	.00	.00
TOTAL OTHER INC. DEDUCTIONS	\$.00	\$.00	\$.00	\$.00	\$.00	\$.00
TOTAL OTH. INC. & DEDUCT.	\$ 294.50	\$ 166.00	\$ 128.50	\$ 23,860.39	\$ 332.00	\$ 23,528.39
NET OTH. INC. & DEDUCTIONS	\$.00	\$.00	\$.00	\$.00	\$.00	\$.00
INTEREST CHARGES						
427-1 INTEREST EXP. KACO LOAN	424.25	425.00	(.75)	6,543.22	850.00	5,693.22
427-2 INTEREST EXP FHA BOND	.00	.00	.00	69,000.00	.00	69,000.00
427-3 INTEREST EXP GRAHAM BOND	.00	.00	.00	.00	.00	.00
427-4 INTEREST EXPENSE DEPOSIT	42.37	13.00	29.37	902.03	26.00	876.03
427-5 INTEREST EXPENSE 1995 BO	.00	.00	.00	110,025.00	.00	110,025.00
TOTAL INTEREST CHARGES	\$ 466.62	\$ 438.00	\$ 28.62	\$ 186,470.25	\$ 876.00	\$ 185,594.25
NET INCOME	\$ 19,254.56	\$ 4,966.00	\$ 14,288.56	\$ (115,283.03)	\$ 59,166.00	\$ (174,449.03)

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BALANCE SHEET

AS OF 02/29/04

AS OF 02/29/3

ASSETS & OTHER DEBITS

UTILITY PLANT

UTILITY PLANT IN SERVICE (101)	10,251,442.14	10,076,941.75
105 CONSTR. WORK IN PROGRESS	56,787.28	.00
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TOTAL UTILITY PLANT	\$ 10,308,229.42	\$ 10,076,941.75
ACCUM PROV FOR DEPR & AMORT	4,579,290.28	4,049,794.28
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NET UTILITY PLANT	\$ 5,728,939.14	\$ 6,027,147.47

OTHER PROPERTY & INVESTMENTS

126-1 DEPOSIT FUND	127,413.23	104,355.49
126-2 BOND AND INTEREST GRAHAM	.00	.00
126-3 BOND AND INTEREST MCWD	153,884.13	129,827.95
126-4 DEPRECIATION FUND	17,383.86	23,571.41
126-5 DEPRECIATION FUND C D'S	143,291.81	138,083.98
126-6 CONSTRUCTION FUND	.00	.00
126-7 GENERAL FUND C D	.00	.00
126-8 BOND ISSUE 1995 C D	180,000.00	180,000.00
126-9 1995 BOND CASH	.00	.00
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TOTAL	\$ 621,973.03	\$ 575,838.83

CURRENT & ACCRUED ASSETS

131 CASH	165,078.87	318,385.72
141 CUSTOMER ACCTS. REC. WATER	7,022.27	20,107.61
141-1 CUSTOM.ACCTS. REC. OTHER	.00	.00
142 ACCOUNTS RECEIVABLE D'BORO	.00	.00
142-1 RETURNED CHECKS	185.34	229.47
142-2 ACCOUNTS RECEIVABLE TVA	.00	.00
146 NOTES RECEIV FROM ASSD CO	.00	.00
151 PLANT MATERIAL & SUPPLIES	55,944.69	63,352.85
162 PREPAYMENTS	.00	.00
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TOTAL	\$ 228,231.17	\$ 402,075.65

DEFERRED DEBITS

181 UNAMORTIZED DEBT DISCOUNT	1,550.00	1,800.00
182 ISSUANCE COST 1995 BOND IS	37,155.62	39,254.20
183 1995 BOND DISCOUNT	33,441.00	35,325.00
186 REGULATORY COSTS-RATE CASE	40,000.00	40,000.00
187 RESERVE FOR AMORT-RATECASE	16,000.00	8,000.00
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TOTAL	\$ 96,146.62	\$ 108,379.20

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TOT. ASSET & OTHER DEBITS

\$ 6,675,289.96

\$ 7,113,441.15

LIAB. & OTHER CREDITS

EQUITY CAPITAL

215 UNAPPRO RETAINED EARNINGS	(442,587.13)	(416,746.44)
435 BALANCE TRANS.FROM INCOME	(115,283.03)	149,553.69
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TOTAL EQUITY	\$ (557,870.16)	\$ (267,192.75)

LIABILITIES

LONG TERM DEBT

221-1 BONDS PAY. FHA 1987 ISS.	.00	.00
221-2 BONDS PAY FHA 66 ISSUE	110,000.00	210,000.00
221-3 BONDS PAY FHA 1978 ISSUE	1,202,000.00	1,316,000.00
221-4 BONDS PAYABLE CAPITAL B	.00	.00
221-5 NOTE PAYABLE KACO LEASE	78,000.00	93,000.00
221-6 BONDS PAYABLE 1995 ISSUE	1,915,000.00	2,040,000.00
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TOTAL	\$ 3,305,000.00	\$ 3,659,000.00

CURRENT AND ACCRUED LIAB.

231 ACCOUNTS PAYABLE	.00	.00
232 1995 BOND TRANS ACCOUNT P	.00	.00
235 CUSTOMER DEPOSITS	128,371.94	104,951.33
236-1 FICA & FED W/H ACCRUED	.00	.00
236-2 KENTUCKY WITHHOLDING	.00	.00
236-3 UNEMPLOYMENT PAYABLE	.00	.00
236-4 RETIREMENT PAYABLE	.00	.00
236-5 SALES TAX PAYABLE	.00	.00
236-6 RETIREMENT INSTALLMENT	.00	.00
236-7 CHRISTMAS DONATION FUND	277.00	440.75
236-8 DEFCOMP	.00	12.50
236-9 LIFE INS	.00	54.71
241 AFLAC	.00	.00
241-1 WAGE ASSIGNMENT	.00	.00
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TOTAL	\$ 128,648.94	\$ 105,459.29

CONTRIBUTIONS IN AID OF CONST.

271-1 TAP ON FEES	2,220,978.49	2,113,765.49
271-2 FED, LOCAL, STATE GRANTS	1,470,570.71	1,394,447.14
271-3 CONTRIBUTIONS OTHER	107,961.98	107,961.98
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TOTAL	\$ 3,799,511.18	\$ 3,616,174.61

TOTAL LIAB. & OTH. CREDITS

\$ 6,675,289.96

\$ 7,113,441.15

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MISCELLANEOUS INCOME

MISCELLANEOUS EXPENSE

1. Old final bills.....	186.52
2. Broken lock.....	28.00
3. Powderly Sewer List.....	25.00
4. Overtime charge for out for non pay.....	26.68
5. TVA damage bill.....	1,989.04
6. Parts used at North High School.....	179.20
Total miscellaneous revenue.....	\$2,384.44

1. Jail employee lunches.....	\$ 186.76
2. Administration fee for 1995 Bond.....	1,072.10
Total Miscellaneous expense.....	\$ 1,258.86

ASSETS

1. New Chlorine System for CC Booster Station.....	\$2,786.47
2. Coffee Maker for office.....	99.99
3. Phone Antennas/Truck.....	79.96
Total assets.....	\$2,966.42

Customers

Beginning	6008
Additions	35
Deletions	52
Ending	5991

March report

GALLONS

Water Purchased	41,093,600	Water Purchased in February 2004
Sold	29,842,400	Muhlenberg County Sold February 2004
	1,967,800	Sold to Drakesboro February 2004
	2,491,000	Sold to TVA in February 2004
	0	Sold to Greenville February 2004
Lost	6,792,400	(\$8,529.90) 16.5 % loss
Leaks	2,757,600	
Flushing	116,460	
Fire Department	4,900	
Adjusted Usage	7,400	
Office	7,400	
Unaccounted Loss	3,906,040	(\$4,905.21) 9.5% loss

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	CURRENT PERIOD			YEAR TO DATE		
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
UTILITY OPERATING INCOME						
OPERATING REVENUES:						
461 METERED WATER REVENUE	156,762.84	176,709.00	(19,946.16)	490,084.53	530,127.00	(40,042.47)
461-1 MTR SALES TO RESIDENTIAL	.00	.00	.00	.00	.00	.00
461-2 MTR SALES TO COMMERCIAL	.00	.00	.00	.00	.00	.00
461-3 MTR SALES TO INDUSTRIAL	.00	.00	.00	.00	.00	.00
461-4 MTR SALES TO PUBLIC AUTH	.00	.00	.00	.00	.00	.00
461-5 MTR SALES TO MULTI FAMI	.00	.00	.00	.00	.00	.00
466 SALES FOR RESALE D'BORD	5,162.82	5,000.00	162.82	10,495.56	10,000.00	495.56
467-SALES FOR RESALE TVA	4,243.86	5,334.00	(1,090.14)	17,682.75	16,002.00	1,680.75
470 FORFEITED DISCOUNTS	.00	.00	.00	.00	.00	.00
471-GAIN ON EQUIPMENT SOLD	.00	.00	.00	.00	.00	.00
471-1 RECONNECTS	840.00	917.00	(77.00)	2,040.00	2,751.00	(711.00)
471-2 DISCONNECTS	726.00	1,000.00	(274.00)	2,090.00	3,000.00	(910.00)
471-3 PENALTIES	2,569.96	3,500.00	(930.04)	9,020.43	10,500.00	(1,479.57)
471-4 MATER.,PIPE, PARTS SOLD	.00	250.00	(250.00)	19.11	750.00	(730.89)
471-5 MISCELLANEOUS REVENUE	5,341.82	750.00	4,591.82	8,429.94	2,250.00	6,179.94
471-6 CASH/OVER	.00	.00	.00	(7.52)	.00	(7.52)
471-7 RETURNED CHECK CHARGES	60.00	.00	60.00	260.00	.00	260.00
471-8 METER REPAIR	.00	.00	.00	.00	.00	.00
471-9 METER EXCHANGE	.00	.00	.00	.00	.00	.00
TOTAL OPERATING REVENUES \$	175,707.30 \$	193,460.00 \$	(17,752.70) \$	540,114.80 \$	575,380.00 \$	(35,265.20)
OPERATING EXPENSES:						
601-1 OPERATIONS SALARIES	25,967.48	30,334.00	(4,366.52)	79,563.90	91,002.00	(11,438.10)
602-1 MAINTENANCE FORE SALARY	5,955.74	6,250.00	(294.26)	18,948.00	18,750.00	198.00
610-1 PURCHASED WATER/OPERAT	47,974.70	55,834.00	(7,859.30)	99,580.05	111,668.00	(12,087.95)
615-1 POWER PURCHASED FOR PUMP	4,410.81	3,750.00	660.81	5,292.33	11,250.00	(5,957.67)
620-1 PUMP STA OPER SUPPLIES	112.24	50.00	62.24	116.86	150.00	(33.14)
636-1 MAINT. OF PUMPING EQUIP	597.94	834.00	(236.06)	980.08	2,502.00	(1,521.92)
620-2 OPERATION SUPPLIES & EXP	550.62	750.00	(199.38)	1,325.94	2,250.00	(924.06)
635-2 OPERATION LABOR	.00	.00	.00	.00	.00	.00
636-2 EQUIP MAINT. AND REPAIRS	223.23	500.00	(276.77)	471.87	1,500.00	(1,028.13)
618-3 CHEMICALS AND ANALYSIS	337.00	417.00	(80.00)	1,342.86	1,251.00	91.86
635-5 MAIN DIST. RESER & STPIP	.00	34.00	(34.00)	.00	102.00	(102.00)
636-5 CONTRACT LABOR	.00	41.00	(41.00)	.00	123.00	(123.00)
636-6 MAINTENANCE OF MAINS	288.45	4,834.00	(4,545.55)	972.33	14,502.00	(13,529.67)
637-6 MAINTENANCE OF METERS	1,298.62	1,667.00	(368.38)	4,115.85	5,001.00	(885.15)
638-6 MAINTENANCE OF HYDRANTS	.00	167.00	(167.00)	.00	501.00	(501.00)
600-7 OFFICE SALARIES	7,861.64	8,000.00	(138.36)	24,176.31	24,000.00	176.31
670-7 BAD DEBT EXPENSE /CUST	.00	.00	.00	.00	.00	.00
676-7 POSTAGE	1,242.05	1,834.00	(591.95)	4,187.65	5,502.00	(1,314.35)
679-7 OFFICE SUPP CUST BILLS	.00	.00	.00	1,567.01	1,600.00	(32.99)
601-8 SUPERINTENDENT SALARY	4,032.00	4,209.00	(177.00)	12,483.81	12,627.00	(143.19)
601-8 OFFICE MANAGER'S SALARY	3,093.95	2,625.00	468.95	8,360.71	7,875.00	485.71
601-8 COMMISSIONERS' SALARIES	1,500.00	1,500.00	.00	4,500.00	4,500.00	.00
604-8 EMPLOYEE HEALTH INSURANC	19,030.13	18,834.00	196.13	57,385.53	56,502.00	883.53
605-8 EMPLOYER RETIRE EXPENSE	3,360.46	3,500.00	(139.54)	10,452.50	10,500.00	(47.50)
615-8 OFFICE UTILITIES	941.36	500.00	441.36	2,198.23	1,500.00	698.23
620-8 MATERIALS & SUP /AD&G	478.88	500.00	(21.12)	1,421.09	1,500.00	(78.91)

	CURRENT PERIOD			YEAR TO DATE		
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
631-8 CONTR SERV -ENG /AD&G	.00	500.00	(500.00)	36,885.60	1,500.00	35,385.60
632-8 CONTR SERV -ACCT /AD&G	.00	.00	.00	.00	.00	.00
633-8 CONTR SERV -LEGAL /A&G	400.00	400.00	.00	800.00	1,200.00	(400.00)
635-8 CONT SERV WATER TEST/ADG	326.00	417.00	(91.00)	812.00	1,251.00	(439.00)
637-8 COMMUN. RADIO/TELEMETRY	80.85	100.00	(19.15)	100.80	300.00	(199.20)
641-8 RENT	.00	200.00	(200.00)	44.65	600.00	(555.35)
642-8 EQUIP RENT RADIO TOWER	100.00	100.00	.00	300.00	300.00	.00
650-8 GAS AND OIL	1,146.80	2,000.00	(853.20)	3,765.37	6,000.00	(2,234.63)
651-8 TRUCK REPAIR & MAINT	893.36	584.00	309.36	2,446.90	1,752.00	694.90
658-8 INSUR WKNM'S COMP /AD&G	2,289.57	2,500.00	(210.43)	6,868.71	7,500.00	(631.29)
659-8 INSURANCE PROPERTY & VEH	1,674.81	1,646.00	28.81	7,573.88	4,938.00	2,635.88
660-8 ADVERTISING EXP /AD&G	22.25	84.00	(61.75)	44.50	252.00	(207.50)
675-8 OFFICE TELEPHONE	215.13	200.00	15.13	577.77	600.00	(22.23)
676-8 TEL & CELLULAR PHONES	674.38	900.00	(225.62)	1,987.73	2,700.00	(712.27)
677-8 MAINTENANCE AGREEMENT	.00	333.00	(333.00)	.00	999.00	(999.00)
678-8 SEMINARS AND TRAINING	1,162.12	1,000.00	162.12	3,073.50	3,000.00	73.50
679-8 OFFICE SUPPLIES	272.03	584.00	(311.97)	809.40	1,752.00	(942.60)
680-8 PAYROLL TAXES (UI3/FICA)	6,697.15	4,166.00	2,531.15	14,219.61	12,498.00	1,721.61
681-8 OVERPAID FINALS/REFUND	99.85	.00	99.85	114.32	.00	114.32
682-8 UNIFORMS AND MATS	572.83	500.00	72.83	859.88	1,500.00	(640.12)
683-8 DAMAGES	.00	84.00	(84.00)	.00	252.00	(252.00)
684-8 DUES AND SUBSCRIPTIONS	.00	84.00	(84.00)	95.00	252.00	(157.00)
685-8 OFFICE & GARAGE MAINT.	161.72	417.00	(255.28)	462.24	1,251.00	(788.76)
686-8 OFFICE CLEANING & MAINT.	108.45	41.00	67.45	128.29	123.00	5.29
687-8 TRAVEL AND MILEAGE	.00	42.00	(42.00)	.00	126.00	(126.00)
688-8 MEETING EXPENSES	53.61	84.00	(30.39)	143.99	252.00	(108.01)
689-8 LICENSE	.00	42.00	(42.00)	93.00	126.00	(33.00)
690-8 SAFETY PROMOTION	.00	.00	.00	.00	.00	.00
691-8 FLOWERS	25.00	42.00	(17.00)	25.00	126.00	(101.00)
692-8 ROOM AND BOARD	.00	.00	.00	.00	.00	.00
693-8 NOTARY EXPENSE	20.00	.00	20.00	20.00	.00	20.00
694-8 BARNISH WAGES	.00	.00	.00	.00	.00	.00
695-8 NAME TAGS	.00	.00	.00	.00	.00	.00
696-8 SURVEYING LAND	.00	.00	.00	.00	.00	.00
697-8 MISCELLANEOUS EXPENSE	20,412.47	833.00	19,579.47	21,703.14	2,499.00	19,204.14
698-8 DIVISION OF SURPLUS	.00	.00	.00	.00	.00	.00
699-8 FIRST AID SUPPLIES	.00	.00	.00	42.63	.00	42.63
403 DEPRECIATION EXPENSE	22,500.00	22,500.00	.00	67,500.00	67,500.00	.00
406 AMORT UTIL PLT ACQU ADJMT	.00	.00	.00	.00	.00	.00
407 AMORTIZATION-RATE CASE	.00	.00	.00	.00	.00	.00
408-10 PSC ASSESSMENT TAX	.00	.00	.00	.00	.00	.00
408-13 SALES TAX EXPENSE	784.41	875.00	(90.59)	2,481.59	2,625.00	(143.41)
TOTAL OPERATING EXPENSES \$	189,950.09 \$	188,222.00 \$	1,728.09 \$	513,422.41 \$	510,432.00 \$	2,990.41
OTHER OPER. INCOME:						
414 SALE OF FIXED ASSETS	.00	.00	.00	.00	.00	.00
TOTAL UTIL. OPER. INCOME \$	(14,242.79) \$	5,238.00 \$	(19,480.79) \$	26,692.39 \$	64,948.00 \$	(38,255.61)

(3)

	CURRENT PERIOD			YEAR TO DATE		
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
OTHER INCOME & DEDUCTIONS						
PER INCOME:						
419-1 INTEREST INCOME GEN ACCT	43.02	166.00	(122.98)	123.95	498.00	(374.05)
419-2 INTEREST INCOME CONSTRUC	.00	.00	.00	.00	.00	.00
419-3 INTEREST INCOME DEPRECIA	6.11	.00	6.11	14.20	.00	14.20
419-4 INTEREST INCOME MCW BOND	130.44	.00	130.44	234.53	.00	234.53
419-5 INTEREST INCOME GRAHAM B	.00	.00	.00	.00	.00	.00
419-6 INTEREST INCOME DEPOSIT	54.26	.00	54.26	193.82	.00	193.82
419-7 INTEREST INCOME CD'S	.00	.00	.00	234.82	.00	234.82
419-8 INTEREST INCOME GEN CD'S	.00	.00	.00	.00	.00	.00
419-9 INT INCOME 1995 BOND CD	.00	.00	.00	.00	.00	.00
420-1 ACCRUED INT INC 1995 BON	.00	.00	.00	6,115.85	.00	6,115.85
TOTAL OTHER INCOME	\$ 233.83	\$ 166.00	\$ 67.83	\$ 6,917.17	\$ 498.00	\$ 6,419.17
OTHER INCOME DEDUCTIONS:						
426 MISC NONUTILITY EXPENSE	.00	.00	.00	.00	.00	.00
700-1 TRANS TO BOND FROM GENER	.00	.00	.00	.00	.00	.00
700-2 TRANS TO/FROM DEPRECIATN	.00	.00	.00	.00	.00	.00
700-3 TRANSFER TO/FROM CONSTRU	.00	.00	.00	.00	.00	.00
TOTAL OTHER INC. DEDUCTION\$	.00	.00	.00	.00	.00	.00
TOTAL OTH. INC. & DEDUCT. \$	233.83	166.00	67.83	6,917.17	498.00	6,419.17
NET OTH. INC. & DEDUCTIONS \$	.00	.00	.00	.00	.00	.00
INTEREST CHARGES						
427-1 INTEREST EXP. KACO LOAN	424.25	425.00	(.75)	1,316.26	1,275.00	41.26
427-2 INTEREST EXP FHA BOND	.00	.00	.00	.00	.00	.00
427-3 INTEREST EXP GRAHAM BOND	.00	.00	.00	.00	.00	.00
427-4 INTEREST EXPENSE DEPOSIT	53.39	13.00	40.39	136.26	39.00	97.26
427-5 INTEREST EXPENSE 1995 BO	.00	.00	.00	.00	.00	.00
427-6 INTEREST EXP 2004 BOND	.00	.00	.00	.00	.00	.00
TOTAL INTEREST CHARGES	\$ 477.64	\$ 438.00	\$ 39.64	\$ 1,452.52	\$ 1,314.00	\$ 138.52
NET INCOME	\$ (14,486.60)	\$ 4,966.00	\$ (19,452.60)	\$ 32,157.04	\$ 64,132.00	\$ (31,974.96)

(4)

BALANCE SHEET

AS OF 03/31/04

AS OF 03/31/3

ASSETS & OTHER DEBITS

UTILITY PLANT

UTILITY PLANT IN SERVICE (101)	10,325,819.41	10,178,247.16
105 CONSTR. WORK IN PROGRESS	6,983.23	51,297.65
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TOTAL UTILITY PLANT	\$ 10,332,802.64	\$ 10,229,544.81
ACCUM PROV FOR DEPR & AMORT	4,595,165.28	4,331,790.28
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NET UTILITY PLANT	\$ 5,737,637.36	\$ 5,897,754.53

OTHER PROPERTY & INVESTMENTS

126-1 DEPOSIT FUND	128,627.61	118,305.01
126-2 BOND AND INTEREST GRAHAM	.00	.00
126-3 BOND AND INTEREST MCWD	163,082.23	172,248.35
126-4 DEPRECIATION FUND	18,454.97	24,587.58
126-5 DEPRECIATION FUND C D'S	143,291.81	141,508.42
126-6 CONSTRUCTION FUND	.00	.00
126-7 GENERAL FUND C D	.00	.00
126-8 BOND ISSUE 1995 C D	180,000.00	180,000.00
126-9 1995 BOND CASH	.00	.00
<hr/>		<hr/>
TOTAL	\$ 633,456.62	\$ 636,649.36

CURRENT & ACCRUED ASSETS

131 CASH	161,350.74	266,598.37
141 CUSTOMER ACCTS. REC. WATER	1,050.50	2,342.67
141-1 CUSTOM.ACCTS. REC. OTHER	.00	.00
142 ACCOUNTS RECEIVABLE D'BORD	.00	(489.16)
142-1 RETURNED CHECKS	168.57	581.13
142-2 ACCOUNTS RECEIVABLE TVA	.00	.00
142-3 ACCOUNTS REC STATE OF KY	.00	.00
146 NOTES RECEIV FROM ASSD CD	.00	.00
151 PLANT MATERIAL & SUPPLIES	62,442.58	55,944.69
162 PREPAYMENTS	.00	.00
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TOTAL	\$ 225,012.39	\$ 324,977.70

DEFERRED DEBITS

181 UNAMORTIZED DEBT DISCOUNT	1,300.00	1,550.00
182 ISSUANCE COST 1995 BOND IS	35,057.04	37,155.62
183 1995 BOND DISCOUNT	31,557.00	33,441.00
REGULATORY COSTS-RATE CASE	40,000.00	40,000.00
RESERVE FOR AMORT-RATECASE	24,000.00	16,000.00
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TOTAL	\$ 83,914.04	\$ 96,146.62

(5)

TOT. ASSET & OTHER DEBITS

\$ 6,680,020.41

\$ 6,955,528.21

LIAB. & OTHER CREDITS

EQUITY CAPITAL

215 UNAPPRO RETAINED EARNINGS (594,222.46)
 435 BALANCE TRANS.FROM INCOME 32,157.04

(442,587.13)
 57,939.31

TOTAL EQUITY \$ (562,065.42)

\$ (384,647.82)

LIABILITIES

LONG TERM DEBT

221-1 BONDS PAY. FHA 1987 ISS. .00
 221-2 BONDS PAY FHA 66 ISSUE 110,000.00
 221-3 BONDS PAY FHA 1978 ISSUE 1,202,000.00
 221-4 BONDS PAYABLE CAPITAL B .00
 221-5 NOTE PAYABLE KACO LEASE 78,000.00
 221-6 BONDS PAYABLE 1995 ISSUE 1,915,000.00
 221-7 BONDS PAYABLE 2004 ISSUE .00

.00
 160,000.00
 1,260,000.00
 .00
 86,000.00
 1,980,000.00
 .00

TOTAL \$ 3,305,000.00

\$ 3,486,000.00

CURRENT AND ACCRUED LIAB.

231 ACCOUNTS PAYABLE .00
 232 1995 BOND TRANS ACCOUNT P .00
 235 CUSTOMER DEPOSITS 129,310.00
 236-1 FICA & FED W/H ACCRUED .00
 236-2 KENTUCKY WITHHOLDING .00
 236-3 UNEMPLOYMENT PAYABLE .00
 236-4 RETIREMENT PAYABLE .00
 236-5 SALES TAX PAYABLE .00
 236-6 RETIREMENT INSTALLMENT .00
 236-7 CHRISTMAS DONATION FUND 358.50
 236-8 DEFCOMP 62.50
 236-9 LIFE INS .00
 241 AFLAC .00
 241-1 WAGE ASSIGNMENT .00

.00
 .00
 119,191.94
 .00
 .00
 .00
 .00
 .00
 .00
 476.00
 .00
 .00
 .00
 .00

TOTAL \$ 129,731.00

\$ 119,667.94

CONTRIBUTIONS IN AID OF CONST.

271-1 TAP ON FEES 2,225,538.49
 271- FEDERAL, LOCAL, STATE GRANTS 1,473,854.36
 271- CONTRIBUTIONS OTHER 107,961.98

2,179,368.49
 1,447,177.62
 107,961.98

TOTAL \$ 3,807,354.83

\$ 3,734,508.09

TOTAL LIAB. & OTH. CREDITS

\$ 6,680,020.41

\$ 6,955,528.21

MISCELLANEOUS INCOME

1. Old final bills.....	89.37
2. Laying line for Sandy Hill Apartments.....	4,787.70
3. Powderly Sewer List.....	25.00
4. James Bozell tie in for line extension....	439.75
Total miscellaneous revenue.....	5,341.82

MISCELLANEOUS EXPENSE

1. Principal and Interest on 1978 Bond Payoff	\$20,183.34
2. Co/Pay on CDL physicals for B.Edwards and Keith Peterson.....	20.00
3. Jail inmates lunches.....	209.13
Total Miscellaneous expense.....	\$20,412.47

ASSETS

1. Land for Cleaton Pump Station.....	\$1,500.00
2. Shelving for shop.....	152.74
3. Chairs for office.....	384.00
4. Antenna for Malone P Station.....	214.36
5. Honda all purpose pump for meters.....	352.15
Total assets.....	\$2,603.25

Customers		
Beginning	5991	
Additions	45	
Deletions	56	
Ending	5980	April report

GALLONS

Water Purchased	38,202,500	Water Purchased in March 2004	
Sold	24,739,100	Muhlenberg County Sold March 2004	
	1,905,100	Sold to Drakesboro March 2004	
	1,566,000	Sold to TVA March 2004	
	0	Sold to Greenville March 2004	
Lost	9,992,300	(\$12,548.33)	26 % loss
Leaks	3,870,800		
Flushing	67,500		
Fire Department	3,800		
Adjusted Usage			
Office	6,500		
Unaccounted Loss	6,043,700	(\$7,589.68)	16% loss

	CURRENT PERIOD			YEAR TO DATE		
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE

UTILITY OPERATING INCOME

OPERATING REVENUES:

461 METERED WATER REVENUE	148,822.77	176,709.00	(27,886.23)	638,907.30	706,836.00	(67,928.70)
461-1 MTR SALES TO RESIDENTIAL	.00	.00	.00	.00	.00	.00
461-2 MTR SALES TO COMMERCIAL	.00	.00	.00	.00	.00	.00
461-3 MTR SALES TO INDUSTRIAL	.00	.00	.00	.00	.00	.00
461-4 MTR SALES TO PUBLIC AUTH	.00	.00	.00	.00	.00	.00
461-5 MTR SALES TO MULTI FAMI	.00	.00	.00	.00	.00	.00
466 SALES FOR RESALE D'BORO	5,165.80	5,000.00	165.80	15,661.36	15,000.00	661.36
467-SALES FOR RESALE TVA	3,815.68	5,334.00	(1,518.32)	21,498.43	21,336.00	162.43
470 FORFEITED DISCOUNTS	.00	.00	.00	.00	.00	.00
471-GAIN ON EQUIPMENT SOLD	.00	.00	.00	.00	.00	.00
471-1 RECONNECTS	885.00	917.00	(32.00)	2,925.00	3,668.00	(743.00)
471-2 DISCONNECTS	660.00	1,000.00	(340.00)	2,750.00	4,000.00	(1,250.00)
471-3 PENALTIES	2,817.35	3,500.00	(682.65)	11,837.78	14,000.00	(2,162.22)
471-4 MATER.,PIPE, PARTS SOLD	.00	250.00	(250.00)	19.11	1,000.00	(980.89)
471-5 MISCELLANEOUS REVENUE	419.44	750.00	(330.56)	8,849.38	3,000.00	5,849.38
471-6 CASH/OVER	.00	.00	.00	(7.52)	.00	(7.52)
471-7 RETURNED CHECK CHARGES	30.00	.00	30.00	290.00	.00	290.00
471-8 METER REPAIR	.00	.00	.00	.00	.00	.00
471-9 METER EXCHANGE	.00	.00	.00	.00	.00	.00

TOTAL OPERATING REVENUES \$ 162,616.04 \$ 193,460.00 \$ (30,843.96) \$ 702,730.84 \$ 768,840.00 \$ (66,109.16)

OPERATING EXPENSES:

601-1 OPERATIONS SALARIES	30,119.41	30,334.00	(214.59)	109,683.31	121,336.00	(11,652.69)
602-1 MAINTENANCE FORE SALARY	7,129.90	6,250.00	879.90	26,077.90	25,000.00	1,077.90
610-1 PURCHASED WATER/OPERAT	55,085.41	55,833.00	(747.59)	154,665.46	167,501.00	(12,835.54)
615-1 POWER PURCHASED FOR PUMP	4,760.78	3,750.00	1,010.78	10,053.11	15,000.00	(4,946.89)
620-1 PUMP STA OPER SUPPLIES	7.18	50.00	(42.82)	124.04	200.00	(75.96)
636-1 MAINT. OF PUMPING EQUIP	198.66	834.00	(635.34)	1,178.74	3,336.00	(2,157.26)
620-2 OPERATION SUPPLIES & EXP	2,202.83	750.00	1,452.83	3,528.77	3,000.00	528.77
635-2 OPERATION LABOR	.00	.00	.00	.00	.00	.00
636-2 EQUIP MAINT. AND REPAIRS	630.51	500.00	130.51	1,102.38	2,000.00	(897.62)
618-3 CHEMICALS AND ANALYSIS	.00	417.00	(417.00)	1,342.86	1,668.00	(325.14)
635-5 MAIN DIST. RESER & STPIP	.00	34.00	(34.00)	.00	136.00	(136.00)
636-5 CONTRACT LABOR	.00	41.00	(41.00)	.00	164.00	(164.00)
636-6 MAINTENANCE OF MAINS	2,415.58	4,834.00	(2,418.42)	3,387.91	19,336.00	(15,948.09)
637-6 MAINTENANCE OF METERS	3,222.53	1,667.00	1,555.53	7,338.38	6,668.00	670.38
638-6 MAINTENANCE OF HYDRANTS	1,012.40	167.00	845.40	1,012.40	668.00	344.40
600-7 OFFICE SALARIES	9,443.14	8,000.00	1,443.14	33,619.45	32,000.00	1,619.45
670-7 BAD DEBT EXPENSE /CUST	.00	.00	.00	.00	.00	.00
676-7 POSTAGE	2,005.91	1,834.00	171.91	6,193.56	7,336.00	(1,142.44)
679-7 OFFICE SUPP CUST BILLS	.00	.00	.00	1,567.01	1,600.00	(32.99)
601-8 SUPERINTENDENT SALARY	4,798.96	4,209.00	589.96	17,282.77	16,836.00	446.77
601-8 OFFICE MANAGER'S SALARY	2,529.98	2,625.00	(95.02)	10,890.69	10,500.00	390.69
601-8 COMMISSIONERS' SALARIES	1,500.00	1,500.00	.00	6,000.00	6,000.00	.00
604-8 EMPLOYEE HEALTH INSURANC	19,268.78	18,834.00	434.78	76,654.31	75,336.00	1,318.31
605-8 EMPLOYER RETIRE EXPENSE	3,965.17	3,500.00	465.17	14,417.67	14,000.00	417.67
615-8 OFFICE UTILITIES	934.73	500.00	434.73	3,132.96	2,000.00	1,132.96
620-8 MATERIALS & SUP /AD&G	1,056.10	500.00	556.10	2,477.19	2,000.00	477.19

(2)

	CURRENT PERIOD			YEAR TO DATE		
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
631-8 CONTR SERV -ENG /AD&G	54,847.79	500.00	54,347.79	91,733.39	2,000.00	89,733.39
632-8 CONTR SERV -ACCT /AD&G	.00	.00	.00	.00	.00	.00
633-8 CONTR SERV -LEGAL /A&G	400.00	400.00	.00	1,200.00	1,600.00	(400.00)
635-8 CONT SERV WATER TEST/ADG	328.00	417.00	(89.00)	1,140.00	1,668.00	(528.00)
637-8 COMMUN. RADIO/TELEMETRY	84.95	100.00	(15.05)	185.75	400.00	(214.25)
641-8 RENT	.00	200.00	(200.00)	44.65	800.00	(755.35)
642-8 EQUIP RENT RADIOD TOWER	100.00	100.00	.00	400.00	400.00	.00
650-8 GAS AND OIL	2,799.63	2,000.00	799.63	6,565.00	8,000.00	(1,435.00)
651-8 TRUCK REPAIR & MAINT	514.10	584.00	(69.90)	2,961.00	2,336.00	625.00
658-8 INSUR WKMN'S COMP /AD&G	2,289.59	2,500.00	(210.41)	9,158.30	10,000.00	(841.70)
659-8 INSURANCE PROPERTY & VEH	.00	1,646.00	(1,646.00)	7,573.88	6,584.00	989.88
660-8 ADVERTISING EXP /AD&G	44.50	84.00	(39.50)	89.00	336.00	(247.00)
675-8 OFFICE TELEPHONE	225.34	200.00	25.34	803.11	800.00	3.11
676-8 TEL & CELLULAR PHONES	787.93	900.00	(112.07)	2,775.66	3,600.00	(824.34)
677-8 MAINTENANCE AGREEMENT	660.00	333.00	327.00	660.00	1,332.00	(672.00)
678-8 SEMINARS AND TRAINING	.00	1,000.00	(1,000.00)	3,073.50	4,000.00	(926.50)
679-8 OFFICE SUPPLIES	566.64	584.00	(17.36)	1,376.04	2,336.00	(959.96)
680-8 PAYROLL TAXES (UI3/FICA)	4,040.74	4,166.00	(125.26)	18,260.35	16,664.00	1,596.35
681-8 OVERPAID FINALS/REFUND	19.68	.00	19.68	134.00	.00	134.00
682-8 UNIFORMS AND MATS	1,144.60	500.00	644.60	2,004.48	2,000.00	4.48
683-8 DAMAGES	.00	84.00	(84.00)	.00	336.00	(336.00)
684-8 DUES AND SUBSCRIPTIONS	.00	84.00	(84.00)	95.00	336.00	(241.00)
685-8 OFFICE & GARAGE MAINT.	378.09	417.00	(38.91)	840.33	1,668.00	(827.67)
686-8 OFFICE CLEANING & MAINT.	35.41	41.00	(5.59)	163.70	164.00	(.30)
687-8 TRAVEL AND MILEAGE	.00	42.00	(42.00)	.00	168.00	(168.00)
688-8 MEETING EXPENSES	19.67	84.00	(64.33)	163.66	336.00	(172.34)
689-8 LICENSE	.00	42.00	(42.00)	93.00	168.00	(75.00)
690-8 SAFETY PROMOTION	.00	.00	.00	.00	.00	.00
691-8 FLOWERS	35.00	42.00	(7.00)	60.00	168.00	(108.00)
692-8 ROOM AND BOARD	.00	.00	.00	.00	.00	.00
693-8 NOTARY EXPENSE	.00	.00	.00	20.00	.00	20.00
694-8 BARNISH WAGES	.00	.00	.00	.00	.00	.00
695-8 NAME TAGS	.00	.00	.00	.00	.00	.00
696-8 SURVEYING LAND	.00	.00	.00	.00	.00	.00
697-8 MISCELLANEOUS EXPENSE	263.28	833.00	(569.72)	21,966.42	3,332.00	18,634.42
698-8 DIVISION OF SURPLUS	.00	.00	.00	.00	.00	.00
699-8 FIRST AID SUPPLIES	50.45	.00	50.45	93.08	.00	93.08
403 DEPRECIATION EXPENSE	22,500.00	22,500.00	.00	90,000.00	90,000.00	.00
406 AMORT UTIL PLT ACQU ADJMT	.00	.00	.00	.00	.00	.00
407 AMORTIZATION-RATE CASE	.00	.00	.00	.00	.00	.00
408-10 PSC ASSESSMENT TAX	.00	.00	.00	.00	.00	.00
408-13 SALES TAX EXPENSE	886.42	875.00	11.42	3,368.01	3,500.00	(131.99)

TOTAL OPERATING EXPENSES \$ 245,309.77 \$ 188,221.00 \$ 57,088.77 \$ 758,732.18 \$ 698,653.00 \$ 60,079.18

OTHER OPER. INCOME:

414 SALE OF FIXED ASSETS .00 .00 .00 .00 .00 .00

TOTAL UTIL.OPER.INCOME \$ (82,693.73)\$ 5,239.00 \$ (87,932.73) \$ (56,001.34)\$ 70,187.00 \$ (126,188.34)

	CURRENT PERIOD			YEAR TO DATE		
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
OTHER INCOME & DEDUCTIONS						
OTHER INCOME:						
419-1 INTEREST INCOME GEN ACCT	33.22	166.00	(132.78)	157.17	664.00	(506.83)
419-2 INTEREST INCOME CONSTRUC	.00	.00	.00	.00	.00	.00
419-3 INTEREST INCOME DEPRECIA	6.31	.00	6.31	20.51	.00	20.51
419-4 INTEREST INCOME MCW BOND	144.33	.00	144.33	378.86	.00	378.86
419-5 INTEREST INCOME GRAHAM B	.00	.00	.00	.00	.00	.00
419-6 INTEREST INCOME DEPOSIT	52.87	.00	52.87	246.69	.00	246.69
419-7 INTEREST INCOME CD'S	.00	.00	.00	234.82	.00	234.82
419-8 INTEREST INCOME GEN CD'S	.00	.00	.00	.00	.00	.00
419-9 INT INCOME 1995 BOND CD	.00	.00	.00	.00	.00	.00
420-1 ACCRUED INT INC 1995 BON	.00	.00	.00	6,115.85	.00	6,115.85
420-2 INTEREST INCOME CONSTRUC	15.39	.00	15.39	15.39	.00	15.39
TOTAL OTHER INCOME	\$ 252.12	\$ 166.00	\$ 86.12	\$ 7,169.29	\$ 664.00	\$ 6,505.29

OTHER INCOME DEDUCTIONS:

426 MISC NONUTILITY EXPENSE	.00	.00	.00	.00	.00	.00
700-1 TRANS TO BOND FROM GENER	.00	.00	.00	.00	.00	.00
700-2 TRANS TO/FROM DEPRECIATN	.00	.00	.00	.00	.00	.00
700-3 TRANSFER TO/FROM CONSTRU	.00	.00	.00	.00	.00	.00
TOTAL OTHER INC. DEDUCTIONS	\$.00	\$.00	\$.00	\$.00	\$.00	\$.00
TOTAL OTH. INC. & DEDUCT.	\$ 252.12	\$ 166.00	\$ 86.12	\$ 7,169.29	\$ 664.00	\$ 6,505.29
NET OTH. INC. & DEDUCTIONS	\$.00	\$.00	\$.00	\$.00	\$.00	\$.00

INTEREST CHARGES

427-1 INTEREST EXP. KACO LOAN	424.25	425.00	(.75)	1,740.51	1,700.00	40.51
427-2 INTEREST EXP FHA BOND	.00	.00	.00	.00	.00	.00
427-3 INTEREST EXP GRAHAM BOND	.00	.00	.00	.00	.00	.00
427-4 INTEREST EXPENSE DEPOSIT	85.42	13.00	72.42	221.68	52.00	169.68
427-5 INTEREST EXPENSE 1995 BO	.00	.00	.00	.00	.00	.00
427-6 INTEREST EXP 2004 BOND	.00	.00	.00	.00	.00	.00
TOTAL INTEREST CHARGES	\$ 509.67	\$ 438.00	\$ 71.67	\$ 1,962.19	\$ 1,752.00	\$ 210.19
NET INCOME	\$ (82,951.28)	\$ 4,967.00	\$ (87,918.28)	\$ (50,794.24)	\$ 69,099.00	\$ (119,893.24)

BALANCE SHEET

AS OF 04/30/04

AS OF 04/30/3

ASSETS & OTHER DEBITS

UTILITY PLANT

UTILITY PLANT IN SERVICE (101)	10,326,277.39	10,184,487.16
105 CONSTR. WORK IN PROGRESS	7,088.23	56,787.28

TOTAL UTILITY PLANT	\$ 10,333,365.62	\$ 10,241,274.44
ACCUM PROV FOR DEPR & AMORT	4,617,665.28	4,354,290.28

NET UTILITY PLANT	\$ 5,715,700.34	\$ 5,886,984.16

OTHER PROPERTY & INVESTMENTS

126-1 DEPOSIT FUND	129,455.06	120,149.58
126-2 BOND AND INTEREST GRAHAM	.00	.00
126-3 BOND AND INTEREST MCWD	208,613.88	201,621.58
126-4 DEPRECIATION FUND	19,526.28	25,669.07
126-5 DEPRECIATION FUND C D'S	143,291.81	141,682.88
126-6 CONSTRUCTION FUND	15.39	.00
126-7 GENERAL FUND C D	.00	.00
126-8 BOND ISSUE 1995 C D	180,000.00	180,000.00
126-9 1995 BOND CASH	.00	.00

TOTAL	\$ 680,902.42	\$ 669,123.11

CURRENT & ACCRUED ASSETS

131 CASH	169,264.13	254,739.21
141 CUSTOMER ACCTS. REC. WATER	985.79	3,003.87
141-1 CUSTOM.ACCTS. REC. OTHER	.00	.00
142 ACCOUNTS RECEIVABLE D'BORO	.00	.00
142-1 RETURNED CHECKS	232.33	491.56
142-2 ACCOUNTS RECEIVABLE TVA	.00	.00
142-3 ACCOUNTS REC STATE OF KY	.00	.00
146 NOTES RECEIV FROM ASSD CO	.00	.00
151 PLANT MATERIAL & SUPPLIES	62,442.58	55,944.69
162 PREPAYMENTS	.00	.00

TOTAL	\$ 232,924.83	\$ 314,179.33

DEFERRED DEBITS

181 UNAMORTIZED DEBT DISCOUNT	1,300.00	1,550.00
182 ISSUANCE COST 1995 BOND IS	35,057.04	37,155.62
183 1995 BOND DISCOUNT	31,557.00	33,441.00
REGULATORY COSTS-RATE CASE	40,000.00	40,000.00
RESERVE FOR AMORT-RATECASE	24,000.00	16,000.00

TOTAL	\$ 83,914.04	\$ 96,146.62

5

TOT. ASSET & OTHER DEBITS

\$ 6,713,441.63

\$ 6,966,433.22

LIAB. & OTHER CREDITS

EQUITY CAPITAL

215 UNAPPRO RETAINED EARNINGS (594,222.46)
 435 BALANCE TRANS.FROM INCOME (50,794.24)

(442,587.13)
 60,571.91

TOTAL EQUITY

\$ (645,016.70)

\$ (382,015.22)

LIABILITIES

LONG TERM DEBT

221-1 BONDS PAY. FHA 1987 ISS. .00
 221-2 BONDS PAY FHA 66 ISSUE 110,000.00
 221-3 BONDS PAY FHA 1978 ISSUE 1,202,000.00
 221-4 BONDS PAYABLE CAPITAL B .00
 221-5 NOTE PAYABLE KACO LEASE 78,000.00
 221-6 BONDS PAYABLE 1995 ISSUE 1,915,000.00
 221-7 BONDS PAYABLE 2004 ISSUE .00

.00
 160,000.00
 1,260,000.00
 .00
 86,000.00
 1,980,000.00
 .00

TOTAL

\$ 3,305,000.00

\$ 3,486,000.00

CURRENT AND ACCRUED LIAB.

231 ACCOUNTS PAYABLE .00
 232 1995 BOND TRANS ACCOUNT P .00
 235 CUSTOMER DEPOSITS 130,170.00
 236-1 FICA & FED W/H ACCRUED .00
 236-2 KENTUCKY WITHHOLDING .00
 236-3 UNEMPLOYMENT PAYABLE .00
 236-4 RETIREMENT PAYABLE .00
 236-5 SALES TAX PAYABLE .00
 236-6 RETIREMENT INSTALLMENT .00
 236-7 CHRISTMAS DONATION FUND 448.00
 236-8 DEFCOMP .00
 236-9 LIFE INS .00
 241 AFLAC .00
 241-1 WAGE ASSIGNMENT .00

.00
 .00
 121,071.94
 .00
 .00
 .00
 .00
 .00
 .00
 573.25
 .00
 25.16
 .00
 .00

TOTAL

\$ 130,618.00

\$ 121,670.35

CONTRIBUTIONS IN AID OF CONST.

271-1 TAP ON FEES 2,228,388.49
 271-2 FED, LOCAL, STATE GRANTS 1,586,489.86
 271-3 CONTRIBUTIONS OTHER 107,961.98

2,185,638.49
 1,447,177.62
 107,961.98

TOTAL

\$ 3,922,840.33

\$ 3,740,778.09

TOTAL LIAB. & OTH. CREDITS

\$ 6,713,441.63

\$ 6,966,433.22

MISCELLANEOUS INCOME

1. Old final bills.....	144.44
2. Beechmont Little League Move Meter.....	250.00
3. Powderly Sewer Bill.....	25.00
4. Money reimbursed from KIA for expenses....	58,849.04
 Total miscellaneous revenue.....	 59,268.48

MISCELLANEOUS EXPENSE

1. Jail inmates lunches.....	263.28
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ASSETS

1. Beech Creek Pump Station Renovation.....	258.00
2. Scanners for Bobby Creager and Billy Steele	199.98
 Total assets.....	 \$ 457.98

Customers		
Beginning	5980	
Additions	62	
Deletions	62	
Ending	5980	May report

GALLONS

Water Purchased	43,864,800	Water Purchased in April 2004	
Sold	22,717,100	Muhlenberg County Sold April 2004	
	1,906,200	Sold to Drakesboro April 2004	
	1,408,000	Sold to TVA April 2004	
	0	Sold to Greenville April 2004	
Lost	17,833,500	(\$22,395.31)	41 % loss
Leaks	154,020		
Flushing	88,260		
Fire Department	38,700		
Adjusted Usage			
Office	9,300		
Unaccounted Loss	17,543,220	(\$22,030.78)	40 % loss

(7)

	CURRENT PERIOD			YEAR TO DATE		
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
UTILITY OPERATING INCOME						
OPERATING REVENUES:						
461 METERED WATER REVENUE	177,934.07	176,708.00	1,226.07	816,841.37	883,544.00	(66,702.63)
461-1 MTR SALES TO RESIDENTIAL	.00	.00	.00	.00	.00	.00
461-2 MTR SALES TO COMMERCIAL	.00	.00	.00	.00	.00	.00
461-3 MTR SALES TO INDUSTRIAL	.00	.00	.00	.00	.00	.00
461-4 MTR SALES TO PUBLIC AUTH	.00	.00	.00	.00	.00	.00
461-5 MTR SALES TO MULTI FAMI	.00	.00	.00	.00	.00	.00
466 SALES FOR RESALE D'BORD	4,569.06	5,000.00	(430.94)	20,230.42	20,000.00	230.42
467-SALES FOR RESALE TVA	3,547.39	5,333.00	(1,785.61)	25,045.82	26,669.00	(1,623.18)
470 FORFEITED DISCOUNTS	.00	.00	.00	.00	.00	.00
471-GAIN ON EQUIPMENT SOLD	.00	.00	.00	.00	.00	.00
471-1 RECONNECTS	720.00	917.00	(197.00)	3,645.00	4,585.00	(940.00)
471-2 DISCONNECTS	660.00	1,000.00	(340.00)	3,410.00	5,000.00	(1,590.00)
471-3 PENALTIES	2,818.78	3,500.00	(681.22)	14,656.56	17,500.00	(2,843.44)
471-4 MATER.,PIPE, PARTS SOLD	20.94	250.00	(229.06)	40.05	1,250.00	(1,209.95)
471-5 MISCELLANEOUS REVENUE	251.81	750.00	(498.19)	9,101.19	3,750.00	5,351.19
471-6 CASH/OVER	.00	.00	.00	(7.52)	.00	(7.52)
471-7 RETURNED CHECK CHARGES	80.00	.00	80.00	370.00	.00	370.00
471-8 METER REPAIR	.00	.00	.00	.00	.00	.00
471-9 METER EXCHANGE	.00	.00	.00	.00	.00	.00
TOTAL OPERATING REVENUES \$	190,602.05 \$	193,458.00 \$	(2,855.95) \$	893,332.89 \$	962,298.00 \$	(68,965.11)
OPERATING EXPENSES:						
601-1 OPERATIONS SALARIES	27,868.50	30,333.00	(2,464.50)	137,551.81	151,669.00	(14,117.19)
602-1 MAINTENANCE FORE SALARY	5,672.02	6,250.00	(577.98)	31,749.92	31,250.00	499.92
610-1 PURCHASED WATER/OPERAT	50,443.47	55,833.00	(5,389.53)	205,108.93	223,334.00	(18,225.07)
615-1 POWER PURCHASED FOR PUMP	3,404.34	3,750.00	(345.66)	13,457.45	18,750.00	(5,292.55)
620-1 PUMP STA OPER SUPPLIES	16.76	50.00	(33.24)	140.80	250.00	(109.20)
636-1 MAINT. OF PUMPING EQUIP	19.09	833.00	(813.91)	1,197.83	4,169.00	(2,971.17)
620-2 OPERATION SUPPLIES & EXP	.00	750.00	(750.00)	3,528.77	3,750.00	(221.23)
635-2 OPERATION LABOR	.00	.00	.00	.00	.00	.00
636-2 EQUIP MAINT. AND REPAIRS	178.97	500.00	(321.03)	1,281.35	2,500.00	(1,218.65)
618-3 CHEMICALS AND ANALYSIS	.00	417.00	(417.00)	1,342.86	2,085.00	(742.14)
635-5 MAIN DIST. RESER & STPIP	.00	33.00	(33.00)	.00	169.00	(169.00)
636-5 CONTRACT LABOR	.00	42.00	(42.00)	.00	206.00	(206.00)
636-6 MAINTENANCE OF MAINS	490.98	4,833.00	(4,342.02)	3,878.89	24,169.00	(20,290.11)
637-6 MAINTENANCE OF METERS	1,291.96	1,667.00	(375.04)	8,630.34	8,335.00	295.34
638-6 MAINTENANCE OF HYDRANTS	.00	167.00	(167.00)	1,012.40	835.00	177.40
600-7 OFFICE SALARIES	7,439.42	8,000.00	(560.58)	41,058.87	40,000.00	1,058.87
670-7 BAD DEBT EXPENSE /CUST	.00	.00	.00	.00	.00	.00
676-7 POSTAGE	2,502.52	1,833.00	669.52	8,696.08	9,169.00	(472.92)
679-7 OFFICE SUPP CUST BILLS	.00	.00	.00	1,567.01	1,600.00	(32.99)
601-8 SUPERINTENDENT SALARY	3,869.16	4,208.00	(338.84)	21,151.93	21,044.00	107.93
601-8 OFFICE MANAGER'S SALARY	3,098.95	2,625.00	473.95	13,989.64	13,125.00	864.64
601-8 COMMISSIONERS' SALARIES	1,500.00	1,500.00	.00	7,500.00	7,500.00	.00
604-8 EMPLOYEE HEALTH INSURANC	19,387.48	18,833.00	554.48	96,041.79	94,169.00	1,872.79
605-8 EMPLOYER RETIRE EXPENSE	3,519.39	3,500.00	19.39	17,937.06	17,500.00	437.06
615-8 OFFICE UTILITIES	96.60	500.00	(403.40)	3,229.56	2,500.00	729.56
620-8 MATERIALS & SUP /AD&G	632.21	500.00	132.21	3,109.40	2,500.00	609.40

	CURRENT PERIOD			YEAR TO DATE		
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
631-8 CONTR SERV -ENG /AD&G	(89,770.89)	500.00	(90,270.89)	1,962.50	2,500.00	(537.50)
632-8 CONTR SERV -ACCT /AD&G	.00	.00	.00	.00	.00	.00
633-8 CONTR SERV -LEGAL /A&G	400.00	400.00	.00	1,600.00	2,000.00	(400.00)
635-8 CONT SERV WATER TEST/ADG	328.00	417.00	(89.00)	1,468.00	2,085.00	(617.00)
637-8 COMMUN. RADIO/TELEMETRY	24.95	100.00	(75.05)	210.70	500.00	(289.30)
641-8 RENT	.00	200.00	(200.00)	44.65	1,000.00	(955.35)
642-8 EQUIP RENT RADIO TOWER	100.00	100.00	.00	500.00	500.00	.00
650-8 GAS AND OIL	2,645.34	2,000.00	645.34	9,210.34	10,000.00	(789.66)
651-8 TRUCK REPAIR & MAINT	478.39	583.00	(104.61)	3,439.39	2,919.00	520.39
658-8 INSUR WKMN'S COMP /AD&G	.00	2,500.00	(2,500.00)	9,158.30	12,500.00	(3,341.70)
659-8 INSURANCE PROPERTY & VEH	785.62	1,646.00	(860.38)	8,359.50	8,230.00	129.50
660-8 ADVERTISING EXP /AD&G	22.25	83.00	(60.75)	111.25	419.00	(307.75)
675-8 OFFICE TELEPHONE	225.64	200.00	25.64	1,028.75	1,000.00	28.75
676-8 TEL & CELLULAR PHONES	735.86	900.00	(164.14)	3,511.52	4,500.00	(988.48)
677-8 MAINTENANCE AGREEMENT	.00	333.00	(333.00)	660.00	1,665.00	(1,005.00)
678-8 SEMINARS AND TRAINING	186.00	1,000.00	(814.00)	3,259.50	5,000.00	(1,740.50)
679-8 OFFICE SUPPLIES	93.95	583.00	(489.05)	1,469.99	2,919.00	(1,449.01)
680-8 PAYROLL TAXES (UI3/FICA)	3,599.42	4,166.00	(566.58)	21,859.77	20,830.00	1,029.77
681-8 OVERPAID FINALS/REFUND	.00	.00	.00	134.00	.00	134.00
682-8 UNIFORMS AND MATS	587.74	500.00	87.74	2,592.22	2,500.00	92.22
683-8 DAMAGES	.00	83.00	(83.00)	.00	419.00	(419.00)
684-8 DUES AND SUBSCRIPTIONS	.00	84.00	(84.00)	95.00	420.00	(325.00)
685-8 OFFICE & GARAGE MAINT.	222.88	417.00	(194.12)	1,063.21	2,085.00	(1,021.79)
686-8 OFFICE CLEANING & MAINT.	13.88	41.00	(27.12)	177.58	205.00	(27.42)
687-8 TRAVEL AND MILEAGE	.00	42.00	(42.00)	.00	210.00	(210.00)
688-8 MEETING EXPENSES	34.55	83.00	(48.45)	198.21	419.00	(220.79)
689-8 LICENSE	.00	42.00	(42.00)	93.00	210.00	(117.00)
690-8 SAFETY PROMOTION	.00	.00	.00	.00	.00	.00
691-8 FLOWERS	.00	42.00	(42.00)	60.00	210.00	(150.00)
692-8 ROOM AND BOARD	.00	.00	.00	.00	.00	.00
693-8 NOTARY EXPENSE	.00	.00	.00	20.00	.00	20.00
694-8 GARNISH WAGES	.00	.00	.00	.00	.00	.00
695-8 NAME TAGS	.00	.00	.00	.00	.00	.00
696-8 SURVEYING LAND	.00	.00	.00	.00	.00	.00
697-8 MISCELLANEDUS EXPENSE	262.21	833.00	(570.79)	22,228.63	4,165.00	18,063.63
698-8 DIVISION OF SURPLUS	.00	.00	.00	.00	.00	.00
699-8 FIRST AID SUPPLIES	.00	.00	.00	93.08	.00	93.08
403 DEPRECIATION EXPENSE	22,500.00	22,500.00	.00	112,500.00	112,500.00	.00
406 AMORT UTIL PLY ACQU ADJMT	.00	.00	.00	.00	.00	.00
407 AMORTIZATION-RATE CASE	.00	.00	.00	.00	.00	.00
408-10 PSC ASSESSMENT TAX	.00	.00	.00	.00	.00	.00
408-13 SALES TAX EXPENSE	962.19	875.00	87.19	4,330.20	4,375.00	(44.80)

TOTAL OPERATING EXPENSES \$ 75,869.80 \$ 188,210.00 \$ (112,340.20) \$ 834,601.98 \$ 886,863.00 \$ (52,261.02)

OTHER OPER. INCOME:

414 SALE OF FIXED ASSETS .00 .00 .00 .00 .00 .00

TOTAL UTIL. OPER. INCOME \$ 114,732.25 \$ 5,248.00 \$ 109,484.25 \$ 58,730.91 \$ 75,435.00 \$ (16,704.09)

	CURRENT PERIOD			YEAR TO DATE		
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
OTHER INCOME & DEDUCTIONS						
OTHER INCOME:						
419-1 INTEREST INCOME GEN ACCT	44.00	167.00	(123.00)	201.17	831.00	(629.83)
419-2 INTEREST INCOME CONSTRUC	.00	.00	.00	.00	.00	.00
419-3 INTEREST INCOME DEPRECIA	11.96	.00	11.96	32.47	.00	32.47
419-4 INTEREST INCOME MCW BOND	167.99	.00	167.99	546.85	.00	546.85
419-5 INTEREST INCOME GRAHAM B	.00	.00	.00	.00	.00	.00
419-6 INTEREST INCOME DEPOSIT	54.98	.00	54.98	301.67	.00	301.67
419-7 INTEREST INCOME CD'S	.00	.00	.00	234.82	.00	234.82
419-8 INTEREST INCOME GEN CD'S	.00	.00	.00	.00	.00	.00
419-9 INT INCOME 1995 BOND CD	.00	.00	.00	.00	.00	.00
420-1 ACCRUED INT INC 1995 BDN	.00	.00	.00	6,115.85	.00	6,115.85
420-2 INTEREST INCOME CONSTRUC	3.68	.00	3.68	19.07	.00	19.07
TOTAL OTHER INCOME	\$ 282.61	\$ 167.00	115.61	\$ 7,451.90	\$ 831.00	6,620.90

OTHER INCOME DEDUCTIONS:

426 MISC NONUTILITY EXPENSE	.00	.00	.00	.00	.00	.00
700-1 TRANS TO BOND FROM GENER	.00	.00	.00	.00	.00	.00
700-2 TRANS TO/FROM DEPRECIATN	.00	.00	.00	.00	.00	.00
700-3 TRANSFER TO/FROM CONSTRU	.00	.00	.00	.00	.00	.00
TOTAL OTHER INC. DEDUCTIONS	\$.00	\$.00	.00	\$.00	\$.00	.00
TOTAL OTH. INC. & DEDUCT.	\$ 282.61	\$ 167.00	115.61	\$ 7,451.90	\$ 831.00	6,620.90
NET OTH. INC. & DEDUCTIONS	\$.00	\$.00	.00	\$.00	\$.00	.00

INTEREST CHARGES

427-1 INTEREST EXP. KACD LOAN	424.25	425.00	(.75)	2,164.76	2,125.00	39.76
427-2 INTEREST EXP FHA BOND	.00	.00	.00	.00	.00	.00
427-3 INTEREST EXP GRAHAM BOND	.00	.00	.00	.00	.00	.00
427-4 INTEREST EXPENSE DEPOSIT	79.66	13.00	66.66	301.34	65.00	236.34
427-5 INTEREST EXPENSE 1995 BO	.00	.00	.00	.00	.00	.00
427-6 INTEREST EXP 2004 BOND	.00	.00	.00	.00	.00	.00
TOTAL INTEREST CHARGES	\$ 503.91	\$ 438.00	65.91	\$ 2,466.10	\$ 2,190.00	276.10
NET INCOME	\$ 114,510.95	\$ 4,977.00	109,533.95	\$ 63,716.71	\$ 74,076.00	(10,359.29)

BALANCE SHEET

AS OF 05/31/04

AS OF 05/31/3

ASSETS & OTHER DEBITS

UTILITY PLANT

UTILITY PLANT IN SERVICE (101)	10,350,836.81	10,184,555.33
105 CONSTR. WORK IN PROGRESS	73,252.72	56,787.28
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TOTAL UTILITY PLANT	\$ 10,424,089.53	\$ 10,241,342.61
ACCUM PROV FOR DEPR & AMORT	4,640,165.28	4,376,790.28
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NET UTILITY PLANT	\$ 5,783,924.25	\$ 5,864,552.33

OTHER PROPERTY & INVESTMENTS

126-1 DEPOSIT FUND	129,830.38	120,816.02
126-2 BOND AND INTEREST GRAHAM	.00	.00
126-3 BOND AND INTEREST MCWD	241,163.03	231,023.68
126-4 DEPRECIATION FUND	20,603.24	26,752.02
126-5 DEPRECIATION FUND C D'S	143,291.81	141,857.56
126-6 CONSTRUCTION FUND	19.07	.00
126-7 GENERAL FUND C D	.00	.00
126-8 BOND ISSUE 1995 C D	180,000.00	180,000.00
126-9 1995 BOND CASH	.00	.00
	-----	-----
TOTAL	\$ 714,907.53	\$ 700,449.28

CURRENT & ACCRUED ASSETS

131 CASH	184,671.67	198,663.62
141 CUSTOMER ACCTS. REC. WATER	1,645.42	3,577.74
141-1 CUSTOM.ACCTS. REC. OTHER	.00	.00
142 ACCOUNTS RECEIVABLE D'BORO	.00	.00
142-1 RETURNED CHECKS	691.34	402.39
142-2 ACCOUNTS RECEIVABLE TVA	.00	.00
142-3 ACCOUNTS REC STATE OF KY	.00	.00
146 NOTES RECEIV FROM ASSO CO	.00	.00
151 PLANT MATERIAL & SUPPLIES	62,442.58	55,944.69
162 PREPAYMENTS	.00	.00
	-----	-----
TOTAL	\$ 249,451.01	\$ 258,588.44

DEFERRED DEBITS

181 UNAMORTIZED DEBT DISCOUNT	1,300.00	1,550.00
182 ISSUANCE COST 1995 BOND IS	35,057.04	37,155.62
183 1995 BOND DISCOUNT	31,557.00	33,441.00
REGULATORY COSTS-RATE CASE	40,000.00	40,000.00
RESERVE FOR AMORT-RATECASE	24,000.00	16,000.00
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TOTAL	\$ 83,914.04	\$ 96,146.62

TOT. ASSET & OTHER DEBITS

\$ 6,832,196.83

\$ 6,919,736.67

LIAB. & OTHER CREDITS

EQUITY CAPITAL

215 UNAPPROD RETAINED EARNINGS	(594,222.46)	(442,587.13)
435 BALANCE TRANS.FROM INCOME	63,716.71	3,639.30
TOTAL EQUITY	\$ (530,505.75)	\$ (438,947.83)

LIABILITIES

LONG TERM DEBT

221-1 BONDS PAY. FHA 1987 ISS.	.00	.00
221-2 BONDS PAY FHA 66 ISSUE	110,000.00	160,000.00
221-3 BONDS PAY FHA 1978 ISSUE	1,202,000.00	1,260,000.00
221-4 BONDS PAYABLE CAPITAL B	.00	.00
221-5 NOTE PAYABLE KACO LEASE	78,000.00	86,000.00
221-6 BONDS PAYABLE 1995 ISSUE	1,915,000.00	1,980,000.00
221-7 BONDS PAYABLE 2004 ISSUE	.00	.00
TOTAL	\$ 3,305,000.00	\$ 3,486,000.00

CURRENT AND ACCRUED LIAB.

231 ACCOUNTS PAYABLE	.00	.00
232 1995 BOND TRANS ACCOUNT P	.00	.00
235 CUSTOMER DEPOSITS	130,570.00	121,761.94
236-1 FICA & FED W/H ACCRUED	.00	.00
236-2 KENTUCKY WITHHOLDING	.00	.00
236-3 UNEMPLOYMENT PAYABLE	.00	.00
236-4 RETIREMENT PAYABLE	.00	.00
236-5 SALES TAX PAYABLE	.00	.00
236-6 RETIREMENT INSTALLMENT	.00	.00
236-7 CHRISTMAS DONATION FUND	526.00	697.00
236-8 DEFCOMP	56.25	75.00
236-9 LIFE INS	.00	145.16
241 AFLAC	.00	.00
241-1 WAGE ASSIGNMENT	.00	.00
TOTAL	\$ 131,152.25	\$ 122,679.10

CONTRIBUTIONS IN AID OF CONST.

1 TAP ON FEES	2,232,098.49	2,191,338.49
2 FED, LOCAL, STATE GRANTS	1,586,489.86	1,450,704.93
271-3 CONTRIBUTIONS OTHER	107,961.98	107,961.98
TOTAL	\$ 3,926,550.33	\$ 3,750,005.40

TOTAL LIAB. & OTH. CREDITS

\$ 6,832,196.83

\$ 6,919,736.67

MISCELLANEOUS INCOME

1. Old final bills.....	156.93
2. Broken setter.....	69.88
3. Powderly Sewer Bill.....	25.00
Total miscellaneous revenue.....	251.81

MISCELLANEOUS EXPENSE

1. Jail inmates lunches.....	262.21
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ASSETS

Total assets.....	\$	0
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Customers		
Beginning	5980	
Additions	69	
Deletions	63	
Ending	5986	June report

GALLONS

Water Purchased	40,168,400	Water Purchased in May 2004	
Sold	29,632,900	Muhlenberg County Sold May 2004	
	1,686,000	Sold to Drakesboro May 2004	
	1,309,000	Sold to TVA May 2004	
	0	Sold to Greenville May 2004	
Lost	7,540,500	(\$9,469.36)	19 % loss
Leaks	571,000		
Flushing	100,015		
Fire Department	32,750		
Adjusted Usage			
Office	4,500		
Unaccounted Loss	6,832,235	(\$8,579.92)	17 % loss

6

	CURRENT PERIOD			YEAR TO DATE		
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
UTILITY OPERATING INCOME						
OPERATING REVENUES:						
461 METERED WATER REVENUE	164,348.05	176,708.00	(12,359.95)	981,189.42	1,060,252.00	(79,062.58)
461-1 MTR SALES TO RESIDENTIAL	.00	.00	.00	.00	.00	.00
461-2 MTR SALES TO COMMERCIAL	.00	.00	.00	.00	.00	.00
461-3 MTR SALES TO INDUSTRIAL	.00	.00	.00	.00	.00	.00
461-4 MTR SALES TO PUBLIC AUTH	.00	.00	.00	.00	.00	.00
461-5 MTR SALES TO MULTI FAMI	.00	.00	.00	.00	.00	.00
466 SALES FOR RESALE D'BORD	4,793.99	5,000.00	(206.01)	25,024.41	25,000.00	24.41
467-SALES FOR RESALE TVA	2,130.06	5,333.00	(3,202.94)	27,175.88	32,002.00	(4,826.12)
470 FORFEITED DISCOUNTS	.00	.00	.00	.00	.00	.00
471-GAIN ON EQUIPMENT SOLD	.00	.00	.00	.00	.00	.00
471-1 RECONNECTS	900.00	917.00	(17.00)	4,545.00	5,502.00	(957.00)
471-2 DISCONNECTS	660.00	1,000.00	(340.00)	4,070.00	6,000.00	(1,930.00)
471-3 PENALTIES	2,972.06	3,500.00	(527.94)	17,628.62	21,000.00	(3,371.38)
471-4 MATER.,PIPE, PARTS SOLD	.00	250.00	(250.00)	40.05	1,500.00	(1,459.95)
471-5 MISCELLANEOUS REVENUE	219.73	750.00	(530.27)	9,320.92	4,500.00	4,820.92
471-6 CASH/OVER	.00	.00	.00	(7.52)	.00	(7.52)
471-7 RETURNED CHECK CHARGES	180.00	.00	180.00	550.00	.00	550.00
471-8 METER REPAIR	.00	.00	.00	.00	.00	.00
471-9 METER EXCHANGE	.00	.00	.00	.00	.00	.00
TOTAL OPERATING REVENUES \$	176,203.89 \$	193,458.00 \$	(17,254.11)	\$ 1,069,536.78 \$	\$ 1,155,756.00 \$	(86,219.22)
OPERATING EXPENSES:						
601-1 OPERATIONS SALARIES	27,631.30	30,333.00	(2,701.70)	165,183.11	182,002.00	(16,818.89)
602-1 MAINTENANCE FORE SALARY	5,897.06	6,250.00	(352.94)	37,646.98	37,500.00	146.98
610-1 PURCHASED WATER/OPERAT	51,223.20	55,833.00	(4,609.80)	256,332.13	279,167.00	(22,834.87)
615-1 POWER PURCHASED FOR PUMP	3,966.69	3,750.00	216.69	17,424.14	22,500.00	(5,075.86)
620-1 PUMP STA OPER SUPPLIES	.00	50.00	(50.00)	140.80	300.00	(159.20)
636-1 MAINT. OF PUMPING EQUIP	4.23	833.00	(828.77)	1,202.06	5,002.00	(3,799.94)
620-2 OPERATION SUPPLIES & EXP	522.61	750.00	(227.39)	4,051.38	4,500.00	(448.62)
635-2 OPERATION LABOR	.00	.00	.00	.00	.00	.00
636-2 EQUIP MAINT. AND REPAIRS	241.17	500.00	(258.83)	1,522.52	3,000.00	(1,477.48)
618-3 CHEMICALS AND ANALYSIS	1,287.92	417.00	870.92	2,630.78	2,502.00	128.78
635-5 MAIN DIST. RESER & STPIP	.00	33.00	(33.00)	.00	202.00	(202.00)
636-5 CONTRACT LABOR	.00	42.00	(42.00)	.00	248.00	(248.00)
636-6 MAINTENANCE OF MAINS	3,356.24	4,833.00	(1,476.76)	7,235.13	29,002.00	(21,766.87)
637-6 MAINTENANCE OF METERS	123.95	1,667.00	(1,543.05)	8,754.29	10,002.00	(1,247.71)
638-6 MAINTENANCE OF HYDRANTS	.00	167.00	(167.00)	1,012.40	1,002.00	10.40
600-7 OFFICE SALARIES	7,529.77	8,000.00	(470.23)	48,588.64	48,000.00	588.64
670-7 BAD DEBT EXPENSE /CUST	.00	.00	.00	.00	.00	.00
676-7 POSTAGE	1,355.87	1,833.00	(477.13)	10,051.95	11,002.00	(950.05)
679-7 OFFICE SUPP CUST BILLS	.00	.00	.00	1,567.01	1,600.00	(32.99)
601-8 SUPERINTENDENT SALARY	3,794.17	4,208.00	(413.83)	24,946.10	25,252.00	(305.90)
601-8 OFFICE MANAGER'S SALARY	1,843.62	2,625.00	(781.38)	15,833.26	15,750.00	83.26
601-8 COMMISSIONERS' SALARIES	1,500.00	1,500.00	.00	9,000.00	9,000.00	.00
604-8 EMPLOYEE HEALTH INSURANC	19,403.31	18,833.00	570.31	115,445.10	113,002.00	2,443.10
605-8 EMPLOYER RETIRE EXPENSE	3,572.36	3,500.00	72.36	21,509.42	21,000.00	509.42
615-8 OFFICE UTILITIES	723.01	500.00	223.01	3,952.57	3,000.00	952.57
620-8 MATERIALS & SUP /AD&G	299.50	500.00	(200.50)	3,408.90	3,000.00	408.90

	CURRENT PERIOD			YEAR TO DATE		
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
631-8 CONTR SERV -ENG /AD&G	.00	500.00	(500.00)	1,962.50	3,000.00	(1,037.50)
632-8 CONTR SERV -ACCT /AD&G	.00	.00	.00	.00	.00	.00
633-8 CONTR SERV -LEGAL /A&G	400.00	400.00	.00	2,000.00	2,400.00	(400.00)
635-8 CONT SERV WATER TEST/ADG	324.00	417.00	(93.00)	1,792.00	2,502.00	(710.00)
637-8 COMMUN. RADIO/TELEMETRY	24.95	100.00	(75.05)	235.65	600.00	(364.35)
641-8 RENT	536.00	200.00	336.00	580.65	1,200.00	(619.35)
642-8 EQUIP RENT RADIO TOWER	100.00	100.00	.00	600.00	600.00	.00
650-8 GAS AND OIL	2,883.38	2,000.00	883.38	12,093.72	12,000.00	93.72
651-8 TRUCK REPAIR & MAINT	930.63	583.00	347.63	4,370.02	3,502.00	868.02
658-8 INSUR WKMN'S COMP /AD&G	12,994.21	2,500.00	10,494.21	22,152.51	15,000.00	7,152.51
659-8 INSURANCE PROPERTY & VEH	5,435.79	5,014.00	421.79	13,795.29	13,244.00	551.29
660-8 ADVERTISING EXP /AD&G	89.35	83.00	6.35	200.60	502.00	(301.40)
675-8 OFFICE TELEPHONE	209.16	200.00	9.16	1,237.91	1,200.00	37.91
676-8 TEL & CELLULAR PHONES	698.34	900.00	(201.66)	4,209.86	5,400.00	(1,190.14)
677-8 MAINTENANCE AGREEMENT	.00	333.00	(333.00)	660.00	1,998.00	(1,338.00)
678-8 SEMINARS AND TRAINING	340.80	1,000.00	(659.20)	3,600.30	6,000.00	(2,399.70)
679-8 OFFICE SUPPLIES	1,410.19	583.00	827.19	2,880.18	3,502.00	(621.82)
680-8 PAYROLL TAXES (UI3/FICA)	4,097.43	4,166.00	(68.57)	25,957.20	24,996.00	961.20
681-8 OVERPAID FINALS/REFUND	195.00	.00	195.00	329.00	.00	329.00
682-8 UNIFORMS AND MATS	587.74	500.00	87.74	3,179.96	3,000.00	179.96
683-8 DAMAGES	.00	83.00	(83.00)	.00	502.00	(502.00)
684-8 DUES AND SUBSCRIPTIONS	.00	84.00	(84.00)	95.00	504.00	(409.00)
685-8 OFFICE & GARAGE MAINT.	172.04	417.00	(244.96)	1,235.25	2,502.00	(1,266.75)
686-8 OFFICE CLEANING & MAINT.	101.83	41.00	60.83	279.41	246.00	33.41
687-8 TRAVEL AND MILEAGE	.00	42.00	(42.00)	.00	252.00	(252.00)
688-8 MEETING EXPENSES	13.00	83.00	(70.00)	211.21	502.00	(290.79)
689-8 LICENSE	105.00	42.00	63.00	198.00	252.00	(54.00)
690-8 SAFETY PROMOTION	.00	.00	.00	.00	.00	.00
691-8 FLOWERS	69.98	42.00	27.98	129.98	252.00	(122.02)
692-8 ROOM AND BOARD	.00	.00	.00	.00	.00	.00
693-8 NOTARY EXPENSE	.00	.00	.00	20.00	.00	20.00
694-8 GARNISH WAGES	.00	.00	.00	.00	.00	.00
695-8 NAME TAGS	.00	.00	.00	.00	.00	.00
696-8 SURVEYING LAND	.00	.00	.00	.00	.00	.00
697-8 MISCELLANEOUS EXPENSE	440.21	833.00	(392.79)	22,668.84	4,998.00	17,670.84
698-8 DIVISION OF SURPLUS	.00	.00	.00	.00	.00	.00
699-8 FIRST AID SUPPLIES	129.86	.00	129.86	222.94	.00	222.94
403 DEPRECIATION EXPENSE	22,500.00	22,500.00	.00	135,000.00	135,000.00	.00
406 AMORT UTIL PLT ACQU ADJMT	.00	.00	.00	.00	.00	.00
407 AMORTIZATION-RATE CASE	.00	.00	.00	.00	.00	.00
408-10 PSC ASSESSMENT TAX	.00	.00	.00	.00	.00	.00
408-13 SALES TAX EXPENSE	937.12	875.00	62.12	5,267.32	5,250.00	17.32
TOTAL OPERATING EXPENSES \$	190,001.99 \$	191,578.00 \$	(1,576.01) \$	1,024,603.97 \$	1,078,441.00 \$	(53,837.03)
OTHER OPER. INCOME:						
414 SALE OF FIXED ASSETS	.00	.00	.00	.00	.00	.00
TOTAL UTIL. OPER. INCOME \$	(13,798.10) \$	1,880.00 \$	(15,678.10) \$	44,932.81 \$	77,315.00 \$	(32,382.19)

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	CURRENT PERIOD			YEAR TO DATE		
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
OTHER INCOME & DEDUCTIONS						
OTHER INCOME:						
419-1 INTEREST INCOME GEN ACCT	44.03	167.00	(122.97)	245.20	998.00	(752.80)
419-2 INTEREST INCOME CONSTRUC	.00	.00	.00	.00	.00	.00
419-3 INTEREST INCOME DEPRECIA	17.33	.00	17.33	49.80	.00	49.80
419-4 INTEREST INCOME MCW BOND	206.87	.00	206.87	753.72	.00	753.72
419-5 INTEREST INCOME GRAHAM B	.00	.00	.00	.00	.00	.00
419-6 INTEREST INCOME DEPOSIT	53.56	.00	53.56	355.23	.00	355.23
419-7 INTEREST INCOME CD'S	.00	.00	.00	234.82	.00	234.82
419-8 INTEREST INCOME GEN CD'S	.00	.00	.00	.00	.00	.00
419-9 INT INCOME 1995 BOND CD	.00	.00	.00	.00	.00	.00
420-1 ACCRUED INT INC 1995 BON	6,032.25	.00	6,032.25	12,148.10	.00	12,148.10
420-2 INTEREST INCOME CONSTRUC	29.69	.00	29.69	48.76	.00	48.76
TOTAL OTHER INCOME	\$ 6,383.73	\$ 167.00	\$ 6,216.73	\$ 13,835.63	\$ 998.00	\$ 12,837.63

OTHER INCOME DEDUCTIONS:

426 MISC NONUTILITY EXPENSE	.00	.00	.00	.00	.00	.00
700-1 TRANS TO BOND FROM GENER	.00	.00	.00	.00	.00	.00
700-2 TRANS TO/FROM DEPRECIATN	.00	.00	.00	.00	.00	.00
700-3 TRANSFER TO/FROM CONSTRU	.00	.00	.00	.00	.00	.00
TOTAL OTHER INC. DEDUCTION\$	.00	.00	.00	.00	.00	.00
TOTAL OTH. INC. & DEDUCT. \$	6,383.73	167.00	6,216.73	13,835.63	998.00	12,837.63
NET OTH. INC. & DEDUCTIONS \$	.00	.00	.00	.00	.00	.00

INTEREST CHARGES

427-1 INTEREST EXP. KACO LOAN	424.25	425.00	(.75)	2,589.01	2,550.00	39.01
427-2 INTEREST EXP FHA BOND	2,062.50	34,500.00	(32,437.50)	2,062.50	34,500.00	(32,437.50)
427-3 INTEREST EXP GRAHAM BOND	.00	.00	.00	.00	.00	.00
427-4 INTEREST EXPENSE DEPOSIT	73.22	13.00	60.22	374.56	78.00	296.56
427-5 INTEREST EXPENSE 1995 BD	53,225.00	53,250.00	(25.00)	53,225.00	53,250.00	(25.00)
427-6 INTEREST EXP 2004 BOND	.00	.00	.00	.00	.00	.00
TOTAL INTEREST CHARGES	\$ 55,784.97	\$ 88,188.00	(32,403.03)	\$ 58,251.07	\$ 90,378.00	(32,126.93)
NET INCOME	\$ (63,199.34)	(86,141.00)	22,941.66	\$ 517.37	(12,065.00)	12,582.37

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BALANCE SHEET

AS OF 06/30/04

AS OF 06/30/03

ASSETS & OTHER DEBITS

UTILITY PLANT

UTILITY PLANT IN SERVICE (101)	10,351,261.65	10,213,730.23
105 CONSTR. WORK IN PROGRESS	397,345.11	56,787.28
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TOTAL UTILITY PLANT	\$ 10,748,606.76	\$ 10,270,517.51
ACCUM PROV FOR DEPR & AMORT	4,662,665.28	4,399,290.28
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NET UTILITY PLANT	\$ 6,085,941.48	\$ 5,871,227.23

OTHER PROPERTY & INVESTMENTS

126-1 DEPOSIT FUND	131,570.72	122,163.32
126-2 BOND AND INTEREST GRAHAM	.00	.00
126-3 BOND AND INTEREST MCWD	224,495.81	170,868.90
126-4 DEPRECIATION FUND	21,685.57	27,828.95
126-5 DEPRECIATION FUND C D'S	143,291.81	142,032.46
126-6 CONSTRUCTION FUND	48.76	.00
126-7 GENERAL FUND C D	.00	.00
126-8 BOND ISSUE 1995 C D	180,000.00	180,000.00
126-9 1995 BOND CASH	.00	.00
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TOTAL	\$ 701,092.67	\$ 642,893.63

CURRENT & ACCRUED ASSETS

131 CASH	173,902.60	181,874.45
141 CUSTOMER ACCTS. REC. WATER	2,047.91	3,463.35
141-1 CUSTOM. ACCTS. REC. OTHER	.00	.00
142 ACCOUNTS RECEIVABLE D' BORO	.00	.00
142-1 RETURNED CHECKS	554.77	439.88
142-2 ACCOUNTS RECEIVABLE TVA	.00	.00
142-3 ACCOUNTS REC STATE OF KY	.00	.00
146 NOTES RECEIV FROM ASSO CD	.00	.00
151 PLANT MATERIAL & SUPPLIES	62,442.58	55,944.69
162 PREPAYMENTS	.00	.00
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TOTAL	\$ 238,947.86	\$ 241,722.37

DEFERRED DEBITS

181 UNAMORTIZED DEBT DISCOUNT	1,300.00	1,550.00
182 ISSUANCE COST 1995 BOND IS	35,057.04	37,155.62
183 1995 BOND DISCOUNT	31,557.00	33,441.00
REGULATORY COSTS-RATE CASE	40,000.00	40,000.00
RESERVE FOR AMORT-RATECASE	24,000.00	16,000.00
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TOTAL	\$ 83,914.04	\$ 96,146.62

5

TOT. ASSET & OTHER DEBITS

\$ 7,109,896.05

\$ 6,851,989.85

LIAB. & OTHER CREDITS

EQUITY CAPITAL

215 UNAPPRO RETAINED EARNINGS (594,222.46)
 435 BALANCE TRANS.FROM INCOME 517.37

(442,587.13)

(78,183.85)

TOTAL EQUITY

\$ (593,705.09)

\$ (520,770.98)

LIABILITIES

LONG TERM DEBT

221-1 BONDS PAY. FHA 1987 ISS. .00
 221-2 BONDS PAY FHA 66 ISSUE 110,000.00
 221-3 BONDS PAY FHA 1978 ISSUE 1,202,000.00
 221-4 BONDS PAYABLE CAPITAL B .00
 221-5 NOTE PAYABLE KACO LEASE 78,000.00
 221-6 BONDS PAYABLE 1995 ISSUE 1,915,000.00
 221-7 BONDS PAYABLE 2004 ISSUE .00

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160,000.00

1,260,000.00

.00

88,000.00

1,980,000.00

.00

TOTAL

\$ 3,305,000.00

\$ 3,486,000.00

CURRENT AND ACCRUED LIAB.

231 ACCOUNTS PAYABLE .00
 232 1995 BOND TRANS ACCOUNT P .00
 235 CUSTOMER DEPOSITS 132,330.00
 236-1 FICA & FED W/H ACCRUED .00
 236-2 KENTUCKY WITHHOLDING .00
 236-3 UNEMPLOYMENT PAYABLE .00
 236-4 RETIREMENT PAYABLE .00
 236-5 SALES TAX PAYABLE .00
 236-6 RETIREMENT INSTALLMENT .00
 236-7 CHRISTMAS DONATION FUND 603.00
 236-8 DEFCOMP 6.25
 236-9 LIFE INS .00
 241 AFLAC .00
 241-1 WAGE ASSIGNMENT .00

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123,141.94

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781.25

12.50

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TOTAL

\$ 132,939.25

\$ 123,935.69

CONTRIBUTIONS IN AID OF CONST.

271- TOP ON FEES 2,238,938.49
 271- ED, LOCAL, STATE GRANTS 1,918,761.42
 271-3 CONTRIBUTIONS OTHER 107,961.98

2,195,898.49

1,458,964.67

107,961.98

TOTAL

\$ 4,265,661.89

\$ 3,762,825.14

TOTAL LIAB. & OTH. CREDITS

\$ 7,109,896.05

\$ 6,851,989.85

MISCELLANEOUS INCOME

1. Old final bills.....	151.13
2. Broken setter.....	43.60
3. Powderly Sewer Bill.....	25.00
Total miscellaneous revenue.....	219.73

MISCELLANEOUS EXPENSE

1. Jail inmates lunches.....	440.21
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ASSETS

1. Shelving for shop.....	105.09
2. Chlorine pump.....	319.75
Total assets.....	\$ 424.84

Customers

Beginning	5986	
Additions	54	
Deletions	49	
Ending	5991	July report

GALLONS

Water Purchased	40,789,300	Water Purchased in June 2004	
Sold	26,552,200	Muhlenberg County Sold June 2004	
	1,769,000	Sold to Drakesboro June 2004	
	786,000	Sold to TVA June 2004	
	0	Sold to Greenville June 2004	
Lost	11,682,100	(\$14,670.38)	29 % loss
Leaks	849,000		
Flushing	1,405,280		
Fire Department	28,900		
Adjusted Usage			
Office	5,700		
Unaccounted Loss	9,393,220	(\$11,796.01)	23 % loss

(7)

INCOME STATEMENT

	CURRENT PERIOD			YEAR TO DATE		
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
UTILITY OPERATING INCOME						
RATING REVENUES:						
61 METERED WATER REVENUE	192,781.95	176,708.00	16,073.95	1,173,971.37	1,236,960.00	(62,988.63)
61-1 MTR SALES TO RESIDENTIAL	.00	.00	.00	.00	.00	.00
61-2 MTR SALES TO COMMERCIAL	.00	.00	.00	.00	.00	.00
61-3 MTR SALES TO INDUSTRIAL	.00	.00	.00	.00	.00	.00
61-4 MTR SALES TO PUBLIC AUTH	.00	.00	.00	.00	.00	.00
61-5 MTR SALES TO MULTI FAMI	.00	.00	.00	.00	.00	.00
66 SALES FOR RESALE D'BORO	5,409.43	5,000.00	409.43	30,433.84	30,000.00	433.84
67 SALES FOR RESALE TVA	2,016.24	5,333.00	(3,316.76)	29,192.12	37,335.00	(8,142.88)
68 FORFEITED DISCOUNTS	.00	.00	.00	.00	.00	.00
69 GAIN ON EQUIPMENT SOLD	.00	.00	.00	.00	.00	.00
1-1 RECONNECTS	810.00	917.00	(107.00)	5,355.00	6,419.00	(1,064.00)
1-2 DISCONNECTS	572.00	1,000.00	(428.00)	4,642.00	7,000.00	(2,358.00)
1-3 PENALTIES	3,768.94	3,500.00	268.94	21,397.56	24,500.00	(3,102.44)
1-4 MATER., PIPE, PARTS SOLD	.00	250.00	(250.00)	40.05	1,750.00	(1,709.95)
1-5 MISCELLANEOUS REVENUE	3,787.18	750.00	3,037.18	13,108.10	5,250.00	7,858.10
1-6 CASH/OVER	.00	.00	.00	(7.52)	.00	(7.52)
1-7 RETURNED CHECK CHARGES	80.00	.00	80.00	630.00	.00	630.00
1-8 METER REPAIR	.00	.00	.00	.00	.00	.00
1-9 METER EXCHANGE	.00	.00	.00	.00	.00	.00

TOTAL OPERATING REVENUES \$ 209,225.74 \$ 193,458.00 \$ 15,767.74 \$ 1,278,762.52 \$ 1,349,214.00 \$ (70,451.48)

OPERATING EXPENSES:

1-1 OPERATIONS SALARIES	31,559.67	30,333.00	1,226.67	196,742.78	212,335.00	(15,592.22)
1-1 MAINTENANCE FORE SALARY	6,914.22	6,250.00	664.22	44,561.20	43,750.00	811.20
1-1 PURCHASED WATER/OPERAT	62,944.45	55,833.00	7,111.45	319,276.58	335,000.00	(15,723.42)
1-1 POWER PURCHASED FOR PUMP	3,165.64	3,750.00	(584.36)	20,589.78	26,250.00	(5,660.22)
1-1 PUMP STA OPER SUPPLIES	.00	50.00	(50.00)	140.80	350.00	(209.20)
1-1 MAINT. OF PUMPING EQUIP	138.34	833.00	(694.66)	1,340.40	5,835.00	(4,494.60)
2 OPERATION SUPPLIES & EXP	1,332.00	750.00	582.00	5,383.38	5,250.00	133.38
2 OPERATION LABOR	.00	.00	.00	.00	.00	.00
2 EQUIP MAINT. AND REPAIRS	200.04	500.00	(299.96)	1,722.56	3,500.00	(1,777.44)
3 CHEMICALS AND ANALYSIS	.00	417.00	(417.00)	2,630.78	2,919.00	(288.22)
5 MAIN DIST. RESER & STPIP	.00	33.00	(33.00)	.00	235.00	(235.00)
5 CONTRACT LABOR	.00	42.00	(42.00)	.00	290.00	(290.00)
5 MAINTENANCE OF MAINS	4,098.93	4,833.00	(734.07)	11,334.06	33,835.00	(22,500.94)
5 MAINTENANCE OF METERS	1,447.10	1,667.00	(219.90)	10,201.39	11,669.00	(1,467.61)
5 MAINTENANCE OF HYDRANTS	.00	167.00	(167.00)	1,012.40	1,169.00	(156.60)
7 OFFICE SALARIES	9,401.44	8,000.00	1,401.44	57,990.08	56,000.00	1,990.08
7 BAD DEBT EXPENSE /CUST	.00	.00	.00	.00	.00	.00
7 POSTAGE	1,281.34	1,833.00	(551.66)	11,333.29	12,835.00	(1,501.71)
OFFICE SUPP CUST BILLS	.00	.00	.00	1,567.01	1,600.00	(32.99)
SUPERINTENDENT SALARY	4,723.98	4,208.00	515.98	29,670.08	29,460.00	210.08
OFFICE MANAGER'S SALARY	3,061.02	2,625.00	436.02	18,894.28	18,375.00	519.28
COMMISSIONERS' SALARIES	1,500.00	1,500.00	.00	10,500.00	10,500.00	.00
EMP HEALTH INSURANC	19,465.55	18,833.00	632.55	134,910.65	131,835.00	3,075.65
EMP OR RETIRE EXPENSE	4,719.99	3,500.00	1,219.99	26,229.41	24,500.00	1,729.41
OFFICE UTILITIES	225.18	500.00	(274.82)	4,177.75	3,500.00	677.75
MATERIALS & SUP /AD&S	564.75	500.00	64.75	3,973.65	3,500.00	473.65

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	CURRENT PERIOD			YEAR TO DATE		
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
631-8 CONTR SERV -ENG /AD&G	.00	500.00	(500.00)	1,962.50	3,500.00	(1,537.50)
632-8 CONTR SERV -ACCT /AD&G	5,125.00	.00	5,125.00	5,125.00	.00	5,125.00
633-8 CONTR SERV -LEGAL /A&G	400.00	400.00	.00	2,400.00	2,800.00	(400.00)
635-) IT SERV WATER TEST/ADG	488.00	417.00	71.00	2,280.00	2,919.00	(639.00)
637-8 COMMUN. RADIO/TELEMETRY	24.95	100.00	(75.05)	260.60	700.00	(439.40)
641-8 RENT	.00	200.00	(200.00)	580.65	1,400.00	(819.35)
642-8 EQUIP RENT RADIO TOWER	100.00	100.00	.00	700.00	700.00	.00
650-8 GAS AND OIL	1,729.32	2,000.00	(270.68)	13,823.04	14,000.00	(176.96)
651-8 TRUCK REPAIR & MAINT	978.72	583.00	395.72	5,348.74	4,085.00	1,263.74
658-8 INSUR WKMN'S COMP /AD&G	.00	2,500.00	(2,500.00)	22,152.51	17,500.00	4,652.51
659-8 INSURANCE PROPERTY & VEH	6,331.47	582.00	5,749.47	20,126.76	13,826.00	6,300.76
660-8 ADVERTISING EXP /AD&G	210.69	83.00	127.69	411.29	585.00	(173.71)
75-8 OFFICE TELEPHONE	201.68	200.00	1.68	1,439.59	1,400.00	39.59
76-8 TEL & CELLULAR PHONES	702.59	900.00	(197.41)	4,912.45	6,300.00	(1,387.55)
77-8 MAINTENANCE AGREEMENT	.00	333.00	(333.00)	660.00	2,331.00	(1,671.00)
78-8 SEMINARS AND TRAINING	.00	1,000.00	(1,000.00)	3,600.30	7,000.00	(3,399.70)
79-8 OFFICE SUPPLIES	77.94	583.00	(505.06)	2,958.12	4,085.00	(1,126.88)
80-8 PAYROLL TAXES (UI3/FICA)	4,159.84	4,166.00	(6.16)	30,117.04	29,162.00	955.04
81-8 OVERPAID FINALS/REFUND	.00	.00	.00	329.00	.00	329.00
82-8 UNIFORMS AND MATS	594.35	500.00	94.35	3,774.31	3,500.00	274.31
83-8 DAMAGES	.00	83.00	(83.00)	.00	585.00	(585.00)
84-8 DUES AND SUBSCRIPTIONS	.00	84.00	(84.00)	95.00	588.00	(493.00)
85-8 OFFICE & GARAGE MAINT.	160.15	417.00	(256.85)	1,395.40	2,919.00	(1,523.60)
86-8 OFFICE CLEANING & MAINT.	22.72	41.00	(18.28)	302.13	287.00	15.13
87-8 TRAVEL AND MILEAGE	.00	42.00	(42.00)	.00	294.00	(294.00)
88-8 MEETING EXPENSES	.00	83.00	(83.00)	211.21	585.00	(373.79)
9-8 LICENSE	27.00	42.00	(15.00)	225.00	294.00	(69.00)
0-8 SAFETY PROMOTION	.00	.00	.00	.00	.00	.00
1-8) ERS	.00	42.00	(42.00)	129.98	294.00	(164.02)
2-8 ROOM AND BOARD	.00	.00	.00	.00	.00	.00
3-8 NOTARY EXPENSE	.00	.00	.00	20.00	.00	20.00
4- 8 GARNISH WAGES	.00	.00	.00	.00	.00	.00
5-8 NAME TAGS	.00	.00	.00	.00	.00	.00
6-8 SURVEYING LAND	.00	.00	.00	.00	.00	.00
7-8 MISCELLANEOUS EXPENSE	494.91	833.00	(338.09)	23,163.75	5,831.00	17,332.75
8-8 DIVISION OF SURPLUS	.00	.00	.00	.00	.00	.00
9-8 FIRST AID SUPPLIES	27.91	.00	27.91	250.85	.00	250.85
DEPRECIATION EXPENSE	22,500.00	22,500.00	.00	157,500.00	157,500.00	.00
AMORT UTIL PLT ACQU ADJMT	.00	.00	.00	.00	.00	.00
AMORTIZATION-RATE CASE	.00	.00	.00	.00	.00	.00
-10 PSC ASSESSMENT TAX	3,881.05	4,100.00	(218.95)	3,881.05	4,100.00	(218.95)
-13 SALES TAX EXPENSE	1,109.67	875.00	234.67	6,376.99	6,125.00	251.99
TOTAL OPERATING EXPENSES \$	206,091.60 \$	191,246.00 \$	14,845.60	\$ 1,230,695.57 \$	1,269,687.00 \$	(38,991.43)
OPER. INCOME:						
SALE OF FIXED ASSETS	.00	.00	.00	.00	.00	.00
TOTAL UTIL.OPER.INCOME \$	3,134.14 \$	2,212.00 \$	922.14	\$ 48,066.95 \$	79,527.00 \$	(31,460.05)

	CURRENT PERIOD			YEAR TO DATE		
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
OTHER INCOME & DEDUCTIONS						
OTHER INCOME:						
419-1 INTEREST INCOME GEN ACCT	45.59	167.00	(121.41)	290.79	1,165.00	(874.21)
419-2 INTEREST INCOME CONSTRUC	.00	.00	.00	.00	.00	.00
419-3 INTEREST INCOME DEPRECIA	21.88	.00	21.88	71.68	.00	71.68
419-4 INTEREST INCOME MCW BOND	208.31	.00	208.31	962.03	.00	962.03
419-5 INTEREST INCOME GRAHAM B	.00	.00	.00	.00	.00	.00
419-6 INTEREST INCOME DEPOSIT	55.87	.00	55.87	411.10	.00	411.10
419-7 INTEREST INCOME CD'S	.00	.00	.00	234.82	.00	234.82
419-8 INTEREST INCOME GEN CD'S	.00	.00	.00	.00	.00	.00
419-9 INT INCOME 1995 BOND CD	.00	.00	.00	.00	.00	.00
420-1 ACCRUED INT INC 1995 BON	.00	.00	.00	12,148.10	.00	12,148.10
420-2 INTEREST INCOME CONSTRUC	3.52	.00	3.52	52.28	.00	52.28
TOTAL OTHER INCOME	\$ 335.17	\$ 167.00	168.17	\$ 14,170.80	\$ 1,165.00	13,005.80

OTHER INCOME DEDUCTIONS:						
26 MISC NONUTILITY EXPENSE	.00	.00	.00	.00	.00	.00
00-1 TRANS TO BOND FROM GENER	.00	.00	.00	.00	.00	.00
00-2 TRANS TO/FROM DEPRECIATN	.00	.00	.00	.00	.00	.00
00-3 TRANSFER TO/FROM CONSTRU	.00	.00	.00	.00	.00	.00
TOTAL OTHER INC.DEDUCTION\$	.00	.00	.00	\$.00	\$.00	.00
TOTAL OTH. INC.& DEDUCT. \$	335.17	167.00	168.17	\$ 14,170.80	\$ 1,165.00	13,005.80
OTH. INC.& DEDUCTIONS \$	.00	.00	.00	\$.00	\$.00	.00

INTEREST CHARGES

7-1 INTEREST EXP. KACO LOAN	424.25	425.00	(.75)	3,013.26	2,975.00	38.26
7-2 INTEREST EXP FHA BOND	.00	.00	.00	2,062.50	34,500.00	(32,437.50)
7-3 INTEREST EXP GRAHAM BOND	.00	.00	.00	.00	.00	.00
7-4 INTEREST EXPENSE DEPOSIT	74.70	13.00	61.70	449.26	91.00	358.26
7-5 INTEREST EXPENSE 1995 BO	.00	.00	.00	53,225.00	53,250.00	(25.00)
7-6 INTEREST EXP 2004 BOND	17,254.52	.00	17,254.52	17,254.52	.00	17,254.52
TOTAL INTEREST CHARGES	\$ 17,753.47	\$ 438.00	17,315.47	\$ 76,004.54	\$ 90,816.00	(14,811.46)
NET INCOME	\$ (14,284.16)	1,941.00	(16,225.16)	\$ (13,766.79)	(10,124.00)	(3,642.79)

(4)

AS OF 07/31/04

AS OF 07/31/3

ASSETS & OTHER DEBITS

UTILITY PLANT

UTILITY PLANT IN SERVICE (101)	10,351,525.56	10,213,730.23
105 CONSTR. WORK IN PROGRESS	468,333.99	56,787.28
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TOTAL UTILITY PLANT	\$ 10,819,859.55	\$ 10,270,517.51
ACCUM PROV FOR DEPR & AMORT	4,685,165.28	4,421,790.28
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NET UTILITY PLANT	\$ 6,134,694.27	\$ 5,848,727.23

OTHER PROPERTY & INVESTMENTS

26-1 DEPOSIT FUND	132,571.89	123,082.26
26-2 BOND AND INTEREST GRAHAM	.00	.00
26-3 BOND AND INTEREST MCWD	203,591.80	206,194.24
26-4 DEPRECIATION FUND	22,772.45	28,902.22
26-5 DEPRECIATION FUND C D'S	143,291.81	142,207.56
26-6 CONSTRUCTION FUND	52.28	.00
26-7 GENERAL FUND C D	.00	.00
26-8 BOND ISSUE 1995 C D	180,000.00	180,000.00
26-9 BOND CASH	.00	.00
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TOTAL	\$ 682,280.23	\$ 680,386.28

CURRENT & ACCRUED ASSETS

1 CASH	173,856.80	180,674.21
1 CUSTOMER ACCTS. REC. WATER	2,988.47	3,738.36
1-1 CUSTOM.ACCTS. REC. OTHER	.00	.00
2 ACCOUNTS RECEIVABLE D'BORD	.00	.00
2-1 RETURNED CHECKS	502.81	501.37
2-2 ACCOUNTS RECEIVABLE TVA	(.05)	.00
2-3 ACCOUNTS REC STATE OF KY	.00	.00
NOTES RECEIV FROM ASSO CO	.00	.00
PLANT MATERIAL & SUPPLIES	62,442.58	55,944.69
PREPAYMENTS	.00	.00
	-----	-----
TOTAL	\$ 239,790.61	\$ 240,858.63

DEFERRED DEBITS

UNAMORTIZED DEBT DISCOUNT	1,300.00	1,550.00
ISSUANCE COST 1995 BOND IS	35,057.04	37,155.62
1995 BOND DISCOUNT	31,557.00	33,441.00
REGI)RY COSTS-RATE CASE	40,000.00	40,000.00
RESERVE FOR AMORT-RATECASE	24,000.00	16,000.00
ISSUANCE COST 2004 BOND IS	32,000.00	.00
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5

TOTAL \$ 115,914.04

\$ 96,146.62

TOT. ASSET & OTHER DEBITS \$ 7,172,679.15

\$ 6,866,118.76

LIAB. & OTHER CREDITS

EQUITY CAPITAL

15 UNAPPRO RETAINED EARNINGS	(594,222.46)	(442,587.13)
35 BALANCE TRANS.FROM INCOME	(13,766.79)	(68,647.76)

TOTAL EQUITY	\$ (607,989.25)	\$ (511,234.89)
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LIABILITIES

LONG TERM DEBT

1-1 BONDS PAY. FHA 1987 ISS.	.00	.00
1-2 BONDS PAY FHA 66 ISSUE	110,000.00	160,000.00
1-3 BONDS PAY FHA 1978 ISSUE	.00	1,260,000.00
1-4 BONDS PAYABLE CAPITAL B	.00	.00
1-5 NOTE PAYABLE KACO LEASE	78,000.00	86,000.00
1-6 BONDS PAYABLE 1995 ISSUE	1,915,000.00	1,980,000.00
1-7 BONDS PAYABLE 2004 ISSUE	1,199,600.00	.00

TOTAL	\$ 3,302,600.00	\$ 3,486,000.00
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CURRENT AND ACCRUED LIAB.

ACCOUNTS PAYABLE	.00	.00
1995 BOND TRANS ACCOUNT P	.00	.00
CUSTOMER DEPOSITS	133,350.00	124,111.94
-1 FICA & FED W/H ACCRUED	.00	.00
-2 KENTUCKY WITHHOLDING	.00	.00
-3 UNEMPLOYMENT PAYABLE	.00	.00
-4 RETIREMENT PAYABLE	.00	.00
-5 SALES TAX PAYABLE	.00	.00
-6 RETIREMENT INSTALLMENT	.00	.00
-7 CHRISTMAS DONATION FUND	702.50	871.50
-8 DEFCOMP	.00	91.25
9 LIFE INS	33.82	33.82
AFLAC	.00	.00
1 WAGE ASSIGNMENT	.00	.00

TOTAL	\$ 134,086.32	\$ 125,108.51
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CONTRIBUTIONS IN AID OF CONST.

TAP ON FEES	2,244,068.49	2,199,318.49
FEL STATE GRANTS	1,991,951.61	1,458,964.67
CONTRIBUTIONS OTHER	107,961.98	107,961.98

TOTAL	\$ 4,343,982.08	\$ 3,766,245.14
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TOTAL LIAB.& OTH.CREDITS \$ 7,172,679.15

MISCELLANEOUS INCOME

1. Old final bills.....	56.96
2. Broken lock.....	33.62
3. Powderly Sewer Bill.....	25.00
4. Ernie Davis Powderly Sewer Damage.....	3,500.00
5. Sandy Hill Water Usage.....	121.60
6. Moving meter.....	50.00
Total miscellaneous revenue.....	3,787.18

MISCELLANEOUS EXPENSE

1. Jail inmates lunches.....	124.67
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ASSETS

1. Cell phone for Jeff.....	
\$ 263.91	
Total assets.....	\$ 263.91

Customers	
Beginning	5991
Additions	67
Deletions	56
Ending	6002 August report

GALLONS

Water Purchased	50,123,000	Water Purchased in July 2004	
Sold	33,209,700	Muhlenberg County Sold July 2004	
	1,996,100	Sold to Drakesboro July 2004	
	744,000	Sold to TVA July 2004	
	0	Sold to Greenville June 2004	
Lost	14,173,200	(\$17,798.70)	28 % loss
Leaks	1,707,500		
Flushing	43,495		
Fire Department	7,600		
Adjusted Usage			
Office	5,700		
Unaccounted Loss	12,408,905	(\$15,583.10)	25 % loss

	CURRENT PERIOD			YEAR TO DATE		
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
UTILITY OPERATING INCOME						
OPERATING REVENUES:						
461 METERED WATER REVENUE	174,004.87	176,708.00	(2,703.13)	1,347,976.24	1,413,668.00	(65,691.76)
461-1 MTR SALES TO RESIDENTIAL	.00	.00	.00	.00	.00	.00
461-2 MTR SALES TO COMMERCIAL	.00	.00	.00	.00	.00	.00
461-3 MTR SALES TO INDUSTRIAL	.00	.00	.00	.00	.00	.00
461-4 MTR SALES TO PUBLIC AUTH	.00	.00	.00	.00	.00	.00
461-5 MTR SALES TO MULTI FAMI	.00	.00	.00	.00	.00	.00
466 SALES FOR RESALE D'BORO	5,346.83	5,000.00	346.83	35,780.67	35,000.00	780.67
467-SALES FOR RESALE TVA	2,140.90	5,333.00	(3,192.10)	31,333.02	42,668.00	(11,334.98)
470 FORFEITED DISCOUNTS	.00	.00	.00	.00	.00	.00
471-GAIN ON EQUIPMENT SOLD	.00	.00	.00	.00	.00	.00
471-1 RECONNECTS	840.00	917.00	(77.00)	6,195.00	7,336.00	(1,141.00)
471-2 DISCONNECTS	1,056.00	1,000.00	56.00	5,698.00	8,000.00	(2,302.00)
471-3 PENALTIES	3,048.75	3,500.00	(451.25)	24,446.31	28,000.00	(3,553.69)
471-4 MATER.,PIPE, PARTS SOLD	89.12	250.00	(160.88)	129.17	2,000.00	(1,870.83)
471-5 MISCELLANEOUS REVENUE	1,529.79	750.00	779.79	14,637.89	6,000.00	8,637.89
471-6 CASH/OVER	.00	.00	.00	(7.52)	.00	(7.52)
471-7 RETURNED CHECK CHARGES	120.00	.00	120.00	750.00	.00	750.00
471-8 METER REPAIR	.00	.00	.00	.00	.00	.00
471-9 METER EXCHANGE	.00	.00	.00	.00	.00	.00
TOTAL OPERATING REVENUES \$	188,176.26 \$	193,458.00 \$	(5,281.74)	\$ 1,466,938.78 \$	\$ 1,542,672.00 \$	(75,733.22)

OPERATING EXPENSES:						
601-1 OPERATIONS SALARIES	31,279.06	30,333.00	946.06	228,021.84	242,668.00	(14,646.16)
602-1 MAINTENANCE FORE SALARY	5,967.34	6,250.00	(282.66)	50,528.54	50,000.00	528.54
610-1 PURCHASED WATER/OPERAT	56,112.91	55,833.00	279.91	375,389.49	390,833.00	(15,443.51)
615-1 POWER PURCHASED FOR PUMP	3,733.70	3,750.00	(16.30)	24,323.48	30,000.00	(5,676.52)
620-1 PUMP STA OPER SUPPLIES	.00	50.00	(50.00)	140.80	400.00	(259.20)
636-1 MAINT. OF PUMPING EQUIP	513.60	833.00	(319.40)	1,854.00	6,668.00	(4,814.00)
620-2 OPERATION SUPPLIES & EXP	329.34	750.00	(420.66)	5,712.72	6,000.00	(287.28)
635-2 OPERATION LABOR	.00	.00	.00	.00	.00	.00
636-2 EQUIP MAINT. AND REPAIRS	119.25	500.00	(380.75)	1,841.81	4,000.00	(2,158.19)
618-3 CHEMICALS AND ANALYSIS	.00	417.00	(417.00)	2,630.78	3,336.00	(705.22)
635-5 MAIN DIST. RESER & STPIP	.00	33.00	(33.00)	.00	268.00	(268.00)
636-5 CONTRACT LABOR	.00	42.00	(42.00)	.00	332.00	(332.00)
636-6 MAINTENANCE OF MAINS	1,128.40	4,833.00	(3,704.60)	12,462.46	38,668.00	(26,205.54)
637-6 MAINTENANCE OF METERS	796.22	1,667.00	(870.78)	10,997.61	13,336.00	(2,338.39)
638-6 MAINTENANCE OF HYDRANTS	.00	167.00	(167.00)	1,012.40	1,336.00	(323.60)
600-7 OFFICE SALARIES	7,506.14	8,000.00	(493.86)	65,496.22	64,000.00	1,496.22
670-7 BAD DEBT EXPENSE /CUST	.00	.00	.00	.00	.00	.00
676-7 POSTAGE	1,357.05	1,833.00	(475.95)	12,690.34	14,668.00	(1,977.66)
679-7 OFFICE SUPP CUST BILLS	.00	.00	.00	1,567.01	1,600.00	(32.99)
601-8 SUPERINTENDENT SALARY	3,719.16	4,208.00	(488.84)	33,389.24	33,668.00	(278.76)
602-8 OFFICE MANAGER'S SALARY	2,372.84	2,625.00	(252.16)	21,267.12	21,000.00	267.12
603-8 COMMISSIONERS' SALARIES	1,500.00	1,500.00	.00	12,000.00	12,000.00	.00
604-8 EMPLOYEE HEALTH INSURANC	19,405.81	18,833.00	572.81	154,316.46	150,668.00	3,648.46
605-8 EMPLOYER RETIRE EXPENSE	4,311.63	3,500.00	811.63	30,541.04	28,000.00	2,541.04
615-8 OFFICE UTILITIES	537.40	500.00	37.40	4,715.15	4,000.00	715.15
620-8 MATERIALS & SUP /AD&G	330.25	500.00	(169.75)	4,303.90	4,000.00	303.90

	CURRENT PERIOD			YEAR TO DATE		
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
631-8 CONTR SERV -ENG /AD&G	.00	500.00	(500.00)	1,962.50	4,000.00	(2,037.50)
632-8 CONTR SERV -ACCT /AD&G	.00	5,000.00	(5,000.00)	5,125.00	5,000.00	125.00
633-8 CONTR SERV -LEGAL /A&G	400.00	400.00	.00	2,800.00	3,200.00	(400.00)
635-8 CONT SERV WATER TEST/ADG	.00	417.00	(417.00)	2,280.00	3,336.00	(1,056.00)
637-8 COMMUN. RADIO/TELEMETRY	233.71	100.00	133.71	494.31	800.00	(305.69)
641-8 RENT	.00	200.00	(200.00)	580.65	1,600.00	(1,019.35)
642-8 EQUIP RENT RADIO TOWER	100.00	100.00	.00	800.00	800.00	.00
650-8 GAS AND OIL	2,907.76	2,000.00	907.76	16,730.80	16,000.00	730.80
651-8 TRUCK REPAIR & MAINT	150.05	583.00	(432.95)	5,498.79	4,668.00	830.79
658-8 INSUR WKMM'S COMP /AD&G	.00	2,500.00	(2,500.00)	22,152.51	20,000.00	2,152.51
659-8 INSURANCE PROPERTY & VEH	1,813.93	4,650.00	(2,836.07)	21,940.69	18,476.00	3,464.69
660-8 ADVERTISING EXP /AD&G	438.75	83.00	355.75	850.04	668.00	182.04
675-8 OFFICE TELEPHONE	146.89	200.00	(53.11)	1,586.48	1,600.00	(13.52)
676-8 TEL & CELLULAR PHONES	804.75	900.00	(95.25)	5,717.20	7,200.00	(1,482.80)
677-8 MAINTENANCE AGREEMENT	.00	333.00	(333.00)	660.00	2,664.00	(2,004.00)
678-8 SEMINARS AND TRAINING	473.00	1,000.00	(527.00)	4,073.30	8,000.00	(3,926.70)
679-8 OFFICE SUPPLIES	22.74	583.00	(560.26)	2,980.86	4,668.00	(1,687.14)
680-8 PAYROLL TAXES (UI3/FICA)	3,809.92	4,166.00	(356.08)	33,926.96	33,328.00	598.96
681-8 OVERPAID FINALS/REFUND	57.83	.00	57.83	386.83	.00	386.83
682-8 UNIFORMS AND MATS	584.40	500.00	84.40	4,358.71	4,000.00	358.71
683-8 DAMAGES	822.62	83.00	739.62	822.62	668.00	154.62
684-8 DUES AND SUBSCRIPTIONS	.00	84.00	(84.00)	95.00	672.00	(577.00)
685-8 OFFICE & GARAGE MAINT.	642.43	417.00	225.43	2,037.83	3,336.00	(1,298.17)
686-8 OFFICE CLEAMING & MAINT.	.00	41.00	(41.00)	302.13	328.00	(25.87)
687-8 TRAVEL AND MILEAGE	.00	42.00	(42.00)	.00	336.00	(336.00)
688-8 MEETING EXPENSES	19.79	83.00	(63.21)	231.00	668.00	(437.00)
689-8 LICENSE	.00	42.00	(42.00)	225.00	336.00	(111.00)
690-8 SAFETY PROMOTION	.00	.00	.00	.00	.00	.00
691-8 FLOWERS	.00	42.00	(42.00)	129.98	336.00	(206.02)
692-8 ROOM AND BOARD	.00	.00	.00	.00	.00	.00
693-8 NOTARY EXPENSE	.00	.00	.00	20.00	.00	20.00
694-8 GARNISH WAGES	.00	.00	.00	.00	.00	.00
695-8 NAME TAGS	.00	.00	.00	.00	.00	.00
696-8 SURVEYING LAND	.00	.00	.00	.00	.00	.00
697-8 MISCELLANEOUS EXPENSE	677.97	833.00	(155.03)	23,841.72	6,664.00	17,177.72
698-8 DIVISION OF SURPLUS	.00	.00	.00	.00	.00	.00
699-8 FIRST AID SUPPLIES	.00	.00	.00	250.85	.00	250.85
403 DEPRECIATION EXPENSE	22,500.00	22,500.00	.00	180,000.00	180,000.00	.00
406 AMORT UTIL PLT ACQU ADJMT	.00	.00	.00	.00	.00	.00
407 AMORTIZATION-RATE CASE	.00	.00	.00	.00	.00	.00
408-10 PSC ASSESSMENT TAX	.00	.00	.00	3,881.05	4,100.00	(218.95)
408-13 SALES TAX EXPENSE	989.87	875.00	114.87	7,366.86	7,000.00	366.86

TOTAL OPERATING EXPENSES \$ 178,616.51 \$ 196,214.00 \$ (17,597.49) \$ 1,409,312.08 \$ 1,465,901.00 \$ (56,588.92)

OTHER OPER. INCOME:

414 SALE OF FIXED ASSETS .00 .00 .00 .00 .00 .00

TOTAL UTIL.OPER.INCOME \$ 9,559.75 \$ (2,756.00)\$ 12,315.75 \$ 57,626.70 \$ 76,771.00 \$ (19,144.30)

	CURRENT PERIOD			YEAR TO DATE		
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
OTHER INCOME & DEDUCTIONS						
OTHER INCOME:						
419-1 INTEREST INCOME GEN ACCT	41.24	167.00	(125.76)	332.03	1,332.00	(999.97)
419-2 INTEREST INCOME CONSTRUC	.00	.00	.00	.00	.00	.00
419-3 INTEREST INCOME DEPRECIA	26.32	.00	26.32	98.00	.00	98.00
419-4 INTEREST INCOME MCM BOND	254.65	.00	254.65	1,216.68	.00	1,216.68
419-5 INTEREST INCOME GRAHAM B	.00	.00	.00	.00	.00	.00
419-6 INTEREST INCOME DEPOSIT	56.32	.00	56.32	467.42	.00	467.42
419-7 INTEREST INCOME CD'S	62.65	.00	62.65	297.47	.00	297.47
419-8 INTEREST INCOME GEN CD'S	.00	.00	.00	.00	.00	.00
419-9 INT INCOME 1995 BOND CD	.00	.00	.00	.00	.00	.00
420-1 ACCRUED INT INC 1995 BON	.00	.00	.00	12,148.10	.00	12,148.10
420-2 INTEREST INCOME CONSTRUC	1.06	.00	1.06	53.34	.00	53.34
TOTAL OTHER INCOME	\$ 442.24	\$ 167.00	\$ 275.24	\$ 14,613.04	\$ 1,332.00	\$ 13,281.04
OTHER INCOME DEDUCTIONS:						
426 MISC NONUTILITY EXPENSE	.00	.00	.00	.00	.00	.00
700-1 TRANS TO BOND FROM GENER	.00	.00	.00	.00	.00	.00
700-2 TRANS TO/FROM DEPRECIATN	.00	.00	.00	.00	.00	.00
700-3 TRANSFER TO/FROM CONSTRU	.00	.00	.00	.00	.00	.00
TOTAL OTHER INC. DEDUCTIONS	\$.00	\$.00	\$.00	\$.00	\$.00	\$.00
TOTAL OTH. INC. & DEDUCT.	\$ 442.24	\$ 167.00	\$ 275.24	\$ 14,613.04	\$ 1,332.00	\$ 13,281.04
NET OTH. INC. & DEDUCTIONS	\$.00	\$.00	\$.00	\$.00	\$.00	\$.00
INTEREST CHARGES						
427-1 INTEREST EXP. KACO LOAN	424.25	425.00	(.75)	3,437.51	3,400.00	37.51
427-2 INTEREST EXP FHA BOND	.00	.00	.00	2,062.50	34,500.00	(32,437.50)
427-3 INTEREST EXP GRAHAM BOND	.00	.00	.00	.00	.00	.00
427-4 INTEREST EXPENSE DEPOSIT	72.49	13.00	59.49	521.75	104.00	417.75
427-5 INTEREST EXPENSE 1995 BD	.00	.00	.00	53,225.00	53,250.00	(25.00)
427-6 INTEREST EXP 2004 BOND	.00	.00	.00	17,254.52	.00	17,254.52
TOTAL INTEREST CHARGES	\$ 496.74	\$ 438.00	\$ 58.74	\$ 76,501.28	\$ 91,254.00	\$ (14,752.72)
NET INCOME	\$ 9,505.25	\$ (3,027.00)	\$ 12,532.25	\$ (4,261.54)	\$ (13,151.00)	\$ 8,889.46

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AS OF 08/31/04

AS OF 08/31/3

ASSETS & OTHER DEBITS

UTILITY PLANT

UTILITY PLANT IN SERVICE (101)	10,362,695.71	10,215,649.22
105 CONSTR. WORK IN PROGRESS	484,069.24	56,787.28
TOTAL UTILITY PLANT	\$ 10,846,764.95	\$ 10,272,436.50
ACCUM PROV FOR DEPR & AMORT	4,707,665.28	4,444,290.28
NET UTILITY PLANT	\$ 6,139,099.67	\$ 5,828,146.22

OTHER PROPERTY & INVESTMENTS

126-1 DEPOSIT FUND	133,785.72	124,885.39
126-2 BOND AND INTEREST GRAHAM	.00	.00
126-3 BOND AND INTEREST MCWD	234,758.89	235,493.63
126-4 DEPRECIATION FUND	12,920.11	29,973.52
126-5 DEPRECIATION FUND C D'S	143,354.46	142,382.89
126-6 CONSTRUCTION FUND	53.34	.00
126-7 GENERAL FUND C D	.00	.00
126-8 BOND ISSUE 1995 C D	180,000.00	180,000.00
126-9 1995 BOND CASH	.00	.00
TOTAL	\$ 704,872.52	\$ 712,735.43

CURRENT & ACCRUED ASSETS

131 CASH	178,793.90	162,454.88
141 CUSTOMER ACCTS. REC. WATER	2,842.14	4,908.68
141-1 CUSTOM.ACCTS. REC. OTHER	.00	.00
142 ACCOUNTS RECEIVABLE D'BORO	.00	.00
142-1 RETURNED CHECKS	370.23	205.45
142-2 ACCOUNTS RECEIVABLE TVA	.00	.00
142-3 ACCOUNTS REC STATE OF KY	.00	.00
146 NOTES RECEIV FROM ASSD CO	.00	.00
151 PLANT MATERIAL & SUPPLIES	62,442.58	55,944.69
162 PREPAYMENTS	.00	.00
TOTAL	\$ 244,448.85	\$ 223,513.70

DEFERRED DEBITS

181 UNAMORTIZED DEBT DISCOUNT	1,300.00	1,550.00
182 ISSUANCE COST 1995 BOND IS	35,057.04	37,155.62
183 1995 BOND DISCOUNT	31,557.00	33,441.00
184 REGULATORY COSTS-RATE CASE	40,000.00	40,000.00
185 RESERVE FOR AMORT-RATECASE	24,000.00	16,000.00
188 ISSUANCE COST 2004 BOND IS	32,000.00	.00

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AS OF 08/31/04

AS OF 08/31/3

TOTAL	\$ 115,914.04	\$ 96,146.62
TOT. ASSET & OTHER DEBITS	\$ 7,204,335.08	\$ 6,860,541.97

LIAB. & OTHER CREDITS

EQUITY CAPITAL

215 UNAPPRO RETAINED EARNINGS	(594,222.46)	(442,587.13)
435 BALANCE TRANS.FROM INCOME	(4,261.54)	(80,031.23)
TOTAL EQUITY	\$ (598,484.00)	\$ (522,618.36)

LIABILITIES

LONG TERM DEBT

221-1 BONDS PAY. FHA 1987 ISS.	.00	.00
221-2 BONDS PAY FHA 66 ISSUE	110,000.00	160,000.00
221-3 BONDS PAY FHA 1978 ISSUE	.00	1,260,000.00
221-4 BONDS PAYABLE CAPITAL B	.00	.00
221-5 NOTE PAYABLE KACO LEASE	78,000.00	86,000.00
221-6 BONDS PAYABLE 1995 ISSUE	1,915,000.00	1,980,000.00
221-7 BONDS PAYABLE 2004 ISSUE	1,199,600.00	.00
TOTAL	\$ 3,302,600.00	\$ 3,486,000.00

CURRENT AND ACCRUED LIAB.

231 ACCOUNTS PAYABLE	.00	.00
232 1995 BOND TRANS ACCOUNT P	.00	.00
235 CUSTOMER DEPOSITS	134,580.00	125,921.94
236-1 FICA & FED W/H ACCRUED	.00	.00
236-2 KENTUCKY WITHHOLDING	.00	.00
236-3 UNEMPLOYMENT PAYABLE	.00	.00
236-4 RETIREMENT PAYABLE	.00	.00
236-5 SALES TAX PAYABLE	.00	.00
236-6 RETIREMENT INSTALLMENT	.00	.00
236-7 CHRISTMAS DONATION FUND	785.50	972.00
236-8 DEFCOMP	6.25	31.25
236-9 LIFE INS	.00	.00
241 AFLAC	.00	.00
241-1 WAGE ASSIGNMENT	.00	.00
TOTAL	\$ 135,371.75	\$ 126,925.19

CONTRIBUTIONS IN AID OF CONST.

271-1 TAP ON FEES	2,249,198.49	2,203,308.49
271-2 FED,LOCAL,STATE GRANTS	2,007,686.86	1,458,964.67

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AS OF 08/31/04

AS OF 08/31/3

271-3 CONTRIBUTIONS OTHER

107,961.98

107,961.98

TOTAL

\$ 4,364,847.33

\$ 3,770,235.14

TOTAL LIAB. & OTH. CREDITS

\$ 7,204,335.08

\$ 6,860,541.97

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MISCELLANEOUS INCOME

1. Old final bills.....	151.51
2. Broken lock.....	114.62
3. Powderly Sewer Bill.....	25.00
4. Cousin's pizza line extension.....	250.00
5. Hardison hit line/caused leak.....	960.66
6. OT wages to put onp meter back.....	28.00
Total miscellaneous revenue.....	1,529.79

MISCELLANEOUS EXPENSE

1. Jail inmates lunches.....	677.97
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ASSETS

1. Chev 2004 Colorado Truck.....	\$10,943.66
2. Antennas Ralph and Tommy's truck.....	161.50
3. Welder.....	64.99
Total assets.....	\$11,170.15

Customers			
Beginning	6002		
Additions	66		
Deletions	54		
Ending	6014	September report	

GALLONS

Water Purchased	44,683,000	Water Purchased in August 2004	
Sold	28,576,900	Muhlenberg County Sold August 2004	
	1,973,000	Sold to Drakesboro August 2004	
	790,000	Sold to TVA August 2004	
	0	Sold to Greenville August 2004	
Lost	13,343,100	(\$16,756.26)	30 % loss
Leaks	4,639,180		
Flushing	21,500		
Fire Department	5,600		
Adjusted Usage			
Office	6,500		
Unaccounted Loss	8,670,320	(\$10,888.19)	19 % loss

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	CURRENT PERIOD			YEAR TO DATE		
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
UTILITY OPERATING INCOME						
OPERATING REVENUES:						
461 METERED WATER REVENUE	172,652.28	176,708.00	(4,055.72)	1,520,628.52	1,590,376.00	(69,747.48)
461-1 MTR SALES TO RESIDENTIAL	.00	.00	.00	.00	.00	.00
461-2 MTR SALES TO COMMERCIAL	.00	.00	.00	.00	.00	.00
461-3 MTR SALES TO INDUSTRIAL	.00	.00	.00	.00	.00	.00
461-4 MTR SALES TO PUBLIC AUTH	.00	.00	.00	.00	.00	.00
461-5 MTR SALES TO MULTI FAMI	.00	.00	.00	.00	.00	.00
466 SALES FOR RESALE D' BORO	6,079.07	5,000.00	1,079.07	41,859.74	40,000.00	1,859.74
467-SALES FOR RESALE TVA	2,035.21	5,333.00	(3,297.79)	33,368.23	48,001.00	(14,632.77)
470 FORFEITED DISCOUNTS	.00	.00	.00	.00	.00	.00
471-GAIN ON EQUIPMENT SOLD	.00	.00	.00	.00	.00	.00
471-1 RECONNECTS	870.00	916.00	(46.00)	7,065.00	8,252.00	(1,187.00)
471-2 DISCONNECTS	418.00	1,000.00	(582.00)	6,116.00	9,000.00	(2,884.00)
471-3 PENALTIES	3,762.95	3,500.00	262.95	28,209.26	31,500.00	(3,290.74)
471-4 MATER., PIPE, PARTS SOLD	.00	250.00	(250.00)	129.17	2,250.00	(2,120.83)
471-5 MISCELLANEOUS REVENUE	271.36	750.00	(478.64)	14,909.25	6,750.00	8,159.25
471-6 CASH/OVER	.09	.00	.09	(7.43)	.00	(7.43)
471-7 RETURNED CHECK CHARGES	100.00	.00	100.00	850.00	.00	850.00
471-8 METER REPAIR	.00	.00	.00	.00	.00	.00
471-9 METER EXCHANGE	.00	.00	.00	.00	.00	.00
TOTAL OPERATING REVENUES \$	186,188.96 \$	193,457.00 \$	(7,268.04)	\$ 1,653,127.74 \$	\$ 1,736,129.00 \$	(83,001.26)
OPERATING EXPENSES:						
601-1 OPERATIONS SALARIES	26,546.36	30,333.00	(3,786.64)	254,568.20	273,001.00	(18,432.80)
602-1 MAINTENANCE FORE SALARY	5,240.76	6,250.00	(1,009.24)	55,769.30	56,250.00	(480.70)
610-1 PURCHASED WATER/OPERAT	57,138.51	55,833.00	1,305.51	432,528.00	446,666.00	(14,138.00)
615-1 POWER PURCHASED FOR PUMP	4,703.89	3,750.00	953.89	29,027.37	33,750.00	(4,722.63)
620-1 PUMP STA OPER SUPPLIES	.00	50.00	(50.00)	140.80	450.00	(309.20)
636-1 MAINT. OF PUMPING EQUIP	15.96	833.00	(817.04)	1,869.96	7,501.00	(5,631.04)
620-2 OPERATION SUPPLIES & EXP	988.38	750.00	238.38	6,701.10	6,750.00	(48.90)
635-2 OPERATION LABOR	.00	.00	.00	.00	.00	.00
636-2 EQUIP MAINT. AND REPAIRS	1,082.20	500.00	582.20	2,924.01	4,500.00	(1,575.99)
618-3 CHEMICALS AND ANALYSIS	1,579.75	416.00	1,163.75	4,210.53	3,752.00	458.53
635-5 MAIN DIST. RESER & STPIP	.00	33.00	(33.00)	.00	301.00	(301.00)
636-5 CONTRACT LABOR	.00	42.00	(42.00)	.00	374.00	(374.00)
636-6 MAINTENANCE OF MAINS	9,392.43	4,833.00	4,559.43	21,854.89	43,501.00	(21,646.11)
637-6 MAINTENANCE OF METERS	401.35	1,666.00	(1,264.65)	11,398.96	15,002.00	(3,603.04)
638-6 MAINTENANCE OF HYDRANTS	.00	166.00	(166.00)	1,012.40	1,502.00	(489.60)
600-7 OFFICE SALARIES	7,522.82	8,000.00	(477.18)	73,019.04	72,000.00	1,019.04
670-7 BAD DEBT EXPENSE /CUST	.00	.00	.00	.00	.00	.00
676-7 POSTAGE	1,289.27	1,833.00	(543.73)	13,979.61	16,501.00	(2,521.39)
679-7 OFFICE SUPP CUST BILLS	.00	.00	.00	1,567.01	1,600.00	(32.99)
601-8 SUPERINTENDENT SALARY	3,869.17	4,208.00	(338.83)	37,258.41	37,876.00	(617.59)
602-8 OFFICE MANAGER'S SALARY	2,414.96	2,625.00	(210.04)	23,682.08	23,625.00	57.08
603-8 COMMISSIONERS' SALARIES	1,500.00	1,500.00	.00	13,500.00	13,500.00	.00
604-8 EMPLOYEE HEALTH INSURANC	18,491.77	18,833.00	(341.23)	172,808.23	169,501.00	3,307.23
605-8 EMPLOYER RETIRE EXPENSE	3,866.38	3,500.00	366.38	34,407.42	31,500.00	2,907.42
615-8 OFFICE UTILITIES	443.95	500.00	(56.05)	5,159.10	4,500.00	659.10
620-8 MATERIALS & SUP /AD&G	277.90	500.00	(222.10)	4,581.80	4,500.00	81.80

	CURRENT PERIOD			YEAR TO DATE		
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
631-8 CONTR SERV -ENG /AD&G	.00	500.00	(500.00)	1,962.50	4,500.00	(2,537.50)
672-8 CONTR SERV -ACCT /AD&G	.00	.00	.00	5,125.00	5,000.00	125.00
8 CONTR SERV -LEGAL /A&G	400.00	400.00	.00	3,200.00	3,600.00	(400.00)
635-8 CONT SERV WATER TEST/ADG	484.00	416.00	68.00	2,764.00	3,752.00	(988.00)
637-8 COMMUN. RADIO/TELEMETRY	140.95	100.00	40.95	635.26	900.00	(264.74)
641-8 RENT	.00	200.00	(200.00)	580.65	1,800.00	(1,219.35)
642-8 EQUIP RENT RADIO TOWER	50.00	100.00	(50.00)	850.00	900.00	(50.00)
650-8 GAS AND OIL	4,930.05	2,000.00	2,930.05	21,660.85	18,000.00	3,660.85
651-8 TRUCK REPAIR & MAINT	351.91	583.00	(231.09)	5,850.70	5,251.00	599.70
658-8 INSUR WKMN'S COMP /AD&G	4,334.86	2,500.00	1,834.86	26,487.37	22,500.00	3,987.37
659-8 INSURANCE PROPERTY & VEH	2,601.57	1,646.00	955.57	24,542.26	20,122.00	4,420.26
660-8 ADVERTISING EXP /AD&G	50.37	83.00	(32.63)	900.41	751.00	149.41
675-8 OFFICE TELEPHONE	202.48	200.00	2.48	1,788.96	1,800.00	(11.04)
676-8 TEL & CELLULAR PHONES	701.85	900.00	(198.15)	6,419.05	8,100.00	(1,680.95)
677-8 MAINTENANCE AGREEMENT	2,850.00	334.00	2,516.00	3,510.00	2,998.00	512.00
678-8 SEMINARS AND TRAINING	1,336.02	1,000.00	336.02	5,409.32	9,000.00	(3,590.68)
679-8 OFFICE SUPPLIES	384.21	583.00	(198.79)	3,365.07	5,251.00	(1,885.93)
680-8 PAYROLL TAXES (UI3/FICA)	3,428.26	4,167.00	(738.74)	37,355.22	37,495.00	(139.78)
681-8 OVERPAID FINALS/REFUND	22.00	.00	22.00	408.83	.00	408.83
682-8 UNIFORMS AND MATS	594.49	500.00	94.49	4,953.20	4,500.00	453.20
683-8 DAMAGES	.00	83.00	(83.00)	822.62	751.00	71.62
684-8 DUES AND SUBSCRIPTIONS	20.00	84.00	(64.00)	115.00	756.00	(641.00)
685-8 OFFICE & GARAGE MAINT.	260.70	417.00	(156.30)	2,298.53	3,753.00	(1,454.47)
686-8 OFFICE CLEANING & MAINT.	116.02	42.00	74.02	418.15	370.00	48.15
687-8 TRAVEL AND MILEAGE	.00	42.00	(42.00)	.00	378.00	(378.00)
688-8 MEETING EXPENSES	21.10	83.00	(61.90)	252.10	751.00	(498.90)
689-8 LICENSE	.00	42.00	(42.00)	225.00	378.00	(153.00)
8 SAFETY PROMOTION	.00	.00	.00	.00	.00	.00
877-8 FLOWERS	.00	42.00	(42.00)	129.98	378.00	(248.02)
692-8 ROOM AND BOARD	.00	.00	.00	.00	.00	.00
693-8 NOTARY EXPENSE	.00	.00	.00	20.00	.00	20.00
694-8 GARNISH WAGES	.00	.00	.00	.00	.00	.00
695-8 NAME TAGS	.00	.00	.00	.00	.00	.00
696-8 SURVEYING LAND	.00	.00	.00	.00	.00	.00
697-8 MISCELLANEOUS EXPENSE	24.41	834.00	(809.59)	23,866.13	7,498.00	16,368.13
698-8 DIVISION OF SURPLUS	.00	.00	.00	.00	.00	.00
699-8 FIRST AID SUPPLIES	109.15	.00	109.15	360.00	.00	360.00
403 DEPRECIATION EXPENSE	22,500.00	22,500.00	.00	202,500.00	202,500.00	.00
406 AMORT UTIL PLT ACQU ADJMT	.00	.00	.00	.00	.00	.00
407 AMORTIZATION-RATE CASE	.00	.00	.00	.00	.00	.00
408-10 PSC ASSESSMENT TAX	.00	.00	.00	3,881.05	4,100.00	(218.95)
408-13 SALES TAX EXPENSE	1,030.88	875.00	155.88	8,397.74	7,875.00	522.74
TOTAL OPERATING EXPENSES \$	193,711.09 \$	188,210.00 \$	5,501.09	\$ 1,603,023.17 \$	1,654,111.00 \$	(51,087.83)
OTHER OPER. INCOME:						
414 SALE OF FIXED ASSETS	.00	.00	.00	.00	.00	.00
TOTAL UTIL. OPER. INCOME \$	(7,522.13) \$	5,247.00 \$	(12,769.13)	\$ 50,104.57 \$	82,018.00 \$	(31,913.43)

	CURRENT PERIOD			YEAR TO DATE		
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE

OTHER INCOME & DEDUCTIONS

OTHER INCOME:

419-1 INTEREST INCOME GEN ACCT	26.23	167.00	(140.77)	358.26	1,499.00	(1,140.74)
419-2 INTEREST INCOME CONSTRUC	.00	.00	.00	.00	.00	.00
419-3 INTEREST INCOME DEPRECIA	5.13	.00	5.13	103.13	.00	103.13
419-4 INTEREST INCOME MCW BOND	219.84	.00	219.84	1,436.52	.00	1,436.52
419-5 INTEREST INCOME GRAHAM B	.00	.00	.00	.00	.00	.00
419-6 INTEREST INCOME DEPOSIT	54.99	.00	54.99	522.41	.00	522.41
419-7 INTEREST INCOME CD'S	2,109.42	.00	2,109.42	2,406.89	.00	2,406.89
419-8 INTEREST INCOME GEN CD'S	.00	.00	.00	.00	.00	.00
419-9 INT INCOME 1995 BOND CD	.00	.00	.00	.00	.00	.00
420-1 ACCRUED INT INC 1995 BON	.00	.00	.00	12,148.10	.00	12,148.10
420-2 INTEREST INCOME CONSTRUC	2.57	.00	2.57	55.91	.00	55.91

TOTAL OTHER INCOME	\$ 2,418.18	\$ 167.00	\$ 2,251.18	\$ 17,031.22	\$ 1,499.00	\$ 15,532.22
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OTHER INCOME DEDUCTIONS:

426 MISC NONUTILITY EXPENSE	.00	.00	.00	.00	.00	.00
700-1 TRANS TO BOND FROM GENER	.00	.00	.00	.00	.00	.00
700-2 TRANS TO/FROM DEPRECIATN	.00	.00	.00	.00	.00	.00
700-3 TRANSFER TO/FROM CONSTRU	.00	.00	.00	.00	.00	.00

TOTAL OTHER INC. DEDUCTIONS	\$.00	\$.00	\$.00	\$.00	\$.00	\$.00
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TOTAL OTH. INC. & DEDUCT.	\$ 2,418.18	\$ 167.00	\$ 2,251.18	\$ 17,031.22	\$ 1,499.00	\$ 15,532.22
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NET OTH. INC. & DEDUCTIONS	\$.00	\$.00	\$.00	\$.00	\$.00	\$.00
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INTEREST CHARGES

427-1 INTEREST EXP. KACO LOAN	424.25	425.00	(.75)	3,861.76	3,825.00	36.76
427-2 INTEREST EXP FHA BOND	.00	.00	.00	2,062.50	34,500.00	(32,437.50)
427-3 INTEREST EXP GRAHAM BOND	.00	.00	.00	.00	.00	.00
427-4 INTEREST EXPENSE DEPOSIT	82.63	13.00	69.63	604.38	117.00	487.38
427-5 INTEREST EXPENSE 1995 BO	.00	.00	.00	53,225.00	53,250.00	(25.00)
427-6 INTEREST EXP 2004 BOND	.00	.00	.00	17,254.52	.00	17,254.52

TOTAL INTEREST CHARGES	\$ 506.88	\$ 438.00	\$ 68.88	\$ 77,008.16	\$ 91,692.00	\$ (14,683.84)
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NET INCOME	\$ (5,610.83)	\$ 4,976.00	\$ (10,586.83)	\$ (9,872.37)	\$ (8,175.00)	\$ (1,697.37)
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BALANCE SHEET

AS OF 09/30/04

AS OF 09/30/3

ASSETS & OTHER DEBITS

UTILITY PLANT

UTILITY PLANT IN SERVICE (101)	10,362,695.71	10,237,924.01
105 CONSTR. WORK IN PROGRESS	521,296.98	56,787.28
TOTAL UTILITY PLANT	\$ 10,883,992.69	\$ 10,294,711.29
ACCUM PRDV FOR DEPR & AMORT	4,730,165.28	4,466,790.28
NET UTILITY PLANT	\$ 6,153,827.41	\$ 5,827,921.01

OTHER PROPERTY & INVESTMENTS

126-1 DEPOSIT FUND	134,868.08	126,043.00
126-2 BOND AND INTEREST GRAHAM	.00	.00
126-3 BOND AND INTEREST MCWD	165,891.17	264,798.03
126-4 DEPRECIATION FUND	16,099.66	12,042.00
126-5 DEPRECIATION FUND C D'S	143,354.46	142,558.45
126-6 CONSTRUCTION FUND	55.91	.00
126-7 GENERAL FUND C D	180,000.00	.00
126-8 BOND ISSUE 1995 C D	180,000.00	180,000.00
126-9 1995 BOND CASH	.00	.00
TOTAL	\$ 820,269.28	\$ 725,441.48

CURRENT & ACCRUED ASSETS

131 CASH	77,466.78	179,458.76
141 CUSTOMER ACCTS. REC. WATER	4,004.23	6,477.51
141-1 CUSTOM.ACCTS. REC. OTHER	.00	.00
142 ACCOUNTS RECEIVABLE D'BORO	.00	.00
142-1 RETURNED CHECKS	337.58	843.83
142-2 ACCOUNTS RECEIVABLE TVA	.00	.00
142-3 ACCOUNTS REC STATE OF KY	.00	.00
146 NOTES RECEIV FROM ASSO CO	.00	.00
151 PLANT MATERIAL & SUPPLIES	62,442.58	55,944.69
162 PREPAYMENTS	.00	.00
TOTAL	\$ 144,251.17	\$ 242,724.79

DEFERRED DEBITS

181 UNAMORTIZED DEBT DISCOUNT	1,300.00	1,550.00
182 ISSUANCE COST 1995 BOND IS	35,057.04	37,155.62
183 1995 BOND DISCOUNT	31,557.00	33,441.00
186 REGULATORY COSTS-RATE CASE	40,000.00	40,000.00
1 RESERVE FOR AMORT-RATECASE	24,000.00	16,000.00
188 ISSUANCE COST 2004 BOND IS	32,000.00	.00

AS OF 09/30/04

AS OF 09/30/3

TOTAL \$ 115,914.04

\$ 96,146.62

TOT. ASSET & OTHER DEBITS \$ 7,234,261.90

\$ 6,892,233.90

LIAB. & OTHER CREDITS

EQUITY CAPITAL

215 UNAPPRO RETAINED EARNINGS (594,222.46)

(442,587.13)

435 BALANCE TRANS.FROM INCOME (9,872.37)

(55,225.55)

TOTAL EQUITY \$ (604,094.83)

\$ (497,812.68)

LIABILITIES

LONG TERM DEBT

221-1 BONDS PAY. FHA 1987 ISS. .00

.00

221-2 BONDS PAY FHA 66 ISSUE 110,000.00

160,000.00

221-3 BONDS PAY FHA 1978 ISSUE .00

1,260,000.00

221-4 BONDS PAYABLE CAPITAL B .00

.00

221-5 NOTE PAYABLE KACO LEASE 78,000.00

86,000.00

221-6 BONDS PAYABLE 1995 ISSUE 1,915,000.00

1,980,000.00

221-7 BONDS PAYABLE 2004 ISSUE 1,199,600.00

.00

TOTAL \$ 3,302,600.00

\$ 3,486,000.00

CURRENT AND ACCRUED LIAB.

231 ACCOUNTS PAYABLE .00

.00

232 1995 BOND TRANS ACCOUNT P .00

.00

235 CUSTOMER DEPOSITS 135,690.00

127,071.94

236-1 FICA & FED W/H ACCRUED .00

.00

236-2 KENTUCKY WITHHOLDING .00

.00

236-3 UNEMPLOYMENT PAYABLE .00

.00

236-4 RETIREMENT PAYABLE .00

.00

236-5 SALES TAX PAYABLE .00

.00

236-6 RETIREMENT INSTALLMENT .00

.00

236-7 CHRISTMAS DONATION FUND 866.50

1,052.00

236-8 DEFCDMP .00

(12.50)

236-9 LIFE INS 145.16

.00

241 AFLAC .00

.00

241-1 WAGE ASSIGNMENT .00

.00

TOTAL \$ 136,701.66

\$ 128,111.44

CONTRIBUTIONS IN AID OF CONST.

271-1 TAP ON FEES 2,252,178.49

2,209,008.49

271-2 FED,LOCAL,STATE GRANTS 2,038,914.60

1,458,964.67

AS OF 09/30/04

AS OF 09/30/3

271-3 CONTRIBUTIONS OTHER

107,961.98

107,961.98

TOTAL

\$ 4,399,055.07

\$ 3,775,935.14

TOTAL LIAB. & OTH. CREDITS

\$ 7,234,261.90

\$ 6,892,233.90

MISCELLANEOUS INCOME

1. Old final bills.....	246.36
2. Powderly Sewer Bill.....	25.00
Total miscellaneous revenue.....	271.36

MISCELLANEOUS EXPENSE

1. Jail inmates lunches.....	24.41
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ASSETS

Total assets.....	0
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Customers

Beginning	6014	
Additions	59	
Deletions	52	
Ending	6021	October report

GALLONS

Water Purchased	45,499,700	Water Purchased in September 2004	
Sold	28,396,500	Muhlenberg County Sold September 2004	
	2,243,200	Sold to Drakesboro September 2004	
	751,000	Sold to TVA September 2004	
	0	Sold to Greenville September 2004	
Lost	14,109,000	(\$17,718.08)	31 % loss
Leaks	4,506,640		
Flushing	279,500		
Fire Department	10,500		
Adjusted Usage			
Office	6,900		
Unaccounted Loss	9,305,460	(\$11,685.80)	20 % loss

FOR THE PERIOD 10/01/04 TO 10/31/04
INCOME STATEMENT

	CURRENT PERIOD			YEAR TO DATE		
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
UTILITY OPERATING INCOME						
OPERATING REVENUES:						
461 METERED WATER REVENUE	187,617.58	176,708.00	10,909.58	1,708,246.10	1,767,084.00	(58,837.90)
461-1 MTR SALES TO RESIDENTIAL	.00	.00	.00	.00	.00	.00
461-2 MTR SALES TO COMMERCIAL	.00	.00	.00	.00	.00	.00
461-3 MTR SALES TO INDUSTRIAL	.00	.00	.00	.00	.00	.00
461-4 MTR SALES TO PUBLIC AUTH	.00	.00	.00	.00	.00	.00
461-5 MTR SALES TO MULTI FAMI	.00	.00	.00	.00	.00	.00
466 SALES FOR RESALE D'BORD	4,948.73	5,000.00	(51.27)	46,808.47	45,000.00	1,808.47
467-SALES FOR RESALE TVA	1,796.73	5,333.00	(3,536.27)	35,164.96	53,334.00	(18,169.04)
470 FORFEITED DISCOUNTS	.00	.00	.00	.00	.00	.00
471-GAIN ON EQUIPMENT SOLD	.00	.00	.00	.00	.00	.00
471-1 RECONNECTS	705.00	916.00	(211.00)	7,770.00	9,168.00	(1,398.00)
471-2 DISCONNECTS	726.00	1,000.00	(274.00)	6,842.00	10,000.00	(3,158.00)
471-3 PENALTIES	3,290.68	3,500.00	(209.32)	31,499.94	35,000.00	(3,500.06)
471-4 MATER.,PIPE, PARTS SOLD	.00	250.00	(250.00)	129.17	2,500.00	(2,370.83)
471-5 MISCELLANEOUS REVENUE	1,105.51	750.00	355.51	16,014.76	7,500.00	8,514.76
471-6 CASH/OVER	.00	.00	.00	(7.43)	.00	(7.43)
471-7 RETURNED CHECK CHARGES	80.00	.00	80.00	930.00	.00	930.00
471-8 METER REPAIR	.00	.00	.00	.00	.00	.00
471-9 METER EXCHANGE	.00	.00	.00	.00	.00	.00
TOTAL OPERATING REVENUES \$	200,270.23 \$	193,457.00 \$	6,813.23	\$ 1,853,397.97 \$	\$ 1,929,586.00 \$	(76,188.03)
OPERATING EXPENSES:						
601-1 OPERATIONS SALARIES	32,046.36	30,333.00	1,713.36	286,614.56	303,334.00	(16,719.44)
602-1 MAINTENANCE FORE SALARY	6,839.26	6,250.00	589.26	62,608.56	62,500.00	108.56
610-1 PURCHASED WATER/OPERAT	51,880.35	55,833.00	(3,952.65)	484,408.35	502,499.00	(18,090.65)
615-1 POWER PURCHASED FOR PUMP	3,727.32	3,750.00	(22.68)	32,754.69	37,500.00	(4,745.31)
620-1 PUMP STA OPER SUPPLIES	7.49	50.00	(42.51)	148.29	500.00	(351.71)
636-1 MAINT. OF PUMPING EQUIP	11.50	833.00	(821.50)	1,881.46	8,334.00	(6,452.54)
620-2 OPERATION SUPPLIES & EXP	592.27	750.00	(157.73)	7,293.37	7,500.00	(206.63)
635-2 OPERATION LABOR	.00	.00	.00	.00	.00	.00
636-2 EQUIP MAINT. AND REPAIRS	718.91	500.00	218.91	3,642.92	5,000.00	(1,357.08)
618-3 CHEMICALS AND ANALYSIS	.00	416.00	(416.00)	4,210.53	4,168.00	42.53
635-5 MAIN DIST. RESER & STPIP	.00	33.00	(33.00)	.00	334.00	(334.00)
636-5 CONTRACT LABOR	.00	42.00	(42.00)	.00	416.00	(416.00)
636-6 MAINTENANCE OF MAINS	2,263.62	4,833.00	(2,569.38)	24,118.51	48,334.00	(24,215.49)
637-6 MAINTENANCE OF METERS	7,911.80	1,666.00	6,245.80	19,310.76	16,668.00	2,642.76
638-6 MAINTENANCE OF HYDRANTS	.00	166.00	(166.00)	1,012.40	1,668.00	(655.60)
600-7 OFFICE SALARIES	9,817.05	8,000.00	1,817.05	82,836.09	80,000.00	2,836.09
670-7 BAD DEBT EXPENSE /CUST	.00	.00	.00	.00	.00	.00
676-7 POSTAGE	1,280.34	1,833.00	(552.66)	15,259.95	18,334.00	(3,074.05)
679-7 OFFICE SUPP CUST BILLS	.00	.00	.00	1,567.01	1,600.00	(32.99)
601-8 SUPERINTENDENT SALARY	4,723.96	4,208.00	515.96	41,982.37	42,084.00	(101.63)
602-8 OFFICE MANAGER'S SALARY	2,890.00	2,625.00	265.00	26,572.08	26,250.00	322.08
603-8 COMMISSIONERS' SALARIES	1,500.00	1,500.00	.00	15,000.00	15,000.00	.00
604-8 EMPLOYEE HEALTH INSURANC	18,477.46	18,833.00	(355.54)	191,285.69	188,334.00	2,951.69
605-8 EMPLOYER RETIRE EXPENSE	4,775.69	3,500.00	1,275.69	39,183.11	35,000.00	4,183.11
615-8 OFFICE UTILITIES	493.85	500.00	(6.15)	5,652.95	5,000.00	652.95
620-8 MATERIALS & SUP /AD&G	985.12	500.00	485.12	5,566.92	5,000.00	566.92

	CURRENT PERIOD			YEAR TO DATE		
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
631-8 CONTR SERV -ENG /AD&S	280.00	500.00	(220.00)	2,242.50	5,000.00	(2,757.50)
632-8 CONTR SERV -ACCT /AD&S	.00	.00	.00	5,125.00	5,000.00	125.00
633-8 CONTR SERV -LEGAL /A&S	400.00	400.00	.00	3,600.00	4,000.00	(400.00)
633-8 CONTR SERV WATER TEST/AD&S	324.00	416.00	(92.00)	3,088.00	4,168.00	(1,080.00)
637-8 COMMUN. RADIO/TELEMETRY	84.95	100.00	(15.05)	720.21	1,000.00	(279.79)
641-8 RENT	.00	200.00	(200.00)	580.65	2,000.00	(1,419.35)
642-8 EQUIP RENT RADIO TOWER	100.00	100.00	.00	950.00	1,000.00	(50.00)
650-8 GAS AND OIL	1,128.65	2,000.00	(871.35)	22,789.50	20,000.00	2,789.50
651-8 TRUCK REPAIR & MAINT	392.88	583.00	(190.12)	6,243.58	5,834.00	409.58
658-8 INSUR WKNM'S COMP /AD&S	7,102.29	4,330.00	2,772.29	33,589.66	26,830.00	6,759.66
659-8 INSURANCE PROPERTY & VEH	1,963.64	1,964.00	(.36)	26,505.90	22,086.00	4,419.90
660-8 ADVERTISING EXP /AD&S	23.50	83.00	(59.50)	923.91	834.00	89.91
675-8 OFFICE TELEPHONE	200.28	200.00	.28	1,989.24	2,000.00	(10.76)
676-8 TEL & CELLULAR PHONES	736.61	900.00	(163.39)	7,153.66	9,000.00	(1,846.34)
677-8 MAINTENANCE AGREEMENT	.00	334.00	(334.00)	3,310.00	3,332.00	(22.00)
679-8 SEMINARS AND TRAINING	602.00	1,000.00	(398.00)	6,011.32	10,000.00	(3,988.68)
679-8 OFFICE SUPPLIES	945.16	583.00	362.16	4,310.23	5,834.00	(1,523.77)
680-8 PAYROLL TAXES (UI3/FICA)	4,207.56	4,167.00	40.56	41,562.78	41,662.00	(99.22)
681-8 OVERPAID FINALS/REFUND	.00	.00	.00	408.83	.00	408.83
682-8 UNIFORMS AND MATS	583.16	500.00	83.16	5,536.36	5,000.00	536.36
683-8 DAMAGES	.00	83.00	(83.00)	822.62	834.00	(11.38)
684-8 DUES AND SUBSCRIPTIONS	.00	84.00	(84.00)	115.00	840.00	(725.00)
685-8 OFFICE & GARAGE MAINT.	293.11	417.00	(123.89)	2,591.64	4,170.00	(1,578.36)
686-8 OFFICE CLEANING & MAINT.	78.66	42.00	36.66	496.81	412.00	84.81
687-8 TRAVEL AND MILEAGE	344.50	42.00	302.50	344.50	420.00	(75.50)
688-8 MEETING EXPENSES	.00	83.00	(83.00)	252.10	834.00	(581.90)
689-8 LICENSE	.00	42.00	(42.00)	225.00	420.00	(195.00)
SAFETY PROMOTION	.00	.00	.00	.00	.00	.00
691-8 FLOWERS	.00	42.00	(42.00)	129.98	420.00	(290.02)
692-8 ROOM AND BOARD	.00	.00	.00	.00	.00	.00
693-8 NOTARY EXPENSE	.00	.00	.00	20.00	.00	20.00
694-8 GARNISH WAGES	.00	.00	.00	.00	.00	.00
695-8 NAME TAGS	.00	.00	.00	.00	.00	.00
696-8 SURVEYING LAND	.00	.00	.00	.00	.00	.00
697-8 MISCELLANEOUS EXPENSE	260.52	834.00	(573.48)	3,943.31	8,332.00	(4,388.69)
698-8 DIVISION OF SURPLUS	.00	.00	.00	.00	.00	.00
699-8 FIRST AID SUPPLIES	.00	.00	.00	360.00	.00	360.00
403 DEPRECIATION EXPENSE	22,500.00	22,500.00	.00	225,000.00	225,000.00	.00
406 AMORT UTIL PLT ACQU ADJMT	.00	.00	.00	.00	.00	.00
407 AMORTIZATION-RATE CASE	.00	.00	.00	.00	.00	.00
408-10 PSC ASSESSMENT TAX	.00	.00	.00	3,881.05	4,100.00	(218.95)
408-13 SALES TAX EXPENSE	1,128.40	875.00	253.40	9,526.14	8,750.00	776.14
TOTAL OPERATING EXPENSES \$	194,622.22 \$	190,358.00 \$	4,264.22 \$	1,777,462.05 \$	1,844,469.00 \$	(67,006.95)

OTHER OPER. INCOME:

414 SALE OF FIXED ASSETS	.00	.00	.00	.00	.00	.00
TOTAL UTIL. OPER. INCOME \$	5,648.01 \$	3,099.00 \$	2,549.01 \$	75,935.92 \$	85,117.00 \$	(9,181.08)

	CURRENT PERIOD			YEAR TO DATE		
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
OTHER INCOME & DEDUCTIONS						
INCOME:						
419-1 INTEREST INCOME GEN ACCT	21.66	167.00	(145.34)	379.92	1,666.00	(1,286.08)
419-2 INTEREST INCOME CONSTRUC	.00	.00	.00	.00	.00	.00
419-3 INTEREST INCOME DEPRECIA	5.73	.00	5.73	108.86	.00	108.86
419-4 INTEREST INCOME MCW BOND	273.18	.00	273.18	1,709.70	.00	1,709.70
419-5 INTEREST INCOME GRAHAM B	.00	.00	.00	.00	.00	.00
419-6 INTEREST INCOME DEPOSIT	57.07	.00	57.07	579.48	.00	579.48
419-7 INTEREST INCOME CD'S	293.90	.00	293.90	2,700.79	.00	2,700.79
419-8 INTEREST INCOME GEN CD'S	.00	.00	.00	.00	.00	.00
419-9 INT INCOME 1995 BOND CD	.00	.00	.00	.00	.00	.00
420-1 ACCRUED INT INC 1995 BON	.00	.00	.00	12,148.10	.00	12,148.10
420-2 INTEREST INCOME CONSTRUC	.00	.00	.00	55.91	.00	55.91
TOTAL OTHER INCOME	\$ 651.54	\$ 167.00	\$ 484.54	\$ 17,682.76	\$ 1,666.00	\$ 16,016.76
OTHER INCOME DEDUCTIONS:						
426 MISC NONUTILITY EXPENSE	.00	.00	.00	.00	.00	.00
700-1 TRANS TO BOND FROM GENER	.00	.00	.00	.00	.00	.00
700-2 TRANS TO/FROM DEPRECIATN	.00	.00	.00	.00	.00	.00
700-3 TRANSFER TO/FROM CONSTRU	.00	.00	.00	.00	.00	.00
TOTAL OTHER INC. DEDUCTIONS	\$.00	\$.00	\$.00	\$.00	\$.00	\$.00
TOTAL OTH. INC. & DEDUCT.	\$ 651.54	\$ 167.00	\$ 484.54	\$ 17,682.76	\$ 1,666.00	\$ 16,016.76
NET OTH. INC. & DEDUCTIONS	\$.00	\$.00	\$.00	\$.00	\$.00	\$.00
INTEREST CHARGES						
427-1 INTEREST EXP. KACD LOAN	424.25	425.00	(.75)	4,286.01	4,250.00	36.01
427-2 INTEREST EXP FHA BOND	.00	.00	.00	12,079.18	34,500.00	(22,420.82)
427-3 INTEREST EXP GRAHAM BOND	.00	.00	.00	.00	.00	.00
427-4 INTEREST EXPENSE DEPOSIT	74.00	13.00	61.00	678.38	130.00	548.38
427-5 INTEREST EXPENSE 1995 BO	26,612.50	.00	26,612.50	79,837.50	53,250.00	26,587.50
427-6 INTEREST EXP 2004 BOND	.00	.00	.00	17,254.52	.00	17,254.52
427-7 INTEREST EX 2004 D BOND	.00	.00	.00	.00	.00	.00
TOTAL INTEREST CHARGES	\$ 27,110.75	\$ 438.00	\$ 26,672.75	\$ 114,135.59	\$ 92,130.00	\$ 22,005.59
NET INCOME	\$ (20,811.20)	\$ 2,828.00	\$ (23,639.20)	\$ (20,516.91)	\$ (5,347.00)	\$ (15,169.91)

BALANCE SHEET

AS OF 10/31/04

AS OF 10/31/3

ASSETS & OTHER DEBITS

UTILITY PLANT

UTILITY PLANT IN SERVICE (101)	10,362,695.71	10,245,228.64
105 CONSTR. WORK IN PROGRESS	523,704.59	56,787.28
	-----	-----
TOTAL UTILITY PLANT	\$ 10,886,400.30	\$ 10,302,015.92
ACCUM PROV FOR DEPR & AMORT	4,752,665.28	4,489,290.28
	-----	-----
NET UTILITY PLANT	\$ 6,133,735.02	\$ 5,812,725.64

OTHER PROPERTY & INVESTMENTS

126-1 DEPOSIT FUND	134,821.15	127,161.42
126-2 BOND AND INTEREST GRAHAM	.00	.00
126-3 BOND AND INTEREST MCWD	118,258.19	294,109.46
126-4 DEPRECIATION FUND	17,170.39	13,109.71
126-5 DEPRECIATION FUND C D'S	143,354.46	142,734.21
126-6 CONSTRUCTION FUND	55.91	.00
126-7 GENERAL FUND C D	.00	.00
126-8 BOND ISSUE 1995 C D	180,000.00	180,000.00
126-9 1995 BOND CASH	.00	.00
	-----	-----
TOTAL	\$ 593,660.10	\$ 757,114.80

CURRENT & ACCRUED ASSETS

131 CASH	70,835.04	173,984.88
141 CUSTOMER ACCTS. REC. WATER	6,225.41	7,923.53
141-1 CUSTOM.ACCTS. REC. OTHER	.00	.00
142 ACCOUNTS RECEIVABLE D'BORO	.00	.00
142-1 RETURNED CHECKS	344.35	691.16
142-2 ACCOUNTS RECEIVABLE TVA	.00	.00
142-3 ACCOUNTS REC STATE OF KY	.00	.00
146 NOTES RECEIV FROM ASSO CO	.00	.00
151 PLANT MATERIAL & SUPPLIES	62,442.58	55,944.69
162 PREPAYMENTS	.00	.00
	-----	-----
TOTAL	\$ 139,847.38	\$ 238,544.26

DEFERRED DEBITS

181 UNAMORTIZED DEBT DISCOUNT	1,300.00	1,550.00
182 ISSUANCE COST 1995 BOND IS	35,057.04	37,155.62
183 1995 BOND DISCOUNT	31,557.00	33,441.00
184 REGULATORY COSTS-RATE CASE	40,000.00	40,000.00
RESERVE FOR AMORT-RATECASE	24,000.00	16,000.00
186 ISSUANCE COST 2004 BOND IS	42,166.66	.00
189 COST OF ISSUANCE 2004 D BO	137,500.00	.00

AS OF 10/31/04

AS OF 10/31/3

TOTAL \$ 263,580.70

\$ 96,146.62

TOT. ASSET & OTHER DEBITS \$ 7,130,823.20

\$ 6,904,531.32

LIAB. & OTHER CREDITS

EQUITY CAPITAL

215 UNAPPRO RETAINED EARNINGS (594,222.46)
435 BALANCE TRANS.FROM INCOME (20,516.91)

(442,587.13)
(59,807.69)

TOTAL EQUITY \$ (614,739.37)

\$ (502,394.82)

LIABILITIES

LONG TERM DEBT

221-1 BONDS PAY. FHA 1987 ISS. .00
221-2 BONDS PAY FHA 66 ISSUE 110,000.00
221-3 BONDS PAY FHA 1978 ISSUE .00
221-4 BONDS PAYABLE CAPITAL B .00
221-5 NOTE PAYABLE KACO LEASE 78,000.00
221-6 BONDS PAYABLE 1995 ISSUE .00
221-7 BONDS PAYABLE 2004 ISSUE 1,199,600.00
221-8 BONDS PAYABLE 2004 D 1,820,000.00

.00
160,000.00
1,260,000.00
.00
86,000.00
1,980,000.00
.00
.00

TOTAL \$ 3,207,600.00

\$ 3,486,000.00

CURRENT AND ACCRUED LIAB.

231 ACCOUNTS PAYABLE .00
232 1995 BOND TRANS ACCOUNT P .00
235 CUSTOMER DEPOSITS 135,660.00
236-1 FICA & FED W/H ACCRUED .00
236-2 KENTUCKY WITHHOLDING .00
236-3 UNEMPLOYMENT PAYABLE .00
236-4 RETIREMENT PAYABLE .00
236-5 SALES TAX PAYABLE .00
236-6 RETIREMENT INSTALLMENT .00
236-7 CHRISTMAS DONATION FUND 967.50
236-8 DEFCOMP .00
236-9 LIFE INS .00
241 AFLAC .00
241-1 WAGE ASSIGNMENT .00

.00
.00
128,231.94
.00
.00
.00
.00
.00
.00
1,149.50
.00
.00
.00
.00

TOTAL \$ 136,627.50

\$ 129,381.44

CONTRIBUTIONS IN AID OF CONST.

AS OF 10/31/04

AS OF 10/31/3

271-1 TAP ON FEES 2,254,458.49
 271-2 FED, LOCAL, STATE GRANTS 2,038,914.60
 271-3 CONTRIBUTIONS OTHER 107,961.98

2,214,708.49
 1,468,874.23
 107,961.98

TOTAL \$ 4,401,335.07

\$ 3,791,544.70

TOTAL LIAB. & OTH. CREDITS \$ 7,130,823.20

\$ 6,904,531.32

MISCELLANEOUS INCOME

1. Old final bills.....	43.01
2. Powderly Sewer Bill.....	25.00
3. Tie-In for Sonny Burden.....	1,000.00
4. Jury duty/Jeff Spurlin.....	37.50
Total miscellaneous revenue.....	1,105.51

MISCELLANEOUS EXPENSE

1. Jail inmates lunches.....	260.52
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ASSETS

1. Beech Creek tank project.....	905.41
2. Powderly pump station.....	1,502.20
Total assets.....	2,407.61

Customers	
Beginning	6021
Additions	68
Deletions	65
Ending	6024
	November report

GALLONS

Water Purchased	41,312,600	Water Purchased in October 2004	
Sold	32,070,200	Muhlenberg County Sold October 2004	
	1,826,100	Sold to Drakesboro October 2004	
	663,000	Sold to TVA October 2004	
	0	Sold to Greenville October 2004	
Lost	6,753,300	(\$8,480.79)	16 % loss
Leaks	1,363,620		
Flushing	263,400		
Fire Department	9,300		
Adjusted Usage			
Office	10,600		
Unaccounted Loss	5,106,380	(\$6,412.59)	12 % loss

	:----- CURRENT PERIOD -----:			:----- YEAR TO DATE -----:		
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
	UTILITY OPERATING INCOME					

OPERATING REVENUES:

461 METERED WATER REVENUE	178,311.00	176,708.00	1,603.00	1,886,557.10	1,943,792.00	(57,234.90)
461-1 MTR SALES TO RESIDENTIAL	.00	.00	.00	.00	.00	.00
461-2 MTR SALES TO COMMERCIAL	.00	.00	.00	.00	.00	.00
461-3 MTR SALES TO INDUSTRIAL	.00	.00	.00	.00	.00	.00
461-4 MTR SALES TO PUBLIC AUTH	.00	.00	.00	.00	.00	.00
461-5 MTR SALES TO MULTI FAMI	.00	.00	.00	.00	.00	.00
466 SALES FOR RESALE D'BORO	5,382.60	5,000.00	382.60	52,191.07	50,000.00	2,191.07
467-SALES FOR RESALE TVA	2,834.66	5,333.00	(2,498.34)	37,999.62	58,667.00	(20,667.38)
470 FORFEITED DISCOUNTS	.00	.00	.00	.00	.00	.00
471-GAIN ON EQUIPMENT SOLD	.00	.00	.00	.00	.00	.00
471-1 RECONNECTS	795.00	916.00	(121.00)	8,565.00	10,084.00	(1,519.00)
471-2 DISCONNECTS	704.00	1,000.00	(296.00)	7,546.00	11,000.00	(3,454.00)
471-3 PENALTIES	3,302.22	3,500.00	(197.78)	34,802.16	38,500.00	(3,697.84)
471-4 MATER.,PIPE, PARTS SOLD	3.96	250.00	(246.04)	133.13	2,750.00	(2,616.87)
471-5 MISCELLANEOUS REVENUE	451.15	750.00	(298.85)	16,465.91	8,250.00	8,215.91
471-6 CASH/OVER	.00	.00	.00	(7.43)	.00	(7.43)
471-7 RETURNED CHECK CHARGES	90.00	.00	90.00	1,020.00	.00	1,020.00
471-8 METER REPAIR	.00	.00	.00	.00	.00	.00
471-9 METER EXCHANGE	.00	.00	.00	.00	.00	.00
TOTAL OPERATING REVENUES \$	191,874.59 \$	193,457.00 \$	(1,582.41)	\$ 2,045,272.56 \$	2,123,043.00 \$	(77,770.44)

OPERATING EXPENSES:

601-1 OPERATIONS SALARIES	26,067.39	30,333.00	(4,265.61)	312,681.95	333,667.00	(20,985.05)
602-1 MAINTENANCE FORE SALARY	6,618.94	6,250.00	368.94	69,227.50	68,750.00	477.50
610-1 PURCHASED WATER/OPERAT	49,157.29	55,833.00	(6,675.71)	533,565.64	558,332.00	(24,766.36)
615-1 POWER PURCHASED FOR PUMP	3,849.57	3,750.00	99.57	36,604.26	41,250.00	(4,645.74)
620-1 PUMP STA OPER SUPPLIES	28.97	50.00	(21.03)	177.26	550.00	(372.74)
636-1 MAINT. OF PUMPING EQUIP	.00	833.00	(833.00)	1,881.46	9,167.00	(7,285.54)
620-2 OPERATION SUPPLIES & EXP	542.20	750.00	(207.80)	7,835.57	8,250.00	(414.43)
635-2 OPERATION LABOR	.00	.00	.00	.00	.00	.00
636-2 EQUIP MAINT. AND REPAIRS	610.93	500.00	110.93	4,253.85	5,500.00	(1,246.15)
618-3 CHEMICALS AND ANALYSIS	.00	416.00	(416.00)	4,210.53	4,584.00	(373.47)
635-5 MAIN DIST. RESER & STPIP	.00	33.00	(33.00)	.00	367.00	(367.00)
636-5 CONTRACT LABOR	.00	42.00	(42.00)	.00	458.00	(458.00)
636-6 MAINTENANCE OF MAINS	4,057.33	4,833.00	(775.67)	28,175.84	53,167.00	(24,991.16)
637-6 MAINTENANCE OF METERS	1,750.67	1,666.00	84.67	21,061.43	18,334.00	2,727.43
638-6 MAINTENANCE OF HYDRANTS	.00	166.00	(166.00)	1,012.40	1,834.00	(821.60)
600-7 OFFICE SALARIES	7,057.17	8,000.00	(942.83)	89,893.26	88,000.00	1,893.26
670-7 BAD DEBT EXPENSE /CUST	.00	.00	.00	.00	.00	.00
676-7 POSTAGE	1,415.22	1,833.00	(417.78)	16,675.17	20,167.00	(3,491.83)
679-7 OFFICE SUPP CUST BILLS	.00	.00	.00	1,567.01	1,600.00	(32.99)
601-8 SUPERINTENDENT SALARY	3,944.16	4,208.00	(263.84)	45,926.53	46,292.00	(365.47)
() OFFICE MANAGER'S SALARY	2,378.26	2,625.00	(246.74)	28,950.34	28,875.00	75.34
603-8 COMMISSIONERS' SALARIES	1,500.00	1,500.00	.00	16,500.00	16,500.00	.00
604-8 EMPLOYEE HEALTH INSURANC	18,463.15	18,833.00	(369.85)	209,748.84	207,167.00	2,581.84
605-8 EMPLOYER RETIRE EXPENSE	3,906.39	3,500.00	406.39	43,089.50	38,500.00	4,589.50
615-8 OFFICE UTILITIES	464.33	500.00	(35.67)	6,117.28	5,500.00	617.28
620-8 MATERIALS & SUP /AD&G	630.76	500.00	130.76	6,197.68	5,500.00	697.68

	CURRENT PERIOD			YEAR TO DATE		
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
631-B CONTR SERV -ENG /AD&G	.00	500.00	(500.00)	2,242.50	5,500.00	(3,257.50)
() CONTR SERV -ACCT /AD&G	.00	.00	.00	5,125.00	5,000.00	125.00
633-B CONTR SERV -LEGAL /A&G	400.00	400.00	.00	4,000.00	4,400.00	(400.00)
635-B CONT SERV WATER TEST/ADG	164.00	416.00	(252.00)	3,252.00	4,584.00	(1,332.00)
637-B COMMUN. RADIO/TELEMETRY	24.95	100.00	(75.05)	745.16	1,100.00	(354.84)
641-B RENT	400.00	200.00	200.00	980.65	2,200.00	(1,219.35)
642-B EQUIP RENT RADIO TOWER	100.00	100.00	.00	1,050.00	1,100.00	(50.00)
650-B GAS AND OIL	3,656.21	2,000.00	1,656.21	26,445.71	22,000.00	4,445.71
651-B TRUCK REPAIR & MAINT	834.57	583.00	251.57	7,078.15	6,417.00	661.15
658-B INSUR WKMN'S COMP /AD&G	8,664.53	4,330.00	4,334.53	42,254.19	31,160.00	11,094.19
659-B INSURANCE PROPERTY & VEH	1,963.64	1,964.00	(.36)	28,469.54	24,050.00	4,419.54
660-B ADVERTISING EXP /AD&G	129.44	83.00	46.44	1,053.35	917.00	136.35
675-B OFFICE TELEPHONE	199.05	200.00	(.95)	2,188.29	2,200.00	(11.71)
676-B TEL & CELLULAR PHONES	777.59	900.00	(122.41)	7,933.25	9,900.00	(1,966.75)
677-B MAINTENANCE AGREEMENT	.00	334.00	(334.00)	3,510.00	3,666.00	(156.00)
678-B SEMINARS AND TRAINING	2,569.09	1,000.00	1,569.09	8,580.41	11,000.00	(2,419.59)
679-B OFFICE SUPPLIES	444.45	583.00	(138.55)	4,754.68	6,417.00	(1,662.32)
680-B PAYROLL TAXES (UI3/FICA)	3,462.56	4,167.00	(704.44)	45,025.34	45,829.00	(803.66)
681-B OVERPAID FINALS/REFUND	.00	.00	.00	408.83	.00	408.83
682-B UNIFORMS AND MATS	555.28	500.00	55.28	6,091.64	5,500.00	591.64
683-B DAMAGES	.00	83.00	(83.00)	822.62	917.00	(94.38)
684-B DUES AND SUBSCRIPTIONS	925.00	84.00	841.00	1,040.00	924.00	116.00
685-B OFFICE & GARAGE MAINT.	99.25	417.00	(317.75)	2,690.89	4,587.00	(1,896.11)
686-B OFFICE CLEANING & MAINT.	42.95	42.00	.95	539.76	454.00	85.76
687-B TRAVEL AND MILEAGE	(34.36)	42.00	(76.36)	310.14	462.00	(151.86)
688-B MEETING EXPENSES	14.80	83.00	(68.20)	266.90	917.00	(650.10)
689-B LICENSE	.00	42.00	(42.00)	225.00	462.00	(237.00)
690-B SAFETY PROMOTION	.00	.00	.00	.00	.00	.00
691-B FLOWERS	.00	42.00	(42.00)	129.98	462.00	(332.02)
692-B ROOM AND BOARD	.00	.00	.00	.00	.00	.00
693-B NOTARY EXPENSE	.00	.00	.00	20.00	.00	20.00
694-B GARNISH WAGES	.00	.00	.00	.00	.00	.00
695-B NAME TAGS	.00	.00	.00	.00	.00	.00
696-B SURVEYING LAND	.00	.00	.00	.00	.00	.00
697-B MISCELLANEOUS EXPENSE	1,644.70	834.00	810.70	5,588.01	9,166.00	(3,577.99)
698-B DIVISION OF SURPLUS	.00	.00	.00	.00	.00	.00
699-B FIRST AID SUPPLIES	114.94	.00	114.94	474.94	.00	474.94
403 DEPRECIATION EXPENSE	22,500.00	22,500.00	.00	247,500.00	247,500.00	.00
406 AMORT UTIL PLT ACQU ADJMT	.00	.00	.00	.00	.00	.00
407 AMORTIZATION-RATE CASE	.00	.00	.00	.00	.00	.00
408-10 PSC ASSESSMENT TAX	.00	.00	.00	3,881.05	4,100.00	(218.95)
408-13 SALES TAX EXPENSE	1,008.07	875.00	133.07	10,534.21	9,625.00	909.21
TOTAL OPERATING EXPENSES \$	183,103.44 \$	190,358.00 \$	(7,254.56)	\$ 1,960,565.49 \$	\$ 2,034,827.00 \$	(74,261.51)
OTHER OPER. INCOME:						
414 SALE OF FIXED ASSETS	.00	.00	.00	.00	.00	.00
TOTAL UTIL.OPER.INCOME \$	\$ 8,771.15 \$	\$ 3,099.00 \$	5,672.15	\$ 84,707.07 \$	\$ 88,216.00 \$	(3,508.93)

	CURRENT PERIOD			YEAR TO DATE		
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
OTHER INCOME & DEDUCTIONS						
OTHER INCOME:						
419-1 INTEREST INCOME GEN ACCT	17.37	167.00	(149.63)	397.29	1,833.00	(1,435.71)
419-2 INTEREST INCOME CONSTRUC	.00	.00	.00	.00	.00	.00
419-3 INTEREST INCOME DEPRECIA	5.93	.00	5.93	114.79	.00	114.79
419-4 INTEREST INCOME MCW BOND	216.01	.00	216.01	1,925.71	.00	1,925.71
419-5 INTEREST INCOME GRAHAM B	.00	.00	.00	.00	.00	.00
419-6 INTEREST INCOME DEPOSIT	62.08	.00	62.08	641.56	.00	641.56
419-7 INTEREST INCOME CD'S	.00	.00	.00	2,700.79	.00	2,700.79
419-8 INTEREST INCOME GEN CD'S	.00	.00	.00	.00	.00	.00
419-9 INT INCOME 1995 BOND CD	.00	.00	.00	.00	.00	.00
420-1 ACCRUED INT INC 1995 BON	.00	.00	.00	12,148.10	.00	12,148.10
420-2 INTEREST INCOME CONSTRUC	5.21	.00	5.21	61.12	.00	61.12
TOTAL OTHER INCOME	\$ 306.60	\$ 167.00	\$ 139.60	\$ 17,989.36	\$ 1,833.00	\$ 16,156.36
OTHER INCOME DEDUCTIONS:						
426 MISC NONUTILITY EXPENSE	.00	.00	.00	.00	.00	.00
700-1 TRANS TO BOND FROM GENER	.00	.00	.00	.00	.00	.00
700-2 TRANS TO/FROM DEPRECIATN	.00	.00	.00	.00	.00	.00
700-3 TRANSFER TO/FROM CONSTRU	.00	.00	.00	.00	.00	.00
TOTAL OTHER INC. DEDUCTIONS	\$.00	\$.00	\$.00	\$.00	\$.00	\$.00
TOTAL OTH. INC. & DEDUCT.	\$ 306.60	\$ 167.00	\$ 139.60	\$ 17,989.36	\$ 1,833.00	\$ 16,156.36
NET OTH. INC. & DEDUCTIONS	\$.00	\$.00	\$.00	\$.00	\$.00	\$.00
INTEREST CHARGES						
427-1 INTEREST EXP. KACO LOAN	424.25	425.00	(.75)	4,710.26	4,675.00	35.26
427-2 INTEREST EXP FHA BOND	.00	.00	.00	12,079.18	34,500.00	(22,420.82)
427-3 INTEREST EXP GRAHAM BOND	.00	.00	.00	.00	.00	.00
427-4 INTEREST EXPENSE DEPOSIT	69.58	13.00	56.58	747.96	143.00	604.96
427-5 INTEREST EXPENSE 1995 BD	.00	.00	.00	79,837.50	53,250.00	26,587.50
427-6 INTEREST EXP 2004 BOND	.00	.00	.00	17,254.52	.00	17,254.52
427-7 INTEREST EX 2004 D BOND	.00	.00	.00	.00	.00	.00
TOTAL INTEREST CHARGES	\$ 493.83	\$ 438.00	\$ 55.83	\$ 114,629.42	\$ 92,568.00	\$ 22,061.42
NET INCOME	\$ 8,583.92	\$ 2,828.00	\$ 5,755.92	\$ (11,932.99)	\$ (2,519.00)	\$ (9,413.99)

BALANCE SHEET

AS OF 11/30/04

AS OF 11/30/03

ASSETS & OTHER DEBITS

UTILITY PLANT

UTILITY PLANT IN SERVICE (101)	10,362,787.66	10,246,217.46
105 CONSTR. WORK IN PROGRESS	559,615.23	56,787.28
	-----	-----
TOTAL UTILITY PLANT	\$ 10,922,402.89	\$ 10,303,004.74
ACCUM PRDV FOR DEPR & AMORT	4,775,165.28	4,511,790.28
	-----	-----
NET UTILITY PLANT	\$ 6,147,237.61	\$ 5,791,214.46

OTHER PROPERTY & INVESTMENTS

126-1 DEPOSIT FUND	135,043.65	126,470.46
126-2 BOND AND INTEREST GRAHAM	.00	.00
126-3 BOND AND INTEREST MCWD	149,386.64	323,425.50
126-4 DEPRECIATION FUND	18,241.32	14,177.57
126-5 DEPRECIATION FUND C D'S	143,354.46	142,939.51
126-6 CONSTRUCTION FUND	61.12	.00
126-7 GENERAL FUND C D	.00	.00
126-8 BOND ISSUE 1995 C D	180,000.00	180,000.00
126-9 1995 BOND CASH	.00	.00
	-----	-----
TOTAL	\$ 626,087.19	\$ 787,013.04

CURRENT & ACCRUED ASSETS

131 CASH	78,322.58	163,068.29
141 CUSTOMER ACCTS. REC. WATER	6,564.33	9,002.46
141-1 CUSTOM.ACCTS. REC. OTHER	.00	.00
142 ACCOUNTS RECEIVABLE D'BORO	.00	.00
142-1 RETURNED CHECKS	598.36	698.97
142-2 ACCOUNTS RECEIVABLE TVA	.00	.00
142-3 ACCOUNTS REC STATE OF KY	.00	.00
146 NOTES RECEIV FROM ASSO CD	.00	.00
151 PLANT MATERIAL & SUPPLIES	62,442.58	55,944.69
162 PREPAYMENTS	.00	.00
	-----	-----
TOTAL	\$ 147,927.85	\$ 228,714.41

DEFERRED DEBITS

181 UNAMORTIZED DEBT DISCOUNT	1,300.00	1,550.00
182 ISSUANCE COST 1995 BOND IS	35,057.04	37,155.62
183 1995 BOND DISCOUNT	31,557.00	33,441.00
REGULATORY COSTS-RATE CASE	40,000.00	40,000.00
RESERVE FOR AMORT-RATECASE	24,000.00	16,000.00
188 ISSUANCE COST 2004 BOND IS	42,166.66	.00
189 COST OF ISSUANCE 2004 D BO	137,500.00	.00

AS OF 11/30/04

AS OF 11/30/3

TOTAL \$ 263,580.70

\$ 96,146.62

TOT. ASSET & OTHER DEBITS \$ 7,184,833.35

\$ 6,903,088.53

LIAB. & OTHER CREDITS

EQUITY CAPITAL

215 UNAPPRO RETAINED EARNINGS (594,222.46)
 435 BALANCE TRANS.FROM INCOME (11,932.99)

(442,587.13)
 (61,694.48)

TOTAL EQUITY \$ (606,155.45)

\$ (504,281.61)

LIABILITIES

LONG TERM DEBT

221-1 BONDS PAY. FHA 1987 ISS. .00
 221-2 BONDS PAY FHA 66 ISSUE 110,000.00
 221-3 BONDS PAY FHA 1978 ISSUE .00
 221-4 BONDS PAYABLE CAPITAL B .00
 221-5 NOTE PAYABLE KACO LEASE 78,000.00
 221-6 BONDS PAYABLE 1995 ISSUE .00
 221-7 BONDS PAYABLE 2004 ISSUE 1,199,600.00
 221-8 BONDS PAYABLE 2004 D 1,820,000.00

.00
 160,000.00
 1,260,000.00
 .00
 86,000.00
 1,980,000.00
 .00
 .00

TOTAL \$ 3,207,600.00

\$ 3,486,000.00

CURRENT AND ACCRUED LIAB.

231 ACCOUNTS PAYABLE .00
 232 1995 BOND TRANS ACCOUNT P .00
 235 CUSTOMER DEPOSITS 135,890.00
 236-1 FICA & FED W/H ACCRUED .00
 236-2 KENTUCKY WITHHOLDING .00
 236-3 UNEMPLOYMENT PAYABLE .00
 236-4 RETIREMENT PAYABLE .00
 236-5 SALES TAX PAYABLE .00
 236-6 RETIREMENT INSTALLMENT .00
 236-7 CHRISTMAS DONATION FUND 86.50
 236-8 DEFCOMP 10.00
 236-9 LIFE INS .00
 241 AFLAC .00
 241-1 WAGE ASSIGNMENT .00

.00
 .00
 127,521.94
 .00
 .00
 .00
 .00
 .00
 .00
 23.50
 .00
 .00
 .00

TOTAL \$ 135,986.50

\$ 127,545.44

CONTRIBUTIONS IN AID OF CONST.

AS OF 11/30/04

AS OF 11/30/3

271-1 TAP ON FEES 2,258,448.49
 271-2 FED, LOCAL, STATE GRANTS 2,080,991.83
 7) CONTRIBUTIONS OTHER 107,961.98

2,216,988.49
 1,468,874.23
 107,961.98

TOTAL \$ 4,447,402.30

\$ 3,793,824.70

TOTAL LIAB. & OTH. CREDITS \$ 7,184,833.35

\$ 6,903,088.53

MISCELLANEOUS INCOME

1. Old final bills.....	153.65
2. Powderly Sewer Bill.....	25.00
3. Move meters for Sonny Burden.....	260.00
4. Jury duty/Jeff Spurlin.....	12.50
Total miscellaneous revenue.....	451.15

MISCELLANEOUS EXPENSE

1. Jail inmates lunches.....	694.36
2. Matching Christmas Fund Donation.....	967.50
Total miscellaneous expense.....	1,661.86

ASSETS

1. Tommy's Cell Phone.....	91.95
2. Beech Creek tank expense.....	818.91
Total assets.....	910.86

Customers	
Beginning	6024
Additions	60
Deletions	68
Ending	6016
	December report

GALLONS

Water Purchased	39,144,200	Water Purchased in November 2004
Sold	29,775,500	Muhlenberg County Sold November 2004
	1,986,200	Sold to Drakesboro November 2004
	1,046,000	Sold to TVA November 2004
	0	Sold to Greenville October 2004
Lost	6,336,500	(\$7,957.38) 16 % loss
Leaks	1,941,700	
Flushing	198,660	
Fire Department	32,000	
Adjusted Usage		
Office	11,400	
Unaccounted Loss	4,152,740	(\$5,215.01) 11% loss

	CURRENT PERIOD			YEAR TO DATE		
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
UTILITY OPERATING INCOME						
OPERATING REVENUES:						
461 METERED WATER REVENUE	173,070.27	176,708.00	(3,637.73)	2,059,627.37	2,120,500.00	(60,872.63)
461-1 MTR SALES TO RESIDENTIAL	.00	.00	.00	.00	.00	.00
461-2 MTR SALES TO COMMERCIAL	.00	.00	.00	.00	.00	.00
461-3 MTR SALES TO INDUSTRIAL	.00	.00	.00	.00	.00	.00
461-4 MTR SALES TO PUBLIC AUTH	.00	.00	.00	.00	.00	.00
461-5 MTR SALES TO MULTI FAMI	.00	.00	.00	.00	.00	.00
466 SALES FOR RESALE D'BORO	5,717.29	10,000.00	(4,282.71)	57,908.36	60,000.00	(2,091.64)
467-SALES FOR RESALE TVA	3,184.25	5,333.00	(2,148.75)	41,183.87	64,000.00	(22,816.13)
470 FORFEITED DISCOUNTS	.00	.00	.00	.00	.00	.00
471-GAIN ON EQUIPMENT SOLD	.00	.00	.00	.00	.00	.00
471-1 RECONNECTS	630.00	916.00	(286.00)	9,195.00	11,000.00	(1,805.00)
471-2 DISCONNECTS	264.00	1,000.00	(736.00)	7,810.00	12,000.00	(4,190.00)
471-3 PENALTIES	3,260.41	3,500.00	(239.59)	38,062.57	42,000.00	(3,937.43)
471-4 MATER.,PIPE, PARTS SOLD	57.91	250.00	(192.09)	191.04	3,000.00	(2,808.96)
471-5 MISCELLANEOUS REVENUE	617.26	750.00	(132.74)	17,083.17	9,000.00	8,083.17
471-6 CASH/OVER	(.10)	.00	(.10)	(7.53)	.00	(7.53)
471-7 RETURNED CHECK CHARGES	90.00	.00	90.00	1,110.00	.00	1,110.00
471-8 METER REPAIR	.00	.00	.00	.00	.00	.00
471-9 METER EXCHANGE	.00	.00	.00	.00	.00	.00
TOTAL OPERATING REVENUES \$	186,891.29 \$	198,457.00 \$	(11,565.71)	\$ 2,232,163.85 \$	2,321,500.00 \$	(89,336.15)

OPERATING EXPENSES:						
601-1 OPERATIONS SALARIES	35,494.60	30,333.00	5,161.60	348,176.55	364,000.00	(15,823.45)
602-1 MAINTENANCE FORE SALARY	10,112.28	6,250.00	3,862.28	79,339.78	75,000.00	4,339.78
610-1 PURCHASED WATER/OPERAT	52,772.23	111,666.00	(58,893.77)	586,337.87	669,998.00	(83,660.13)
615-1 POWER PURCHASED FOR PUMP	4,631.91	3,750.00	881.91	41,236.17	45,000.00	(3,763.83)
620-1 PUMP STA OPER SUPPLIES	29.18	50.00	(20.82)	206.44	600.00	(393.56)
636-1 MAINT. OF PUMPING EQUIP	183.94	833.00	(649.06)	2,065.40	10,000.00	(7,934.60)
620-2 OPERATION SUPPLIES & EXP	829.97	750.00	79.97	8,665.54	9,000.00	(334.46)
635-2 OPERATION LABOR	.00	.00	.00	.00	.00	.00
636-2 EQUIP MAINT. AND REPAIRS	171.26	500.00	(328.74)	4,425.11	6,000.00	(1,574.89)
618-3 CHEMICALS AND ANALYSIS	.00	416.00	(416.00)	4,210.53	5,000.00	(789.47)
635-5 MAIN DIST. RESER & STPIP	.00	33.00	(33.00)	.00	400.00	(400.00)
636-5 CONTRACT LABOR	.00	42.00	(42.00)	.00	500.00	(500.00)
636-6 MAINTENANCE OF MAINS	3,344.21	4,833.00	(1,488.79)	31,520.05	58,000.00	(26,479.95)
637-6 MAINTENANCE OF METERS	1,310.23	1,666.00	(355.77)	22,371.66	20,000.00	2,371.66
638-6 MAINTENANCE OF HYDRANTS	61.50	166.00	(104.50)	1,073.90	2,000.00	(926.10)
600-7 OFFICE SALARIES	10,346.65	8,000.00	2,346.65	100,239.91	96,000.00	4,239.91
670-7 BAD DEBT EXPENSE /CUST	.00	.00	.00	.00	.00	.00
676-7 POSTAGE	1,288.14	1,833.00	(544.86)	17,963.31	22,000.00	(4,036.69)
679-7 OFFICE SUPP CUST BILLS	.00	.00	.00	1,567.01	1,600.00	(32.99)
601-8 SUPERINTENDENT SALARY	6,241.68	4,208.00	2,033.68	52,168.21	50,500.00	1,668.21
601-8 OFFICE MANAGER'S SALARY	3,376.89	2,625.00	751.89	32,327.23	31,500.00	827.23
601-8 COMMISSIONERS' SALARIES	1,500.00	1,500.00	.00	18,000.00	18,000.00	.00
604-8 EMPLOYEE HEALTH INSURANC	18,505.81	18,833.00	(327.19)	228,254.65	226,000.00	2,254.65
605-8 EMPLOYER RETIRE EXPENSE	5,729.94	3,500.00	2,229.94	48,819.44	42,000.00	6,819.44
615-8 OFFICE UTILITIES	1,104.08	500.00	604.08	7,221.36	6,000.00	1,221.36
620-8 MATERIALS & SUP /AD&G	183.36	500.00	(316.64)	6,381.04	6,000.00	381.04

	CURRENT PERIOD		YEAR TO DATE	
	ACTUAL	BUDGET	ACTUAL	BUDGET
631-8 CONTR SERV -ENG /AD&G	.00	500.00	2,242.50	6,000.00
() CONTR SERV -ACCT /AD&G	.00	.00	5,125.00	5,000.00
633-8 CONTR SERV -LEGAL /R&G	400.00	400.00	4,400.00	4,800.00
635-8 CONT SERV WATER TEST/ADG	484.00	416.00	3,736.00	5,000.00
637-8 COMMUN. RADIO/TELEMETRY	74.95	100.00	820.11	1,200.00
641-8 RENT	167.26	200.00	1,147.91	2,400.00
642-8 EQUIP RENT RADIO TOWER	100.00	100.00	1,150.00	1,200.00
650-8 GAS AND OIL	3,236.41	2,000.00	29,682.12	24,000.00
651-8 TRUCK REPAIR & MAINT	1,160.12	583.00	8,238.27	7,000.00
658-8 INSUR WKMN'S COMP /AD&G	4,329.67	4,330.00	46,583.86	35,490.00
659-8 INSURANCE PROPERTY & VEH	1,963.64	1,964.00	30,433.18	26,014.00
660-8 ADVERTISING EXP /AD&G	235.38	83.00	1,288.73	1,000.00
675-8 OFFICE TELEPHONE	214.47	200.00	2,402.76	2,400.00
676-8 TEL & CELLULAR PHONES	728.20	900.00	8,661.45	10,800.00
677-8 MAINTENANCE AGREEMENT	.00	334.00	3,510.00	4,000.00
678-8 SEMINARS AND TRAINING	.00	1,000.00	8,580.41	12,000.00
679-8 OFFICE SUPPLIES	(677.21)	583.00	4,077.47	7,000.00
680-8 PAYROLL TAXES (UI3/FICA)	5,025.29	4,167.00	50,050.63	49,996.00
681-8 OVERPAID FINALS/REFUND	.00	.00	408.83	.00
682-8 UNIFORMS AND MATS	555.28	500.00	6,646.92	6,000.00
683-8 DAMAGES	.00	83.00	822.62	1,000.00
684-8 DUES AND SUBSCRIPTIONS	90.00	84.00	1,130.00	1,008.00
685-8 OFFICE & GARAGE MAINT.	126.63	417.00	2,817.52	5,004.00
686-8 OFFICE CLEANING & MAINT.	31.04	42.00	570.80	496.00
687-8 TRAVEL AND MILEAGE	.00	42.00	310.14	504.00
688-8 MEETING EXPENSES	18.22	83.00	285.12	1,000.00
689-8 LICENSE	.00	42.00	225.00	504.00
689-8 SAFETY PROMOTION	.00	.00	.00	.00
691-8 FLOWERS	.00	42.00	129.98	504.00
692-8 ROOM AND BOARD	.00	.00	.00	.00
693-8 NOTARY EXPENSE	.00	.00	20.00	.00
694-8 GARNISH WAGES	.00	.00	.00	.00
695-8 NAME TAGS	.00	.00	.00	.00
696-8 SURVEYING LAND	.00	.00	.00	.00
697-8 MISCELLANEOUS EXPENSE	987.73	834.00	6,575.74	10,000.00
698-8 DIVISION OF SURPLUS	.00	.00	.00	.00
699-8 FIRST AID SUPPLIES	74.00	.00	548.94	.00
403 DEPRECIATION EXPENSE	22,500.00	22,500.00	270,000.00	270,000.00
406 AMORT UTIL PLT ACQU ADJUNT	.00	.00	.00	.00
407 AMORTIZATION-RATE CASE	.00	.00	.00	.00
408-10 PSC ASSESSMENT TAX	.00	.00	3,881.05	4,100.00
408-13 SALES TAX EXPENSE	865.01	875.00	11,399.22	10,500.00
TOTAL OPERATING EXPENSES \$	199,907.95 \$	246,191.00 \$	2,160,473.44 \$	2,281,018.00 \$
				(120,344.56)

OTHER OPER. INCOME:
 414 SALE OF FIXED ASSETS .00 .00 .00 .00

TOTAL UTIL.OPER. INCOME \$ (13,016.66) \$ (47,734.00) \$ 34,717.34 \$ 71,690.41 \$ 40,482.00 \$ 31,208.41

	CURRENT PERIOD			YEAR TO DATE		
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE

OTHER INCOME & DEDUCTIONS

OTHER INCOME:

419-1 INTEREST INCOME GEN ACCT	19.28	167.00	(147.72)	416.57	2,000.00	(1,583.43)
419-2 INTEREST INCOME CONSTRUC	.00	.00	.00	.00	.00	.00
419-3 INTEREST INCOME DEPRECIA	6.42	.00	6.42	121.21	.00	121.21
419-4 INTEREST INCOME MCW BOND	211.70	.00	211.70	2,137.41	.00	2,137.41
419-5 INTEREST INCOME GRAHAM B	.00	.00	.00	.00	.00	.00
419-6 INTEREST INCOME DEPOSIT	58.73	.00	58.73	700.29	.00	700.29
419-7 INTEREST INCOME CD'S	.00	.00	.00	2,700.79	.00	2,700.79
419-8 INTEREST INCOME GEN CD'S	.00	.00	.00	.00	.00	.00
419-9 INT INCOME 1995 BOND CD	.00	.00	.00	.00	.00	.00
420-1 ACCRUED INT INC 1995 BON	.00	.00	.00	12,148.10	.00	12,148.10
420-2 INTEREST INCOME CONSTRUC	99.81	.00	99.81	160.93	.00	160.93
TOTAL OTHER INCOME	\$ 395.94	\$ 167.00	\$ 228.94	\$ 18,385.30	\$ 2,000.00	\$ 16,385.30

OTHER INCOME DEDUCTIONS:

426 MISC NONUTILITY EXPENSE	.00	.00	.00	.00	.00	.00
700-1 TRANS TO BOND FROM GENER	.00	.00	.00	.00	.00	.00
700-2 TRANS TO/FROM DEPRECIATN	.00	.00	.00	.00	.00	.00
700-3 TRANSFER TO/FROM CONSTRU	.00	.00	.00	.00	.00	.00

TOTAL OTHER INC. DEDUCTION \$.00 \$.00 \$.00 \$.00 \$.00 \$.00 \$.00

TOTAL OTH. INC. & DEDUCT. \$ 395.94 \$ 167.00 \$ 228.94 \$ 18,385.30 \$ 2,000.00 \$ 16,385.30

NET OTH. INC. & DEDUCTIONS \$.00 \$.00 \$.00 \$.00 \$.00 \$.00 \$.00

INTEREST CHARGES

427-1 INTEREST EXP. KACD LOAN	424.25	425.00	(.75)	5,134.51	5,100.00	34.51
427-2 INTEREST EXP FHA BOND	2,062.50	34,500.00	(32,437.50)	14,141.68	69,000.00	(54,858.32)
427-3 INTEREST EXP GRAHAM BOND	.00	.00	.00	.00	.00	.00
427-4 INTEREST EXPENSE DEPOSIT	48.26	1,150.00	(1,101.74)	796.22	1,293.00	(496.78)
427-5 INTEREST EXPENSE 1995 BD	.00	53,250.00	(53,250.00)	79,837.50	106,500.00	(26,662.50)
427-6 INTEREST EXP 2004 BOND	17,254.50	.00	17,254.50	34,509.02	.00	34,509.02
427-7 INTEREST EX 2004 D BOND	22,088.17	.00	22,088.17	22,088.17	.00	22,088.17

TOTAL INTEREST CHARGES \$ 41,877.68 \$ 89,325.00 \$ (47,447.32) \$ 156,507.10 \$ 181,893.00 \$ (25,385.90)

NET INCOME \$ (54,498.40) \$ (136,892.00) \$ 82,393.60 \$ (66,431.39) \$ (139,411.00) \$ 72,979.61

BALANCE SHEET

AS OF 12/31/04

AS OF 12/31/3

) ASSETS & OTHER DEBITS

UTILITY PLANT

UTILITY PLANT IN SERVICE (101)	10,363,786.66	10,343,788.64	
105 CONSTR. WORK IN PROGRESS	976,668.87	65,211.47	

TOTAL UTILITY PLANT	\$ 11,340,455.53	\$ 10,409,000.11	
ACCUM PROV FOR DEPR & AMORT	4,797,665.28	4,527,665.28	

NET UTILITY PLANT	\$ 6,542,790.25	\$ 5,881,334.83	

OTHER PROPERTY & INVESTMENTS

126-1 DEPOSIT FUND	134,904.12	127,010.05	
126-2 BOND AND INTEREST GRAHAM	.00	.00	
126-3 BOND AND INTEREST MCWD	427.47	90,234.29	
126-4 DEPRECIATION FUND	19,312.74	15,245.77	
126-5 DEPRECIATION FUND C D'S	143,354.46	143,056.99	
126-6 CONSTRUCTION FUND	160.93	.00	
126-7 GENERAL FUND C D	.00	.00	
126-8 BOND ISSUE 1995 C D	180,000.00	180,000.00	
1995 BOND CASH	.00	.00	

TOTAL	\$ 478,159.72	\$ 555,547.10	

CURRENT & ACCRUED ASSETS

131 CASH	51,470.69	181,338.89	
141 CUSTOMER ACCTS. REC. WATER	9,402.14	1,210.23	
141-1 CUSTOM.ACCTS. REC. OTHER	.00	.00	
142 ACCOUNTS RECEIVABLE D' BORD	.00	5,727.31	
142-1 RETURNED CHECKS	827.52	365.35	
142-2 ACCOUNTS RECEIVABLE TVA	.00	.00	
142-3 ACCOUNTS REC STATE OF KY	.00	68,074.28	
146 NOTES RECEIV FROM ASSO CO	.00	.00	
151 PLANT MATERIAL & SUPPLIES	62,442.58	62,442.58	
162 PREPAYMENTS	.00	2,578.35	

TOTAL	\$ 124,142.93	\$ 321,736.99	

DEFERRED DEBITS

181 UNAMORTIZED DEBT DISCOUNT	1,300.00	1,300.00	
182 ISSUANCE COST 1995 BOND IS	35,057.04	35,057.04	
183 1995 BOND DISCOUNT	31,557.00	31,557.00	
REGULATORY COSTS-RATE CASE	40,000.00	40,000.00	
RESERVE FOR AMORT-RATECASE	24,000.00	24,000.00	
188 ISSUANCE COST 2004 BOND IS	42,166.66	.00	
189 COST OF ISSUANCE 2004 D BO	137,500.00	.00	

AS OF 12/31/04

AS OF 12/31/03

TOTAL	\$ 263,580.70	\$ 83,914.04
TOT. ASSET & OTHER DEBITS	\$ 7,408,673.60	\$ 6,842,532.96

LIAB. & OTHER CREDITS

EQUITY CAPITAL

215 UNAPPRO RETAINED EARNINGS	(594,222.46)	(594,222.46)
435 BALANCE TRANS.FROM INCOME	(66,431.39)	(151,635.33)
TOTAL EQUITY	\$ (660,653.85)	\$ (745,857.79)

LIABILITIES

LONG TERM DEBT

221-1 BONDS PAY. FHA 1987 ISS.	.00	.00
221-2 BONDS PAY FHA 66 ISSUE	60,000.00	110,000.00
221-3 BONDS PAY FHA 1978 ISSUE	.00	1,202,000.00
221-4 BONDS PAYABLE CAPITAL B	.00	.00
221-5 NOTE PAYABLE KACO LEASE	78,000.00	86,000.00
221-6 BONDS PAYABLE 1995 ISSUE	.00	1,915,000.00
221-7 BONDS PAYABLE 2004 ISSUE	1,148,000.00	.00
221-8 BONDS PAYABLE 2004 D	1,778,000.00	.00
221-9 KRW TEMPORARY LOAN	357,865.08	.00
TOTAL	\$ 3,421,865.08	\$ 3,313,000.00

CURRENT AND ACCRUED LIAB.

231 ACCOUNTS PAYABLE	.00	132,861.94
232 1995 BOND TRANS ACCOUNT P	.00	.00
235 CUSTOMER DEPOSITS	135,740.00	127,750.00
236-1 FICA & FED W/H ACCRUED	.00	.00
236-2 KENTUCKY WITHHOLDING	.00	.00
236-3 UNEMPLOYMENT PAYABLE	.00	.00
236-4 RETIREMENT PAYABLE	.00	.00
236-5 SALES TAX PAYABLE	.00	.00
236-6 RETIREMENT INSTALLMENT	.00	.00
236-7 CHRISTMAS DONATION FUND	187.50	104.50
236-8 DEFCOMP	.00	.00
236-9 LIFE INS	45.38	.00
241 AFLAC	.00	.00
241-1 WAGE ASSIGNMENT	.00	.00
TOTAL	\$ 135,972.88	\$ 260,716.44

CONTRIBUTIONS IN AID OF CONST.

AS OF 12/31/04

AS OF 12/31/03

271-1 TAP ON FEES 2,259,018.49
:) FED,LOCAL,STATE GRANTS 2,144,509.02
271-3 CONTRIBUTIONS OTHER 107,961.98

2,218,128.49
1,536,948.51
107,961.98

TOTAL \$ 4,511,489.49

\$ 3,863,038.98

TOTAL LIAB. & OTH. CREDITS \$ 7,408,673.60

\$ 6,690,897.63

MISCELLANEOUS INCOME

1. Old final bills.....	292.26
2. Powderly Sewer Bill.....	25.00
3. Tie-In for new South Elementary.....	300.00
4. Parts sold.....	57.91
Total miscellaneous revenue.....	675.17

MISCELLANEOUS EXPENSE

1. Jail inmates lunches.....	167.84
2. Christmas Lunch/Nora Stewart.....	478.00
3. Administration Fee/2004A Bond Series.....	370.14
Total miscellaneous expense.....	1,015.98

ASSETS

1. Jeff's computer.....	999.00
Total assets.....	999.00

Customers

Beginning	6016	
Additions	48	
Deletions	61	
Ending	6003	January report

GALLONS

Water Purchased	42,022,800	Water Purchased in December 2004	
Sold	28,420,800	Muhlenberg County Sold December 2004	
	2,109,700	Sold to Drakesboro December 2004	
	1,175,000	Sold to TVA December 2004	
	0	Sold to Greenville October 2004	
Lost	10,317,300	(\$12,956.47)	25 % loss
Leaks	765,280		
Flushing	1,164,350		
Fire Department	12,800		
Adjusted Usage			
Office	6,700		
Unaccounted Loss	8,368,170	(\$10,508.75)	20% loss