

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

JUN 29 2006

PUBLIC SERVICE
COMMISSION

In the Matter of:

The Joint Application of Sandy Valley)
Water District, Southern Water and) Case No. 2006-00 327
Sewer District and the city of Pikeville)
for approval of the transfer of facilities)
and for the assumption of debt by Southern)
Water and Sewer District)

JOINT APPLICATION

Sandy Valley Water District (Sandy Valley), Southern Water and Sewer District (Southern) and the city of Pikeville (Pikeville), by counsel, petition the Commission for an order approving the transfer of assets by Sandy Valley to Southern and Pikeville.

1. Sandy Valley is a water district formed under KRS Chapter 74 and provides water service at retail and wholesale to customers in Pike and Floyd counties. Its address is Box 127, 524 George Rd., Betsy Layne, KY 41605. It is regulated by the Commission. It currently has approximately 2450 retail water customers and one (1) wholesale water customer, specifically, Mountain Water District. Sandy Valley purchases treated water from Pikeville and the City of Prestonsburg.

2. Southern is a water district formed under KRS Chapter 74 and provides water and sewer services to customers in Floyd County and in Knott County. Its address is Box 610, 245 Ky. Rt. 680, McDowell, KY 41647. It currently has approximately 6,161 retail water customers, one (1) wholesale water customer, specifically the City of Hindman and 155 wastewater customers.

3. Pikeville is a municipal corporation providing water and wastewater services in an around its corporate limits in Pike county. Its address is Box 351, 118 College St., Pikeville, KY 41502. It is not regulated by the Public Service Commission, except for its wholesale water sales to regulated water districts. It currently has approximately 2696 sewer customers, 3,191 retail water customers and three (3) wholesale water customers, specifically, Mountain Water District, Sandy Valley Water District and Southern Water and Sewer District. .

4. The Joint Applicants have entered into an Interlocal Cooperative Agreement, attached as exhibit 1 for the purpose of transferring the existing water assets and customers of Sandy Valley to Southern and Pikeville. Southern will acquire all of Sandy Valley's customers and assets located in Floyd county and Pikeville will acquire all of Sandy Valley's customers and assets located in Pike county.

5. Southern and Pikeville will assume the existing debt of Sandy Valley as it relates to the respective assets each is to acquire. The only available financial information for Sandy Valley is attached as exhibit 2.

6. Upon completion of the transfer, Sandy Valley will be dissolved.

7. The minutes of the respective meetings of each of the applicants approving the transaction are attached as exhibit 3.

8. A Memorandum of Amendment of the Regional Facilities Planning Area Boundaries and related map of the proposed service areas is attached as exhibit 4.

9. The request for assignment of debt from Sandy Valley to Pikeville and Southern for existing financing is attached as exhibit 5. Approvals of the financing agencies for the transfer and assumption of debt have been requested and will be provided when available.

10. This transfer requires Commission approval pursuant to KRS 278.020(4) and (5) and KRS 278.218.

I. Pikeville transaction:

a. Pikeville has the financial ability to acquire and operate the facilities to be acquired from Sandy Valley. See attached the most recent financial data relating to the operations of its water and sewer facilities, exhibit 6.

b. Pikeville has the managerial ability to operate the facilities as evidenced by its current operations of water and wastewater facilities. It employs a contract operator for its utility facilities. The operator has thirteen (13) employees trained and experienced in the operation of water and wastewater facilities.

c. Pikeville has the technical ability to operate the facilities as discussed in b.

d. The transfer is in the public interest in that Pikeville will be able to provide combined water and wastewater services to a larger number of customers, which should provide economies of scale and offset potential rate increases.

e. The benefit to the public is access to combined water and wastewater treatment services and the potential for expansion of those services that would not otherwise be possible.

f. The transaction between Sandy Valley and Pikeville is consistent with KRS 278.218 because it is for a proper purpose of improving the water and wastewater services available in Pike County and is consistent with the public interest in expanding utility service.

II. Southern transaction:

a. Southern has the financial ability to acquire and operate the facilities to be acquired from Sandy Valley. See attached financial statement of the operations of its water and sewer facilities, exhibit 7.

b. Southern has the managerial ability to operate the facilities as evidenced by its current operations of water and wastewater facilities. It presently contracts for operations and maintenance services of the water and wastewater systems.

c. Southern has the technical ability to operate the facilities as discussed in b.

d. The transfer is in the public interest in that Southern will be able to provide combined water and wastewater services to a larger number of customers, which should provide economies of scale and offset potential rate increases.

e. The benefit to the public is access to combined water and wastewater treatment services and the potential for expansion of those services that would not otherwise be possible.

f. The transaction between Sandy Valley and Southern is consistent with KRS 278.218 because it is for a proper purpose of improving the water services available in Floyd County and is consistent with the public interest in expanding utility service.

11. Southern also needs approval of the assumption of debt of Sandy Valley pursuant to KRS 278.300.

a. The financing is for the purpose of acquiring a portion of the assets of Sandy Valley through the assumption of Sandy Valley's current debt.

b. The financing will not impair the operations of Southern as the additional revenue from Sandy Valley customers will offset the cost of additional debt service.

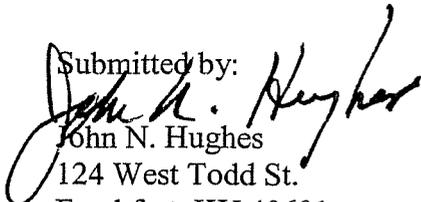
12. Filing requirements of Southern for financing:

- a. Southern is not a corporation. It is a statutorily formed water district.
- b. The affidavits of an officer of each party authorizing the filing of this application and attesting to the accuracy of the application are attached as exhibit 8.
- c. A description of Southern's property is contained in the most recent PSC Annual Report, attached as exhibit 9.
- d. A statement of the original cost is included in exhibit 9.
- e. No stocks are to be issued.
- f. No bonds are to be issued.
- g. The proceeds of the financing are to be used to acquire a portion of the assets of Sandy Valley Water District. The contract for acquisition is attached as exhibit 1.
- h. The property to be acquired is contained in exhibit 1.
- i. No refunds are to be made with the financing.
- j. A financial exhibit is attached as exhibit 10.
- k. Copies of deeds and mortgages do not appear to have been previously filed due to KRS 278.023 procedures. Southern requests a deviation from the filing of the mortgages pursuant to 807 KAR 5:001(14), due to their volume and because relevant total debt and amortization information is being filed in other exhibits to this application.
- l. Maps are included in exhibit 4.
- j. Property to be acquired will be recorded in appropriate USoA accounts.

13. A deviation pursuant to 807 KAR 5:001(14) is requested for use of financial information greater than 90 days old and for any other filing requirement not essential for

the review and approval of the application. As more current financial information becomes available, it will be provided.

For these reasons, the Joint Applicants request an order granting the transfer of assets and customers and the assumption of debt as described.

Submitted by:

John N. Hughes
124 West Todd St.
Frankfort, KY 40601
(502) 227 7270
Attorney for Joint Applicants

LITROOP

INTERLOCAL COOPERATION AGREEMENT TREY GRAYSON
RELATING TO WATER AND SEWER SERVICE ALONG US 23 IN THE SECRETARY OF STATE
HAROLD / BETSY LAYNE / MARE CREEK AREA OF FLOYD COUNTY AND COMMONWEALTH OF KENTUCKY
THE MOSSY BOTTOM / COAL RUN AREA OF PIKE COUNTY, KENTUCKY

THIS INTERLOCAL COOPERATION AGREEMENT (the "Agreement") is made and entered into and deemed effective as of the 1st day of January, 2006, by and between the Floyd County Fiscal Court, (herein "Floyd County"), Floyd County Courthouse Annex, 149 South Central Avenue, Prestonsburg, KY 41653, the City of Pikeville (herein "Pikeville"), 118 College Street, Pikeville KY 41501, Sandy Valley Water District (herein "Sandy Valley") 525 George Road, Betsy Layne, KY 41642; and Southern Water and Sewer District (herein "Southern") 245 KY Route 680, McDowell, KY 41647; each a "Party", (or collectively the "Parties") and each a political subdivision of the Commonwealth of Kentucky.

WHEREAS, Kentucky Revised Statutes §65.210 et seq. (Interlocal Cooperation Act) permits local governments to work together to achieve economies of scale by consolidation of public utilities, expansion of service areas across county and city boundaries, sharing of facilities and other similar means to benefit their citizenry; and

WHEREAS, the Parties agree that it is in the best interest of public health and safety that a sewer project entitled "PRIDE on the River" be constructed, that includes a) an extension of the Pikeville sewer collection system to serve the communities of Harold, Betsy Layne and Mare Creek in Floyd County (Phase 1); b) a new treatment plant in Floyd County (Phase 2); and c) construction of extensions to serve the many communities of Mud Creek in Floyd County (Phase 3), wherein the new treatment plant will then handle flows generated by Phases 1 and 2; and

WHEREAS, all components relating to Phase 1 of the "PRIDE on the River" project, including design and construction of lines and appurtenances, are referred to collectively herein as the "Sewer Project" as illustrated by a project map, attached to and made part of this Agreement as Exhibit 1; and

WHEREAS, by separate agreement with Mountain Water District, Pikeville shall soon take ownership and all attendant obligations of the Mossy Bottom / Coal Run Area Sewer Collection System and incorporate same into its system, and thereby allow for additional extensions to its system, including the Sewer Project that is the subject of this Agreement.

WHEREAS, the Parties seek to keep customer rates for service as low as reasonably possible, and to best achieve this goal Floyd County and Pikeville intend to jointly apply for all available grant funding assistance for construction costs for the Sewer Project; and

WHEREAS, to further assure that the Project has the lowest possible customer rates and to provide for appropriate management control of the wastewater system, it is reasonable to have a single utility own and operate both water and wastewater services. Consequently, Sandy Valley will join with Pikeville and Southern in making application to the Kentucky Public

Service Commission to transfer that portion of Sandy Valley's water facilities located in Pike County and that portion located in Floyd County, together with the debt obligation associated with each portion, to Pikeville and Southern, respectively.

NOW, THEREFORE, it is mutually acknowledged and agreed by and between the Parties and so ordered as follows:

A. The Parties agree that the foregoing statements are not mere recitals, but represent findings of fact by the respective bodies, and as such represent statements of public interest affecting all Parties hereto, including their respective citizens. The Parties further agree that, for purposes of this Agreement, the phrase "Sewer Project" shall be defined and refer to all components of Phase 1 of the "PRIDE on the River" sewer project, including design and construction of lines and appurtenances, as illustrated by the project map, attached to and made part of this Agreement as Exhibit 1.

B. Agreement relating to water facilities:

1. Immediately, upon execution of this Agreement, Sandy Valley, Southern and Pikeville shall make joint application to the Kentucky Public Service Commission (PSC) to transfer Sandy Valley's assets and associated debt relating to facilities in Floyd County to Southern and those assets and associated debt relating to its facilities in Pike County to Pikeville.
2. To better assure smooth transition of ownership and continuity of customer service, Sandy Valley hereby requests and authorizes Pikeville, and Pikeville agrees, effective February 1, 2006, to assume responsibility for daily operations of Sandy Valley's facilities. Pikeville will assume supervision of all Sandy Valley personnel, provide for all field services, billing and accounting services and regulatory reporting requirements and provide Sandy Valley monthly financial and operations reports, with payment requests, as appropriate. Until PSC approval of the asset transfer, Sandy Valley shall retain control of its facilities and shall make timely payment of invoices relating to cost of Sandy Valley operations each month.
3. Upon PSC approval of the transfer of Sandy Valley's assets and associated debt, Southern and Pikeville shall integrate all water facilities, lines and appurtenances into their respective systems, providing for proper management, operation and maintenance thereof in a proprietary manner to assure continued high quality and equitable service to all customers.
4. Southern and Pikeville shall offer positions to each individual who is an employee of Sandy Valley on the date of execution of this Agreement and such employment with Southern or Pikeville shall commence on the effective date of PSC approval of the asset transfer, conditioned upon the employee's possession of a valid driver's license and negative drug test results. Southern and Pikeville shall retain these individuals at his/her existing rate of pay for at least one year *where applicable*

from the date of PSC approval of the asset transfer, conditioned upon adequate performance of duties and proper conduct.

5. Southern and Pikeville agree to continue charging Sandy Valley customers those water rates approved by the PSC for Sandy Valley effective May 26, 2004 for a period of one year from the effective date of this Agreement and to base all future rate adjustments on cost of service analyses made by a certified public accountant or the PSC, as appropriate.
6. Upon PSC approval of the transfer of Sandy Valley's assets and associated debt, Floyd County shall publicly acknowledge the long term service contribution and personal dedication of all members, present and past, of the Sandy Valley board of commissioners and its employees. Subsequently, Floyd County shall dissolve Sandy Valley and at that time Sandy Valley shall no longer be a Party to this Agreement.
7. Pikeville agrees to continue to sell treated drinking water and Southern agrees to purchase treated drinking water for distribution in Floyd County in the same volumes and at the same rates as approved by the PSC for Sandy Valley, effective May 26, 2004.

C. Agreement regarding Sewer Project funding:

1. Floyd County and Pikeville agree to apply jointly to the Kentucky Community Development Block Grant (CDBG) Program for \$2,000,000 in funds to be used solely to defray eligible capital development costs of the Sewer Project.
2. Pikeville agrees to serve as lead applicant, grant recipient, and project administrator of any funds which may be secured from the CDBG Program, Rural Development, US Environmental Protection Agency, PRIDE, Appalachian Regional Commission, Kentucky Infrastructure Authority, Coal Severance Funds and any other federal or state grant fund source. Further, Pikeville agrees to serve as fiscal agent for the Sewer Project and obtain in its name any loan funding available to the Project that it may deem feasible.
3. If a CDBG grant is awarded as a result of a joint application by Floyd County and Pikeville, Pikeville is authorized to act as Floyd County's agent and to execute on Floyd County's behalf all agreements with the Governor's Office for Local Development that are necessary to effectuate any award of a CDBG grant. Floyd County acknowledges and agrees that the Governor's Office for Local Development shall consider Pikeville the lead applicant and that all correspondence related to the Sewer Project shall be directed to Pikeville, with copies to Floyd County. Upon receipt of reasonable notice, Pikeville shall accord full access to all records related to the CDBG grant to authorized representatives of Floyd County.

4. Floyd County agrees to allocate or give priority status to the Sewer Project with regard to Coal Severance Funds or other funds that may become available for capital projects.
5. Pikeville shall secure CDBG project administration assistance through the Big Sandy Area Development District.

D. Agreement relating to sewer facilities:

1. Pending receipt of Sewer Project funding, Pikeville shall see to the design and construction of the Sewer Project in a timely and forthright manner, routinely engaging representatives of all parties to this Agreement, as set out below in subparagraphs E. 1. and E. 2.
2. Upon construction completion and testing of the Sewer Project, Pikeville shall convey and Southern shall accept ownership and operate that portion of the Sewer Project located in Floyd County and Pikeville shall retain ownership and operate that portion of the Sewer Project located in Pike County. Any debt incurred for construction or expenses for initial operation of Sewer Project facilities located in Floyd County shall be borne by Southern and paid from Sewer Project user fees or charges. Likewise, any debt incurred for construction or expenses for initial operation of Sewer Project facilities in Pike County shall be borne by Pikeville and paid from Sewer Project user fees or charges.
3. Pursuant to a Kentucky Inter Municipal Operation Permit, Pikeville will accept metered sewage from Southern, being only that sewage collected from those customers located in Floyd County tied onto the Sewer Project at the time of its completion, for transport and treatment at Pikeville's existing treatment plant at rates based on a cost of service analysis made by a certified public accountant.
4. When Southern constructs a new sewage treatment plant, as anticipated in Phase 2 of the "PRIDE on the River" project, or other provision is made for sewage treatment capacity by Floyd County, it is agreed that sewage flows from the Sewer Project facilities located in Floyd County shall be diverted from the Pikeville plant and treated at the new plant or otherwise treated.
5. Regardless of whether a new sewage treatment plant is constructed or treatment capacity is otherwise provided for by Floyd County, Pikeville shall be under no obligation at any time to accept flows greater than 5% more than the flow generated by the Sewer Project facilities located in Floyd County, as set out above in subparagraph D. 3.
6. If, after twenty years from the date of completion of the Sewer Project, namely, Phase 1 of the "PRIDE on the River" project, a new sewage treatment plant is not constructed in Floyd County nor other means established to provide for treatment capacity in Floyd County, Pikeville, at its sole discretion, may restrict sewage flows from Floyd County.

E. The Parties further agree and covenant:

1. Each Party acknowledges the critical importance to the Project of open and continuing communication. To this end, each Party shall designate an individual to serve as its representative and these individuals shall meet beginning in January 2006 and at least quarterly thereafter until the Sandy Valley asset transfer is approved by the PSC and the Sewer Project is completed, so as to be able to report knowledgeably regarding the status of these actions to the respective Party.
2. The Parties agree to act in a supportive and timely manner to facilitate the implementation of the elements of this Agreement. Such action shall include but not be limited to participation in planning, preparing regulatory and funding applications, prompt compliance with regulatory agency requirements, reviewing and submitting plans, granting or obtaining encroachment permits, easements, rights of way, or other similar permits or authorizations as may be required.

F. Agreement relating to amendments, completion and termination:

1. This Agreement shall continue and remain in effect until and at which time all those activities and actions, as set out herein, relating to the Parties, or as may otherwise be contemplated by this Agreement shall have been completed. The date of completion of the Sewer Project facilities, namely, Phase 1 of the "PRIDE on the River" project, is anticipated to be not later than January 1, 2009.
2. If CDBG funds are awarded as a result of the joint application, this Agreement shall not be terminated until five (5) years after the date the Governor's Office for Local Development approves project closeout of the CDBG grant agreement.
3. It is understood that, to effect the purpose of this Agreement, it may be necessary to amend this Agreement from time to time and, to this end, the Parties agree that action to amend may be initiated by any Party and any amendment shall require approval of the respective Parties' governing body in a regular or special session as each shall deem appropriate.
4. Prior to receipt of funding for the Sewer Project from any source, Floyd County, Southern and Pikeville may terminate this Agreement, for cause, at any time upon sixty (60) days written notice to the other Parties, with the condition that timing of notice is such that each Party shall have at least one regularly scheduled meeting of its governing body prior to the effective date of the termination. Once funding for the Sewer Project has been received by a Party from any source, this Agreement may only be terminated upon a three-fourths majority vote to terminate by a Party's governing body, which decision must be concurred in by a three-fourths majority vote to terminate by the governing bodies of the other Parties.

5. If funding is awarded for the Sewer Project, the termination of this Agreement is subject to full compliance with funding conditions of the CDBG program or other funding agency.
6. If this Agreement is terminated for any cause after PSC approval of transfer of Sandy Valley's assets and liabilities, all water system and sewer system assets and related liabilities, regardless of condition or percentage of construction completion, located in Floyd County shall become the property of Southern and all assets and related liabilities, regardless of condition or percentage of construction completion, located in Pike County shall become the property of Pikeville.

G. The Parties to this Agreement hereby designate the Big Sandy Area Development District to be the administrator of this Agreement. The role of the administrator shall be to report to the respective Parties to this Agreement the progress of its implementation annually, on or near the anniversary of its effective date.

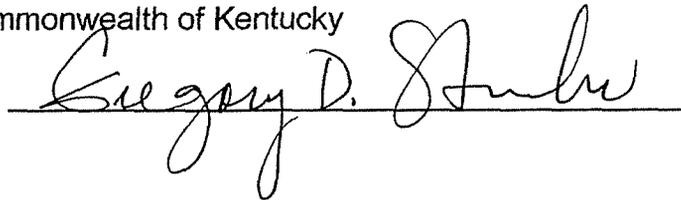
H. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky. If any provision of this Agreement is held to be in conflict with any applicable statute or rule of law, or is otherwise held to be unenforceable, the invalidity of such portion shall not affect any or all of the remaining portions of this Agreement.

I. The Parties agree that venue for any legal dispute that may arise relating to either water facilities or Sewer Project facilities, subject of this Agreement, shall be vested in the Circuit Court of that County where the water facilities or Sewer Project facilities giving rise to such dispute are located.

IN WITNESS WHEREOF, officials of the Parties execute this Agreement in triplicate originals as so authorized by their respective governing bodies effective the date set out above.

**APPROVED AS TO FORM AND COMPLIANCE
WITH APPROPRIATE KENTUCKY STATUTES**

Gregory D. Stumbo, Kentucky Attorney General
Office of the Attorney General
Commonwealth of Kentucky

A handwritten signature in cursive script, reading "Gregory D. Stumbo", is written over a horizontal line.

FLOYD COUNTY FISCAL COURT

Paul H. Thompson
Floyd County Judge Executive

Attest *Chris Waugh*
Floyd County Clerk

CITY OF PIKEVILLE

Phil Ford
Mayor, City of Pikeville

Attest: *Karen M. Harris*
Pikeville City Clerk

SANDY VALLEY WATER DISTRICT

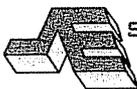
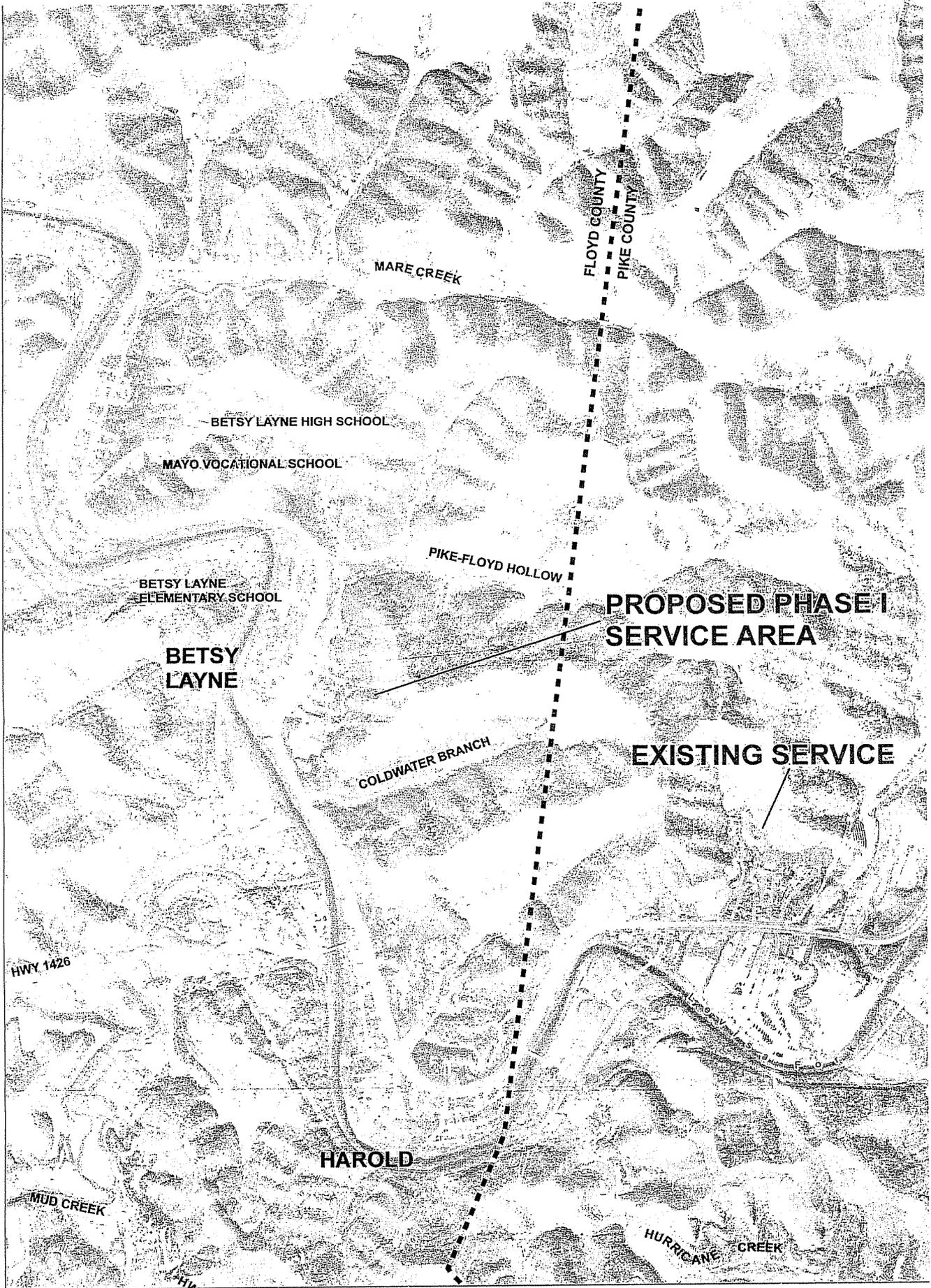
Joseph M. Jacob
Chairman, Board of Commissioners

Attest *Oliver Blackburn*
Secretary of the Board

SOUTHERN WATER & SEWER DISTRICT

Robert Zolbert
Chairman, Board of Commissioners

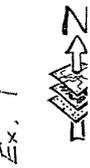
Attest: *Paula Johnson*
Secretary of the Board



SUMMIT ENGINEERING, INC.
 LEXINGTON, KY PIKEVILLE, KY HAZARD, KY
 CHARLESTON, WV LOGAN, WV GRUNDFY, VA

Harold Sewer Project Phase I Service Area

0 2,000 4,000
 Feet





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

January 20, 2006

Hon. John N. Hughes
Attorney at Law
124 West Todd Street
Frankfort, KY 40601

Re: Open Records Request
Sandy Valley Water District

Dear Mr. Hughes:

Enclosed you will find the information you requested regarding Sandy Valley Water District's financial review. If you would like to review the file in this case, our offices are open from 8 a.m. to 4:30 p.m., Monday through Friday. If you will let us know when you plan to be here, we will have the file pulled for you.

If I can be of further assistance, please do not hesitate to contact me.

Very truly yours,

A handwritten signature in black ink, appearing to read "H. Howell Brady, Jr.".

H. Howell Brady, Jr.
Open Records Officer
for Executive Director

Enclosures

Utility: Sandy Valley Water District
 Title: Pro Forma Income Statement

	Test-Period Operations	Pro Forma Adjustments	Adj. Ref	Pro Forma Operations
Operating Revenues:				
Metered Water Sales	\$ 778,787	\$ 2,169	(a)	\$ 780,956
Sales for Resale	91,208	1,515	(a)	92,723
Total Sales of Water	<u>\$ 869,995</u>	<u>\$ 3,684</u>		<u>\$ 873,679</u>
Other Water Revenue:				
Miscellaneous Service Revenues	172,520	(165,890)	(b)	6,630
Revenue - Water Sales	<u>\$ 1,042,515</u>	<u>\$ (162,206)</u>		<u>\$ 880,309</u>
Operating Expenses:				
Operation & Maintenance:				
Salaries & Wages - Employees	\$ 179,813	\$ 19,631	(c)	\$ 199,444
Salaries & Wages - Commissioners	6,000	0		6,000
Employee Pension & Benefits	0	35,556	(d)	35,556
Purchased Water	493,005	(72,757)	(e)	420,248
Purchased Power	0	6,595	(h)	6,595
Materials & Supplies	39,059	(11,605)	(g)	27,454
Contractual Services - Acctounting	12,146	0		12,146
Rental Building/Real. Property	6,139	0		6,139
Transportation	0	16,784	(h)	16,784
Insurance - Gen. Liability	0	10,687	(g)	10,687
Insurance - Workers Comp.	16,400	(11,590)	(g)	4,810
Insurance - Other	31,462	(31,462)	(d)	0
Advertising	0	2,120		2,120
Miscellaneous	220,007	(189,974)	(h)	30,033
Total Operation & Maintenance	<u>\$ 1,004,031</u>	<u>\$ (226,015)</u>		<u>\$ 778,016</u>
Depreciation	81,343	1,596	(i)	82,939
Amortization	0	0		0
Taxes Other Than Income:				
Public Service Com. Assessment	0	1,743	(h)	1,743
Payroll Taxes	10,643	6,137	(j)	16,780
Other Tax & License	0	0		0
Utility Operating Expenses	<u>\$ 1,096,017</u>	<u>\$ (216,539)</u>		<u>\$ 879,478</u>
Net Utility Operating Income	<u>\$ (53,502)</u>	<u>\$ 54,333</u>		<u>\$ 831</u>
Other Income & Deductions:				
Interest Income	726	0		726
Nonutility Income	0	3,147	(k)	3,147
Total Other income & Deductions	<u>\$ 726</u>	<u>\$ 3,147</u>		<u>\$ 3,873</u>
Net Income Available for Debt Service	<u>\$ (52,776)</u>	<u>\$ 57,480</u>		<u>\$ 4,704</u>

Utility: Sandy Valley Water District
 Title: Index of Pro Forma Adjustments - Income Statement

Adj. Ref.	Adjustment Description
(a)	Revenue from Water Sales: This adjustment reflects the results of Commission Staff's billing analysis and the current tariffed rate.
(b)	Miscellaneous Revenues: This adjustment eliminates the mis-classified items (i.e.: tap-on fees; customer deposits; etc.) and the garbage fee collections.
(c)	Salaries & Wages - Employees: This adjustment reflects the current Staff level, the actual test-period hours worked and 5 percent increase.
(d)	Employee Pensions & Benefits: This adjustment reflects the 2005 employee health insurance premiums.
(e)	Purchased Water: This adjustment reflects the correction of test-period water purchases and the elimination of line-loss that is greater than 15 percent.
(f)	Materials & Supplies: This adjustment removes capital expenditures that were incorrectly expensed in the test-period.
(g)	Insurance: This adjustment reflects the current premiums for general liability, workers compensation, vehicle and all other insurance coverages.
(h)	Miscellaneous: This adjustment: (1) corrects the miss-classification of several expenses; (2) eliminates the payment of the garbage fees; and (3) removes capital expenditures that were incorrectly expensed in the test-period.
(i)	Depreciation: This adjustment reflects the depreciation on capital expenditures removed from expenses.
(j)	Payroll Taxes: This adjustment reflects the pro forma payroll and the current payroll tax rates.
(k)	Non-Utility Income: This adjustment reflects receipt of half of the billing expense for the garbage billing.

Utility: Sandy Valley Water District
 Adjustment: (a) Revenue from Water Sales

Normalized Revenue from Water Sales	\$	780,956
Less: Reported Revenue from Water Sales		778,787
Pro Forma Adjustment	\$	<u>2,169</u>

Reported Sales for Resale - Gallons		37,846,000
Multiplied by: Tariffed Wholesale Rate - Mountain WD	\$	2.45
Normalized Sales for Resale Revenues	\$	92,723
Less: Reported Sales for Resale Revenues		91,208
Pro Forma Adjustment	\$	<u>1,515</u>

Utility: Sandy Valley Water District
 Adjustment: (b) Forfeited Discounts

	Turn-On-Fee	Return Check Charge	Reconnect Fee	Totals
02/05/04	\$ 200	\$ 220	\$ 460	\$ 880
03/02/04	\$ 200	\$ 80	\$ 100	380
03/24/04	\$ 50	\$ 20	\$ 340	410
05/04/04	\$ 100	\$ -	\$ 600	700
06/03/04	\$ 300	\$ 20	\$ 200	520
06/30/04	\$ 50	\$ 100	\$ 380	530
07/30/04	\$ 200	\$ 40	\$ 400	640
08/31/04	\$ 200	\$ 20	\$ 320	540
09/30/04	\$ 100	\$ 120	\$ 460	680
11/01/04	\$ 100	\$ 60	\$ 380	540
12/01/04	\$ 100	\$ 120	\$ 440	660
01/04/05	\$ 150	\$ -	\$ -	150
Miscellaneous Service Revenue			\$	6,630
Less: Reported Level				172,520
Pro Forma Adjustment			\$	<u>(165,890)</u>

Utility: Sandy Valley Water District
 Adjustment: (c) Salaries & Wages - Employees

Employee Position	Type	Hours Worked		Pro Forma Rates		Pro Forma Salaries & Wages		
		Regular	Overtime	Regular	Overtime	Regular	Overtime	Totals
Billing Clerk	S	N/A	N/A	\$ 1,023.45	N/A	\$ 26,610	\$ -	\$ 26,610
Field Foreman	S	N/A	N/A	\$ 1,358.74	N/A	35,327	0	35,327
Field Operator	H	2,080.00	18.50	\$ 12.30	\$ 18.450	25,584	341	25,925
Field Operator	H	2,080.00	22.50	\$ 12.30	\$ 18.450	25,584	415	25,999
Field Operator	H	2,080.00	33.50	\$ 12.30	\$ 18.450	25,584	618	26,202
Billing Clerk	H	2,080.00	0.00	\$ 9.45	\$ 14.175	19,656	0	19,656
Office Manager	S	N/A	N/A	\$ 1,527.90	N/A	39,725	0	39,725
Pro Forma Totals						<u>\$ 198,070</u>	<u>\$ 1,374</u>	<u>\$ 199,444</u>
Pro Forma Wages & Salaries - Employees								\$ 199,444
Less: Reported Wages & Salaries - Employees								179,813
Pro Forma Adjustment								<u>\$ 19,631</u>

Utility: Sandy Valley Water District
 Adjustment: (d) Employee Pensions & Benefits

Employee Position	Monthly Health Ins. Premium Period 05/01 thru 05/31/05		Pro Forma Monthly Totals	Annual Totals
	Employee	Dependent		
Billing Clerk	\$ -	\$ -	\$ -	\$ -
Field Foreman	\$ 333	\$ 621	\$ 954	\$ 11,448
Field Operator	\$ 167	\$ 356	\$ 523	\$ 6,276
Field Operator	\$ 139	\$ 197	\$ 336	\$ 4,032
Field Operator	\$ 200	\$ 637	\$ 837	\$ 10,044
Billing Clerk	\$ 313	\$ -	\$ 313	\$ 3,756
Office Manager	\$ -	\$ -	\$ 0	\$ 0
Pro Forma Adjustment			<u>\$ 2,963</u>	<u>\$ 35,556</u>

Miss-Classified Employee Health Insurance \$ (31,462)

Utility: Sandy Valley Water District
 Adjustment: (e) Purchased Water

City of Prestonsburg			City of Pikeville		
Service Period		Gallons	Service Period		Gallons
From	To		From	To	
12/12/03	01/13/04	4,560,000	12/12/03	01/02/04	16,633,000
01/13/04	02/13/04	4,236,000	01/02/04	02/02/04	15,771,000
02/13/04	03/12/04	3,577,000	02/02/04	03/02/04	16,722,000
03/12/04	04/13/04	3,949,000	03/02/04	04/02/04	18,579,000
04/13/04	05/13/04	3,039,000	04/02/04	05/02/04	18,742,000
05/13/04	06/14/04	3,920,000	05/02/04	06/02/04	18,968,000
06/14/04	07/13/04	4,565,000	06/02/04	07/02/04	21,312,000
07/13/04	08/13/04	4,518,000	07/02/04	08/03/04	17,456,000
08/13/04	09/13/04	3,360,000	08/03/04	10/01/04	16,939,000
09/13/04	10/13/04	3,433,000	10/01/04	11/02/04	17,420,000
10/13/04	11/12/04	3,270,000	11/02/04	12/02/04	16,334,000
11/12/04	12/13/04	3,476,000	12/02/04	01/02/04	20,072,000
Annual Totals		<u>45,903,000</u>	Annual Totals		<u>214,948,000</u>

City of Prestonsburg - Purchased Water Calculation				City of Pikeville - Purchased Water Calculation	
Usage Block	Rate per 1,000 Gal	Gallons	Pro Forma Purch. Water	Test-Period Purchases - Gallons	
First 24,000	\$ 7.780	24,000.00	\$ 93	214,948,000.00	
Next 1,176,000	\$ 3.432	1,176,000	4,036	Multiplied by: Rate per Gallon	\$ 0.00169
Over 1,200,000	\$ 2.332	44,703,000	104,247	Purchased Water Expense	\$ 363,262
Totals		<u>45,903,000</u>	<u>\$ 108,376</u>		

Unaccounted for Water Loss Percentage

Water Produced/Purchased	260,851,000.00
Water Sales - Staff's Billing Analysis	<u>155,456,000.00</u>
Wholesale Water	<u>37,846,000.00</u>
Total Test-Period Water Sales - Gallons	<u>193,302,000.00</u>
Unaccounted for Water Loss - Gallons	<u>67,549,000.00</u>
Percentage of Unaccounted for Water Loss	<u>25.896%</u>
Percentage Water Loss in Excess of 15 Percent	<u>10.896%</u>

Determination of Pro Forma Purchased Water

Pro Forma Purchased Water - City of Prestonsburg	\$ 108,376
Reported Purchased Water - City of Pikeville	<u>363,262</u>
Total Test-Period Water Purchases	\$ 471,638
Multiplied by: Percentage Water Loss in Excess of 15 Percent	<u>-10.896%</u>
Disallowed Water Purchases	\$ (51,390)
Add: Total Test-Period Water Purchases	<u>471,638</u>
Allowable Purchased Water Expense	\$ 420,248
Less: Reported Purchased Water Expenses	<u>493,005</u>
Pro Forma Adjustment	<u>\$ (72,757)</u>

Utility: Sandy Valley Water District
 Adjustment: (f) Materials & Supplies

Invoice #	Vendor	Description	Amount
S1223124.1	CI Thornburg Co.	Meters & Setters	\$ (2,252)
S1223426.1	CI Thornburg Co.	6" Check Valve	(1,322)
546630	Water Works Supplies	500 ft 4" PVC & 100 ft 3/4" CTS Insert	(611)
531732	Water Works Supplies	2" Meter Vault w/Lid	(370)
5484495	Water Works Supplies	2" Setter and Vault	(585)
536557	Water Works Supplies	10 Setters and Reseters	(698)
535538	Water Works Supplies	Meter Boxes	(318)
541702	Water Works Supplies	Setters, and Vaults	(1,236)
528369	Water Works Supplies	Setters and Reseters	(1,256)
S1237214.1	CI Thornburg Co.	Meters & Setters	(1,642)
S1209262.1	CI Thornburg Co.	Meters	(930)
S1216080.3	CI Thornburg Co.	Meter Boxes	(385)
Pro Forma Adjustment			<u>\$ (11,605)</u>

Utility: Sandy Valley Water District
 Adjustment: (g) Insurance

Insurance	Policy Period		Premium
	From	To	
KAoC All Lines Fund - Gen Liab/Auto	07/01/05	07/01/06	\$ 10,687

Description		Pro Foam Payroll	Rate per \$100	Premium
Waterworks Operation	W	\$ 113,453	\$ 4.02	\$ 4,561
Clerical	C	85,991	\$ 0.27	232
Total Manual Premium		<u>\$ 199,444</u>		<u>\$ 4,793</u>
Add: Increased Limits Premium			0.00%	0
Subtotal				<u>\$ 4,793</u>
Multiplied by: Experience Modification			10.00%	90.00%
Modified Premium				<u>\$ 4,314</u>
Less: Schedule Credit			0.00%	0
Standard Premium				<u>\$ 4,314</u>
Less: Premium Discount			0.00%	0
Add: Expense Constant				0
Add: Terrorism Premium Charge			0.000	0
Net Premium				<u>\$ 4,314</u>
Kentucky Special Fund Assessment			11.50%	496
Pro Forma Premium				<u>\$ 4,810</u>
Less: Reported Premium				16,400
Pro Forma Adjustment				<u>\$ (11,590)</u>

Utility: Sandy Valley Water District
 Adjustment: (h) Miscellaneous

Garbage Billing		\$ (139,147)
Misclassified Expenses:		
Purchased Power	AEP -Jan-04 throught Dec-04	(6,595)
Transportation	Auto Repair	(5,258)
Transportation	Fuel	(11,526)
Advertising		(2,120)
PSC Assessment		(1,743)
Capital:		
Bud Rife Construction	Water Main - River Crossing	(18,000)
B&D Construction	Meter Installation	(756)
B&D Construction	Meter Installation	(3,829)
B&D Construction	Meter Installation	(1,000)
Miss-classified Expenses		<u>\$ (189,974)</u>

Utility: Sandy Valley Water District
 Adjustment: (i) Depreciation

	Cost	Dep Life	Adjustment
Meters & Setters	\$ 2,252	15	\$ 150
6" Check Valve	\$ 1,322	15	88
500 ft 4" PVC & 100 ft 3/4" CTS Insert	\$ 611	15	41
2" Meter Vault w/Lid	\$ 370	15	25
2" Setter and Vault	\$ 585	15	39
10 Setters and Resetters	\$ 698	15	47
Meter Boxes	\$ 318	15	21
Setters, and Vaults	\$ 1,236	15	82
Setters and Resetters	\$ 1,256	15	84
Meters & Setters	\$ 1,642	15	109
Meters	\$ 930	15	62
Meter Boxes	\$ 385	15	26
Water Main - River Crossing	\$ 18,000	40	450
Meter Installation	\$ 756	15	50
Meter Installation	\$ 3,829	15	255
Meter Installation	\$ 1,000	15	67
Pro Forma Adjustment			<u><u>\$ 1,596</u></u>

Utility: Sandy Valley Water District
 Adjustment: (j) Payroll Taxes

Employee Position	Pro Forma Payroll	Pro Forma Payroll Taxes			Total Payroll Taxes
		St. Unemp. \$ 7,000 0.80%	Fed. Unemp \$ 8,000 1.00%	FICA \$ 76,000 7.65%	
Billing Clerk	\$ 26,610	56	80	2,036	2,172
Field Foreman	35,327	56	80	2,703	2,839
Field Operator	25,925	56	80	1,983	2,119
Field Operator	25,999	56	80	1,989	2,125
Field Operator	26,202	56	80	2,004	2,140
Billing Clerk	19,656	56	80	1,504	1,640
Office Manager	39,725	56	80	3,039	3,175
Commissioner	1,200	10	12	92	114
Commissioner	1,200	10	12	92	114
Commissioner	1,200	10	12	92	114
Commissioner	1,200	10	12	92	114
Commissioner	1,200	10	12	92	114
Pro Forma Totals	<u>\$ 205,444</u>	<u>\$ 442</u>	<u>\$ 620</u>	<u>\$ 15,718</u>	<u>\$ 16,780</u>
Pro Forma Payroll Taxes					\$ 16,780
Less: Test Period Payroll Taxes					<u>10,643</u>
Pro Forma Adjustment					<u>\$ 6,137</u>

Utility: Sandy Valley Water District
Adjustment: (k) Non-Utility Income - Billing for Garbage

Postage Expense	\$ 6,293
Multiplied by: 50%	50%
Garbage Billing Fee	<u>\$ 3,147</u>

Utility: **Sandy Valley Water District**
 Workpaper: **Minimum and Maximum Revenue Requirement Determinations**

	Revenue Requirement	
	Minimum	Maximum
3-Year Average Debt Service	\$ 120,756	\$ 120,756
Multiplied by: Debt Service Coverage	1.2	1.2
Income From Operations	\$ 144,907	\$ 144,907
Add: Operating Expenses	778,016	778,016
Depreciation	0	82,939
Amortization	0	0
Taxes Other Than Income	18,523	18,523
Total Revenue Requirement	\$ 941,446	\$ 1,024,385
Less: Other Income & Deductions	3,873	3,873
Revenue Requirement from Operations	\$ 937,573	\$ 1,020,512
Less: Other Operating Revenues	6,630	6,630
Revenue Requirement from Water Sales	\$ 930,943	\$ 1,013,882
Less: Pro Forma Revenue - Water Sales	873,679	873,679
Requested/Recommended Increase	\$ 57,264	\$ 140,203
Percentage Increase	6.554%	16.047%

No. of Meters	Meter Size	Cost per Meter	Totals
2,444	5/8 x 3/4-Inch	\$ 35.20	\$ 86,028.80
20	1-Inch	\$ 103.14	2,062.80
5	2-Inch	\$ 450.00	2,250.00
2	4-Inch	\$ 2,434.03	4,868.06
1	6-Inch	\$ 4,506.50	4,506.50
Estimated Cost of Meter Change Out Program			\$ 99,716.16
Divided by: Number of Months			60
Average Monthly Cost of Meter Change Out Program			\$ 1,661.94
Divided by: Test-Period Number of Customers			2,472
Monthly Customer Surcharge			\$ 0.67

Utility: Sandy Valley Water District
Title: Determination of 3-Year Average Debt Service

	2005	2006	2007	3-Year Average
EDA Bonds	\$ 33,360	\$ 33,360	\$ 33,360	\$ 33,360
RD Loan	87,396	87,396	87,396	87,396
Totals	<u>\$ 120,756</u>	<u>\$ 120,756</u>	<u>\$ 120,756</u>	<u>\$ 120,756</u>

CURRENT RATES

FIRST	2,000	\$11.10	Minimum Bill
NEXT	3,000	4.55	per 1,000 gallons
NEXT	15,000	4.15	per 1,000 gallons
NEXT	30,000	3.67	per 1,000 gallons
NEXT	50,000	3.44	per 1,000 gallons
OVER	100,000	3.27	per 1,000 gallons

PROPOSED RATES

FIRST	2,000	\$16.16	Minimum Bill
NEXT	3,000	5.42	per 1,000 gallons
NEXT	15,000	5.12	per 1,000 gallons
NEXT	30,000	4.82	per 1,000 gallons
NEXT	50,000	4.53	per 1,000 gallons
OVER	100,000	4.23	per 1,000 gallons

COMPARISON OF RATES AT DIFFERENT USAGE LEVELS

<u>MONTHLY USAGE</u>	<u>MONTHLY BILL AT CURRENT RATE</u>	<u>MONTHLY PROPOSED RATE</u>	<u>PERCENT INCREASE OVER CURRENT</u>
0 USAGE	\$11.10	\$16.16	45.6%
2,000	\$11.10	\$16.16	45.6%
5,000	24.75	32.42	31.0%
10,000	45.50	58.02	27.5%
20,000	87.00	109.22	25.5%
30,000	123.70	157.42	27.3%
50,000	197.10	253.82	28.8%
75,000	286.10	370.07	29.3%
100,000	369.10	480.32	30.1%
150,000	532.60	691.82	29.9%
200,000	696.10	903.32	29.8%
500,000	1677.10	2172.32	29.5%

Note: Average customer (5,000 gallons) bill will increase from \$24.75 to \$32.42 (31.0%)

CURRENT RATES

FIRST	5,000	\$24.75	Minimum Bill
NEXT	15,000	4.15	per 1,000 gallons
NEXT	30,000	3.67	per 1,000 gallons
NEXT	50,000	3.44	per 1,000 gallons
OVER	100,000	3.27	per 1,000 gallons

PROPOSED RATES

FIRST	5,000	\$32.42	Minimum Bill
NEXT	15,000	5.12	per 1,000 gallons
NEXT	30,000	4.82	per 1,000 gallons
NEXT	50,000	4.53	per 1,000 gallons
OVER	100,000	4.23	per 1,000 gallons

COMPARISON OF RATES AT DIFFERENT USAGE LEVELS

<u>MONTHLY USAGE</u>	<u>MONTHLY BILL AT CURRENT RATE</u>	<u>MONTHLY BILL AT PROPOSED RATE</u>	<u>PERCENT INCREASE OVER CURRENT</u>
2,000	\$24.75	\$32.42	31.0%
5,000	\$24.75	\$32.42	31.0%
10,000	\$45.50	\$58.02	27.5%
20,000	87.00	109.22	25.5%
30,000	123.70	157.42	27.3%
50,000	197.10	253.82	28.8%
75,000	283.10	367.07	29.7%
100,000	369.10	480.32	30.1%
150,000	532.60	691.82	29.9%
200,000	696.10	903.32	29.8%
500,000	1677.10	2172.32	29.5%

Note: Average customer (20,000 gallons) bill will increase from \$87.00 to \$109.22 (25.5%)

CURRENT RATES

FIRST	25,000	\$105.35	Minimum Bill
NEXT	25,000	3.67	per 1,000 gallons
NEXT	50,000	3.44	per 1,000 gallons
OVER	100,000	3.27	per 1,000 gallons

PROPOSED RATES

FIRST	25,000	\$133.32	Minimum Bill
NEXT	25,000	4.82	per 1,000 gallons
NEXT	50,000	4.53	per 1,000 gallons
OVER	100,000	4.23	per 1,000 gallons

**COMPARISON OF RATES AT
DIFFERENT USAGE LEVELS**

<u>MONTHLY USAGE</u>	<u>MONTHLY BILL AT CURRENT RATE</u>	<u>MONTHLY BILL AT PROPOSED RATE</u>	<u>PERCENT INCREASE OVER CURRENT</u>
0 USAGE	\$105.35	\$133.32	26.5%
20,000	105.35	133.32	26.5%
30,000	123.70	157.42	27.3%
50,000	197.10	253.82	28.8%
75,000	283.10	367.07	29.7%
100,000	369.10	480.32	30.1%
150,000	532.60	691.82	29.9%
200,000	696.10	903.32	29.8%
500,000	1677.10	2172.32	29.5%

Note: Average customer (50,000 gallons) bill will increase from \$197.10 to \$253.82 (28.8%)

CURRENT RATES

FIRST	50,000	\$197.10	Minimum Bill
NEXT	50,000	3.44	per 1,000 gallons
OVER	100,000	3.27	per 1,000 gallons

PROPOSED RATES

FIRST	50,000	\$253.82	Minimum Bill
NEXT	50,000	4.53	per 1,000 gallons
OVER	100,000	4.23	per 1,000 gallons

**COMPARISON OF RATES AT
DIFFERENT USAGE LEVELS**

<u>MONTHLY USAGE</u>	<u>MONTHLY BILL AT CURRENT RATE</u>	<u>MONTHLY BILL AT PROPOSED RATE</u>	<u>PERCENT INCREASE OVER CURRENT</u>
50,000	197.10	253.82	28.8%
75,000	283.10	367.07	29.7%
100,000	369.10	480.32	30.1%
150,000	532.60	691.82	29.9%
200,000	696.10	903.32	29.8%
500,000	1677.10	2172.32	29.5%

Note: Average customer (75,000 gallons) bill will increase from \$283.10 to \$367.07 (29.7%)

CURRENT RATES

FIRST 100,000 \$369.10 Minimum Bill
 OVER 100,000 3.27 per 1,000 gallons

PROPOSED RATES

FIRST 100,000 \$465.32 Minimum Bill
 OVER 100,000 4.23 per 1,000 gallons

**COMPARISON OF RATES AT
 DIFFERENT USAGE LEVELS**

<u>MONTHLY USAGE</u>	<u>MONTHLY BILL AT CURRENT RATE</u>	<u>MONTHLY BILL AT PROPOSED RATE</u>	<u>PERCENT INCREASE OVER CURRENT</u>
100,000	369.10	465.32	26.1%
150,000	532.60	676.82	27.1%
200,000	696.10	888.32	27.6%
500,000	1677.10	2157.32	28.6%

Note: Average customer (150,000 gallons) bill will increase from \$532.60 to \$676.82 (27.1%)

ALLOCATION OF PLANT VALUE				
	TOTAL	COMMODITY	DEMAND	CUSTOMER
Structures & Improvements	\$800.00		\$800.00	
Land & Land Rights	49,844.90		49,844.90	
Services	23,631.81			\$23,631.81
Distribution Reservoirs & Standpipes	115,797.80		115,797.80	
Transmission & Distribution Mains	3,305,848.54		3,305,848.54	
Hydrants	147,167.02			147,167.02
SUBTOTAL	\$3,643,090.07	\$0.00	\$3,472,291.24	\$170,798.83
PERCENT	100.00%	0	95.31%	4.69%
General Plant (1)				
Transportation Equipment	55,029.99		52,450.02	2,579.97
Tools, Shop & Garage Equipment	61,940.97		59,036.99	2,903.98
Other Tangible Plant	15,084.35		14,377.15	707.20
Office Furniture & Equipment	20,645.19		19,677.28	967.91
TOTAL VALUE	\$3,795,790.57	\$0.00	\$3,617,832.69	\$177,957.88
(1) General Plant allocated based on overall weighted allocation of all other plant.				
Note: Figures used were derived from 2004 annual report				

ALLOCATION OF DEPRECIATION EXPENSE

	TOTAL	COMMODITY	DEMAND	CUSTOMER
Structures & Improvements	\$800.00		\$800.00	
Distribution Reservoirs & Standpipes	79,227.57		79,227.57	
Services	10,526.33			\$10,526.33
Meters & Meter Installations	141,240.90			141,240.90
Hydrants	5,926.12			5,926.12
Transmission & Distribution Mains	1,051,773.36	.	1,051,773.36	
SUBTOTAL	\$1,289,494.28	\$0.00	\$1,131,800.93	\$157,693.35
PERCENT	100.00%	0.00%	87.77%	12.23%
Transportation Equipment	44,679.35	.	39,215.47	5,463.88
Tools, Shop & Garage Equipment	61,940.97		54,366.16	7,574.81
Other Tangible Plant	6,407.00		5,623.48	783.52
Office Furniture & Equipment	29,323.12	.	25,737.17	3,585.95
TOTAL DEPRECIATION	\$1,431,844.72	\$0.00	\$1,256,743.21	\$175,101.51
Note: Figures used were derived from 2004 annual report				

ALLOCATION OF OPERATION AND MAINTENANCE EXPENSE				
	TOTAL	COMMODITY	DEMAND	CUSTOMER
Employee Salaries	\$159,719.00		\$74,391.36	\$85,327.64
Insurance - Workers Comp.	4,810.00		2,260.70	2,549.30
Employee Pensions	35,556.00		16,558.43	18,997.57
Taxes - Payroll	13,035.00		6,070.40	6,964.60
Contractual Services - Accounting	12,146.00			12,146.00
Rental of Building	6,139.00			6,139.00
Purchased Water	420,248.00	\$420,248.00		
Purchased Power	6,595.00	6,595.00		
Materials & Supplies	27,454.00		27,454.00	
SUBTOTAL	\$685,702.00	\$426,843.00	\$126,734.89	\$132,124.11
LESS COMMODITY	-\$426,843.00			
SUBTOTAL	\$258,859.00		\$126,734.89	\$132,124.11
PERCENT	100.00%		48.96%	51.04%
Insurance - General Liability	10,687.00		5,232.25	5,454.75
Employee Salaries - Office Manager	39,725.00		19,448.98	20,276.02
Officer Salaries	6,000.00		2,937.54	3,062.46
Taxes - Payroll (Commissioner)	3,745.00		1,833.52	1,911.48
Transportation	16,784.00		8217.29	8,566.71
Taxes - PSC Assessment	1,743.00		853.36	889.64
Miscellaneous Expense	30,033.00		14,703.87	15,329.13
Advertising Expense	2,120.00		1,037.93	1,082.07
TOTAL	\$796,539.00	\$426,843.00	\$180,999.62	\$188,696.38

SUMMARY OF ALLOCATIONS

	TOTAL	COMMODITY	DEMAND	CUSTOMER
Plant Percentages	100.00%		95.31%	4.69%
Available For Debt Service	\$144,907.00		\$138,110.86	\$6,796.14
Depreciation Percentages	100.00%		87.77%	12.23%
Total Depreciation	82,939.00		72,795.56	10,143.44
Total Operation & Maintenance	796,539.00	\$426,843.00	180,999.62	188,696.38
REVENUE REQUIREMENT	\$1,024,385.00			
<i>Less: Other Operating Revenue</i>	-6,630.00			-6,630.00
<i>Less: Interest Income</i>	-3,873.00			-3,873.00
<i>Less: Wholesale Customer</i>	-92,723.00	-92723		
REVENUE REQUIRED FROM RATES	\$921,159.00	\$334,120.00	\$391,906.04	\$195,132.96

CALCULATION OF WATER RATES

	TOTAL	FIRST 2,000	NEXT 3,000	NEXT 15,000	NEXT 30,000	NEXT 50,000	OVER 100,000
FROM BILLING ANALYSIS:							
COMMODITY PERCENTS	100.00%	32.01%	27.51%	19.35%	8.29%	4.55%	8.29%
ACTUAL COMMODITY SALES	155,456,000	49,754,000	42,766,000	30,080,000	12,890,000	7,080,000	12,886,000
PEAK DEMAND WEIGHTED FACTOR		2	1.8	1.6	1.4	1.2	1
PEAK DEMAND WEIGHTED SALES	264,042,800	99,508,000	76,978,800	48,128,000	18,046,000	8,496,000	12,886,000
DEMAND PERCENTS	100.00%	37.69%	29.15%	18.23%	6.83%	3.22%	4.88%
COMMODITY COSTS	\$334,120.00	\$106,935.77	\$91,916.53	\$64,650.64	\$27,704.35	\$15,216.97	\$27,695.75
DEMAND COSTS	\$391,906.04	\$147,694.94	\$114,255.93	\$71,434.08	\$26,784.81	\$12,610.20	\$19,126.07
CUSTOMER COSTS	\$195,132.96	\$195,132.96					
TOTAL COSTS	\$921,159.00	\$449,763.67	\$206,172.46	\$136,084.72	\$54,489.16	\$27,827.18	\$46,821.82
DIVIDE BY BILLS/GALLONS		29,668	42,766,000	30,080,000	12,890,000	7,080,000	12,886,000
CALCULATED RATES		\$15.16	\$4.82	\$4.52	\$4.23	\$3.93	\$3.63
		FIRST 2,000	NEXT 3,000	NEXT 15,000	NEXT 30,000	NEXT 50,000	OVER 100,000

RESOLUTION

At the Special Meeting of the Floyd County Fiscal Court held in the County Courtroom of the Floyd County Courthouse on December 22, 2005 at the hour of 1:00 o'clock p.m., the following Resolution was offered:

WHEREAS, it is necessary that the County Judge/Executive be granted authority by the Floyd County Fiscal Court to execute an Interlocal Cooperation Agreement with the City of Pikeville, Kentucky, Sandy Valley Water District, and Southern Water and Sewer District for the "PRIDE on the River" project, pertaining to the construction of Phases 1, 2, and 3 of the project, with Phase 1 of the Sewer Project specifically providing for the extension of sewage treatment collection lines along U.S. 23, through the communities of Harold, Betsy Layne, and Mare Creek, to connect with lines currently serving Pike County, Kentucky.

NOW, THEREFORE, BE IT RESOLVED by the Floyd County Fiscal Court that the County Judge/Executive is granted authority to execute an Interlocal Cooperation Agreement with the City of Pikeville, Kentucky, Sandy Valley Water District, and Southern Water and Sewer District for the "PRIDE on the River" project, pertaining to the construction of Phases 1, 2, and 3 of the project, with Phase 1 of the Sewer Project specifically providing for the extension of sewage treatment collection lines along U.S. 23, through the communities of Harold, Betsy Layne, and Mare Creek, to connect with lines currently serving Pike County, Kentucky, and to execute any and all documents necessary to hire John Hughes of Frankfort, Kentucky to serve as counsel for the preparation of the Joint Application and other documents described in subparagraph B. 1. of the Interlocal Cooperation Agreement.

Motion for adoption of this Resolution was made by Alan and seconded by Karry and vote taken as follows:
For _____ Against _____

Gregory D. Rossell
Karry Thompson
Alan

Paul H. Thompson

WHEREUPON, the Motion was declared passed and said Resolution adopted this the 22nd day of December, 2005.

Paul H. Thompson
PAUL H. THOMPSON
FLOYD COUNTY JUDGE/EXECUTIVE

ATTEST:
CHRIS WAUGH, FLOYD COUNTY CLERK
BY: Peggy Compton, D.C.

**CITY OF PIKEVILLE
BOARD OF COMMISSIONERS
SPECIAL MEETING MINUTES
DECEMBER 22, 2005**

The Board of Commissioners for the City of Pikeville was called to meet in Special Meeting on Thursday, December 22, 2005, at Noon, for the following purposes:

- 1. Discussion and approval of the recommendation from the Main Street Board to appoint Serena Stiltner to the position of Main Street Director.**
- 2. Consider discussion and action on proposed agreement with Sandy Valley Water, Southern Water, Floyd County Fiscal Court and City of Pikeville, Kentucky.**
- 3. Request for closed session to discuss legal question in regard to an Agreement with Sandy Valley Water, Southern Water, Floyd County Fiscal Court and City of Pikeville, KY**

The meeting was held in the second floor conference room at City Hall

There being a quorum present, Mayor Franklin D. Justice, II called the meeting to order. Commission Members present at roll call were as follows:

COMMISSIONER:	DALLAS LAYNE EUGENE W. DAVIS
MAYOR:	FRANKLIN D. JUSTICE, II

Commissioners James A. Carter and M. Shane Hall were absent.

1. City Manager Donovan Blackburn reported that the Pikeville Main Street Board of Directors met in Special Meeting on December 20th. The Board recommended the appointment of Serena Stiltner to the position of Pikeville Main Street Manager. Commissioner Davis made the motion to affirm the recommendation of the Pikeville Main Street Board of Directors to appoint Serena Stiltner to the position of Pikeville Main Street Manager. Commissioner Layne seconded the motion. The motion carried 3 – 0.

2. The City Commission recognized Paul Hunt Thompson and Brett Davis, Floyd County Judge/Executive and Deputy Judge/Executive, respectively. Discussed was a proposed Interlocal Cooperation Agreement relating to water and sewer service along US 23 in the Harold/Betsy Layne/ Mare Creek area of Floyd County and the Mossy Bottom/Coal Run Area of Pike County. Parties participating in the Interlocal Agreement are Floyd County Fiscal Court, City of Pikeville, Sandy Valley Water District, and Southern Water and Sewer District. A sewer project to be

known as “PRIDE on the River” will be constructed. Components of the project include an extension of the Pikeville sewer collection system to serve the communities of Harold, Betsy Layne and Mare Creek in Floyd County (Phase 1); a new treatment plant in Floyd County (Phase 2) and construction of extension to serve the many communities of Mud Creek in Floyd County (Phase 3). To assure the project has the lowest possible customer rates and to provide for appropriate management control of the wastewater system, the parties have agreed that a single utility own and operate both water and wastewater services. Sandy Valley Water District will join with Pikeville and Southern Water and Sewer District in transferring the portion of Sandy Valley’s water facilities located in Pike County and in Floyd County, together with the debt obligation associated with each portion, to Pikeville and Southern Water and Sewer District, respectively. Pikeville will assume responsibility for daily operations of Sandy Valley’s facilities on February 1, 2006. Sandy Valley will retain control of its facilities and shall make timely payment of invoices relating to cost of Sandy Valley operations each month until the Kentucky Public Service Commission approves the transfer of assets. Water rates for Sandy Valley customers will remain unchanged for a period of one year from the date of PSC approval. With regard to construction of the wastewater facilities, Pikeville and Floyd County Fiscal Court will file a joint CDBG funding application in the amount of \$2 million. The Big Sandy Area Development District is designated as the administrator of the agreement.

Mayor Justice, along with Commissioners Layne and Davis commented on the significance of the various local governments and agencies working together for the benefit of all citizens. Through this cooperation of the various agencies, the area will realize a greater benefit from combining its tax dollars. Mayor Justice expressed his appreciation to Veolia Water Manager, Roger Recktenwald, for his assistance in developing the agreement.

Mayor Justice made the motion to approve the Interlocal Agreement as presented. Commissioner Davis seconded the motion. The motion carried 3 – 0.

Commissioner Davis made the motion, seconded by Commissioner Layne to authorize Mayor Justice to execute the Interlocal Agreement on behalf of the City of Pikeville. The motion carried 3 – 0.

There being no further business to come before the Commission, Commissioner Davis made the motion, seconded by Mayor Justice to adjourn the meeting. The motion carried 3 – 0.

APPROVED: _____
FRANKLIN D. JUSTICE, II, MAYOR

ATTEST:

KAREN W. HARRIS, CITY CLERK

SOUTHERN WATER & SEWER DISTRICT
P.O. BOX 610
McDowell, KY 41647

MINUTES OF THE SPECIAL CALLED MEETING OF:
SOUTHERN WATER & SEWER DISTRICT COMMISSIONS
DECEMBER, 27, 2005 @ 12:00PM / MCDOWELL OFFICE SOUTHERN WATER

ATTENDEES:

HUBERT HALBERT, CHAIRMAN
PAULA JOHNSON, SECRETARY
EULA HALL, COMMISSIONER
BERT LAYNE, TREASURER
PALMER FRASURE, COMMISSIONER
BOB MEYER, VEOLIA
TINA MOSLEY, VEOLIA

CHARLOTTE FRASURE, CITIZEN
KATHY HALBERT, CITIZEN
TROY HOGGE, O'BRIENE & GERE

A. MEETING CALLED TO ORDER: 12:00 PM

By: Hubert Halbert

B. BID OPENINGS:

A. BANK LOAN

Bob Meyer indicated that Citizens National Bank and Community Trust Bank will not submit bids as there are no tax advantages for this particular loan.

Hubert Halbert, Chairman, opened the sealed bids received:

- First Commonwealth Bank - 6.3% fixed for the term of the loan, with the option of a floating rate at 1% over prime.
- USA Bank- no quote; assumed this would be a bond issue.
- First Guaranty- Fixed rate of 5.1% for the term of the loan (initially 2 year term with two consecutive 2 year rollovers).

Paula Johnson addressed a concern that all of Southern Water & Sewer's cash accounts are with one bank (First Guaranty). Bob Meyer suggested that, if the commissioners desired, the District could issue a separate RFP for existing accounts.

MOTION TO ACCEPT BANK LOAN PROPOSAL FROM FIRST GUARANTY WITH A 72 MONTH, 6 YEAR TERM, WITH THE PRINCIPAL AMOUNT NOT TO EXCEED \$600,000 AND A FIXED INTEREST RATE OF 5.1%.

MOTION MADE BY: PAULA JOHNSON

SECOND BY: EULA HALL

- **MOTION PASSED**

MOTION TO RE-EVALUATE SOUTHERN WATER & SEWER DISTRICT'S CURRENT BANK ACCOUNTS AND TO ISSUE A SEPARATE RFP FOR THOSE ACCOUNTS:

MOTION MADE BY: PALMER FRASURE

SECOND BY: EULA HALL

- **MOTION PASSED**

B. TRUCK PURCHASE/LEASE

Hubert Halbert opened the bids for the Truck Purchase/Lease RFP.

- **MOUNTAIN FORD –**
 - (2) 2006 RANGERS -\$16,665 each
 - (3) 2006 F150 4X4 EXTRA CAB- \$18,830 each
 - (2) 2006 F250 DIESEL- \$24,371 each
- **BRUCE WALTERS FORD-**
 - (2) 2006 RANGERS AC 5 SPEED AUTO -\$16,515 each
 - (3) 2006 F150 - \$19,631 each
 - (2) 2006 F250 DIESEL- \$25,170.17each

Bob Meyer suggested that the Commissioners accept the low bid from Mountain Ford, but also evaluate which of the Veolia leased vehicles could be purchased from Veolia prior to purchasing/leasing a specific number of new vehicles from Mountain Ford.

MOTION TO ACCEPT BID FROM MOUNTAIN FORD, WITH THE ACTUAL NUMBER OF NEW TRUCKS TO BE LEASED/PURCHASED TO BE PREMISED ON THE NUMBER OF VEHICLES THE DISTRICT CAN PURCHASE FROM VEOLIA:

MOTION MADE BY: PAULA JOHNSON

SECOND BY: EULA HALL

- **MOTION PASSED**

C. INTERLOCAL AGREEMENT: HAROLD SEWER PROJECT

Bob Meyer addressed the commissioners with regard to the proposed INTERLOCAL AGREEMENT: HAROLD SEWER PROJECT. The 1st phase of this project will be the construction of new collection lines along US 23 from Mare Creek to the existing collection line in Pike County. As part of this process, and in order to ensure that existing Sandy Valley water customers are provided sewer service by the same entity that provides water service, Sandy Valley Water District will transfer a portion of its assets and customers to Southern Water and a portion of them to Pikeville. This transaction will need to be approved by the Ky Public Service Commission. In the interim, Pikeville will manage all of Sandy Valley's water system (ie: until approval from PSC). At the time that the PSC approves the distribution of assets, Sandy Valley's assets, customers, and employees will be taken over by Pikeville and Southern Water, with the distribution of employees to be based on number of customers, revenues, and a mutual determination between Southern Water & Pikeville as to how many employees each will retain. Several commissioners expressed a concern that we did not wish to hire any new employees if we did not have a revenue stream to

support these employees. Mr. Meyer contacted Brett Davis and Roger Recktenwald by phone to confirm the process for transfer of customers, assets and responsibility for retaining employees. Mr. Recktenwald indicated that Pikeville will manage Sandy Valley's water system until approval from PSC for transfer of assets. At that time, Pikeville and Southern Water will jointly decide on which employees of Sandy Valley that each will employ. He reiterated that there will be a revenue stream for both entities to pay these employees. He indicated that PSC approval is expected to take 3 to 5 months. Sandy Valley currently has approximately 2,500 customers, of which approximately 1,300 are on the Floyd County side, although the majority of the commercial customers are on the Pike County side. After further discussion, the following motion was made:

MOTION TO APPROVE THE INTERLOCAL COOPERATION AGREEMENT (HAROLD SEWER PROJECT) IN ITS ENTIRETY WITH THE UNDERSTANDING THAT THE HIRING OF ANY OF SANDY VALLEY WATER DISTRICT'S EMPLOYEES WILL BE SUBJECT TO AVAILABLE REVENUE AND NEGOTIATIONS BETWEEN SOUTHERN WATER AND PIKEVILLE AS TO WHICH EMPLOYEES ARE TO BE HIRED; HUBERT HALBERT, CHAIRMAN, AUTHORIZED TO EXECUTE INTERLOCAL AGREEMENT:

MOTION MADE BY: PAULA JOHNSON

SECOND BY: BERT LAYNE

- **MOTION PASSED**

D. ROCK FORK TRANSFER OF ASSETS TO KNOTT COUNTY

. Bob Meyer presented the Board with a letter from Knott County Water asking Southern Water & Sewer to transfer infrastructure assets of Rock Fork and customers over to Knott County Effective July 1, 2006. There was a lengthy discussion related to the original agreement, with the firm understanding that the original Interlocal Agreement stipulated that all Knott County assets and customers would be turned over to Knott County by Southern Water 4 years subsequent to the completion of all lines in both Rock Fork and Right Beaver. The Commissioners asked Bob Meyer to contact county attorney Keith Bartley and have him write a letter to Knott County Water & Sewer District stating the District's position on this request.

MOTION TO FORWARD A COPY OF KNOTT COUNTY LETTER AND ORIGINAL INTERLOCAL AGREEMENT TO COUNTY ATTORNEY AND HAVE HIM INFORM KNOTT COUNTY WATER & SEWER DISTRICT THAT THE DISTRICT'S INTENT IS TO TRANSFER ASSETS AND CUSTOMERS TO KNOTT COUNTY ONLY AFTER LINE ON BOTH ROCK FORK AND RIGHT BEAVER ARE COMPLETED:

MOTION MADE BY: PALMER FRASURE

SECOND BY: PAULA JOHNSON

- **MOTION PASSED**

With there being no further business to discuss the meeting was adjourned at 6:00pm. Passed on this _____ day of _____ 2005.

Approved By:

Hubert Halbert, Chairman

Attested By:

Paula Johnson, Secretary

Sandy Valley Water District
PO Box 127
Betsy Layne, Ky. 41605

December 22, 2005

The regular monthly business meeting of Sandy Valley Water District was continued from the meeting held at their offices on December 12, 2005 on the above date as a closed meeting. Present were Tom Bow, Jeff Anderson, Tommy Kidd, Oliver Blackburn, Joe Jacobs, Paul Hunt Thompson and Brett Davis. Brett Davis has made changes to the co-operative agreement. These changes were discussed. The FEMA money received by Sandy Valley was also discussed in regard to the Board's obligation to complete the projects that have been paid for as flood projects. A motion was made by Tom Bow, to accept the interlocal agreement relating to sewage and water services per the agreement. The motion included appointing Joe Jacobs, Chairman, to sign any and all documents relating to the interlocal agreement. Jeff Anderson seconded this motion. The motion passed. Next, a motion was made by Tom Bow and seconded by Tommy Kidd to give each employeea \$200 Christmas bonus. Motion carried. A motion to adjourn was then made by Jeff Anderson with second by Tommy Kidd to adjourn. Motion carried.


Chairman

Sandy Valley Water District
PO Box 127
Betsy Layne, Kentucky 41605

MONTHLY BUSINESS MEETING

June 12, 2006

The monthly meeting of Sandy Valley Water District was held on the above date at 6:00 pm. Those present were Judge Paul H. Thompson, Assistant County Judge, Brett Davis, Roger Rectenwald, Sue Varney, Greg Clark, Lynn Justice, Jeff Anderson, Oliver Blackburn, and Tommy Kidd.

In Chairman Joe Jacobs' absence a motion was made by Tommy Kidd and duly seconded to appoint Jeff Anderson as Chairman. Motion carried. Minutes of the previous meeting were approved with a motion by Tommy Kidd and second by Oliver Blackburn. Motion carried. A motion was made to pay bills by Tommy Kidd and second by Oliver Blackburn. Motion carried. Next order of business was a motion by Tommy Kidd with second by Oliver Blackburn to accept financial report. Motion carried.

A discussion about the suit by Rodney Little was held (a copy of which is attached). Further discussion was tabled due to the proposed "takeover".

A motion was made by Tommy Kidd with second by Oliver Blackburn to authorize Joe Jacobs, as Chairman to sign any and all documents to facilitate the proposed takeover. Motion carried.

A motion to adjourn was made by Tommy Kidd and Oliver Blackburn seconded. Motion carried and meeting was adjourned.

Tommy Kidd, Acting Chairman

MEMORANDUM

TO: Secretary LaJuana S. Wilcher, Kentucky Environmental and Public Protection Cabinet
Mr. Shafiq Amawi, Manager, Facilities Construction Branch, Division of Water

FROM: City of Pikeville, Prestonsburg City's Utilities Commission, Mountain Water District,
Southern Water and Sewer District

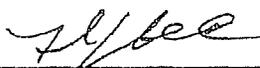
DATE: February 8, 2006

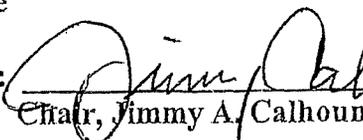
SUBJECT: Amendments to Regional Facilities Plans, Planning Area Boundaries

Pursuant to an Asset Purchase Agreement dated May 8, 2005 wherein the City of Pikeville will acquire the Mossy Bottom Sewer System from Mountain Water District, and an Interlocal Cooperation Agreement between Floyd County Fiscal Court, City of Pikeville, Sandy Valley Water District and Southern Water and Sewer District, dated effective January 1, 2006, relating to implementation of the PRIDE on the River Project; and in accord with a shared goal of the Big Sandy Region of Kentucky to restore the water quality of the Levisa Fork and, at once, improve life quality by making affordable sewer service available to as many residents as possible along US 23 in Floyd and Pike Counties and its tributaries,

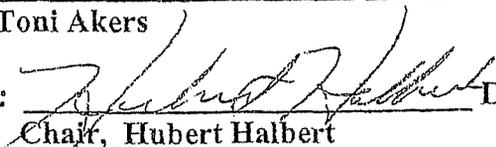
The Parties to this Memorandum:

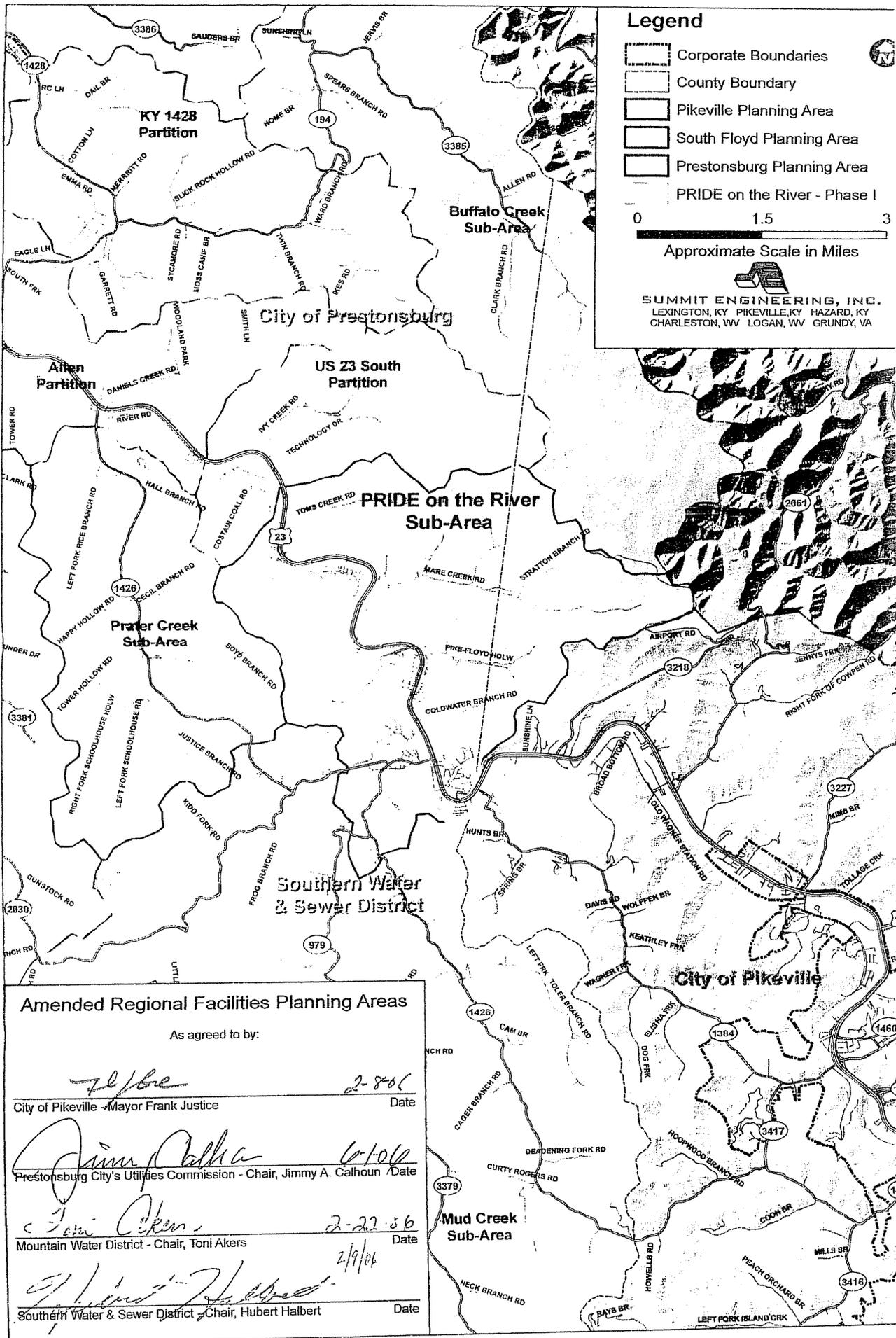
1. commit to work cooperatively to develop and enter into various separate agreements regarding the design, construction and operation of adequately sized sewer lines, pumping stations and treatment facilities, as necessary and appropriate to achieve the largest feasible and most cost effective service area for all Phases of the Pride on the River Project together with and including adjacent Planning Partitions of the Prestonsburg Regional Facilities Plan; such agreements shall include but not be limited to Kentucky Inter Municipal Operation Agreements between Pikeville and Southern and between Southern and Prestonsburg City's Utilities Commission; and,
2. hereby agree to revise and amend their respective Planning Area boundaries as set out in their respective Regional Facilities Plan so that each shall have new Planning Area boundaries in the affected locations as illustrated on the attached map; and
3. jointly and collectively request the Division of Water, KEPPC, to approve these revised planning boundaries; and
4. confirm their respective commitment and agreement to effect the actions set out in this Memorandum, attested by signature of their duly authorized representatives as set out below.

City of Pikeville:  Date 2-8-06
Mayor Frank Justice

Prestonsburg City's Utilities Commission:  Date 6-1-06
Chair, Jimmy A. Calhoun

Mountain Water District:  Date 2-22-06
Chair, Toni Akers

Southern Water and Sewer District:  Date 2/9/06
Chair, Hubert Halbert



MEMORANDUM

To: Rural Utilities Service – USDA, Rural Development
Attn: Mr. Vernon Brown

From: Sandy Valley Water District, City of Pikeville and Southern Water and Sewer District

Date: April 11, 2006

Subject: Request for approval of debt assignment and assumption, relating to the asset transfer of the Sandy Valley Water District facilities.

Pursuant to an Interlocal Cooperation Agreement, entered into by and between the Floyd County Fiscal Court, the City of Pikeville, Sandy Valley Water District and Southern Water and Sewer District, duly executed by their designated representatives, as authorized, effective January 1, 2006, and incorporated herein by reference, several of the Parties to this Agreement have requested the Kentucky Public Service Commission to approve an asset transfer relating to the water distribution system of the Sandy Valley Water District and now seek the assignment and assumption of debt as follows:

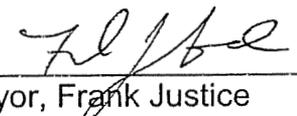
1. Sandy Valley Water District hereby requests that the Rural Utilities Service authorize and effect the assignment of its existing unpaid indebtedness associated with its water distribution system and related appurtenances located in Floyd and Pike Counties Kentucky, being a total sum in the outstanding capital amount \$1,405,133 (\$ 1,308,965 and \$ 96,168) to the City of Pikeville and the Southern Water and Sewer District as set out herein below; and
2. The City of Pikeville hereby requests the Rural Utilities Service to approve and effect its assumption of 57% or \$ 800,926 of the total debt amount cited in Paragraph 1, above, so that it may own and operate the that portion of the subject water distribution facilities located in Pike County, Kentucky in its name and retire that portion of the indebtedness according to the existing repayment schedule; and,
3. The Southern Water and Sewer District hereby requests the Rural Utilities Service to approve and effect its assumption of 43% or \$ 604,207 of the total debt amount cited in Paragraph 1, above, so that it may own and operate that portion of the subject water distribution facilities located in Floyd County, Kentucky, in its name and retire that portion of the indebtedness according to the existing repayment schedule; and
4. The Parties make this request by action of their governing bodies and have authorized their respective representative to so attest by signature below:

SANDY VALLEY WATER DISTRICT


Chair, Joseph Jacobs

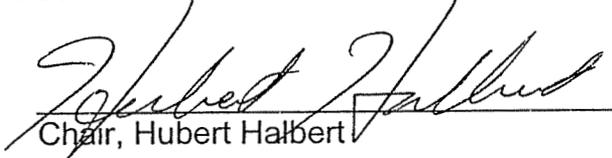
Date: 6-15-06

CITY OF PIKEVILLE


Mayor, Frank Justice

Date: 4-10-06

SOUTHERN WATER AND SEWER DISTRICT


Chair, Hubert Halbert

Date: 4/24/06

MEMORANDUM

To: US Department of Commerce – Economic Development Administration
Attn: Mr. Bob Hunter, Kentucky Representative

From: Sandy Valley Water District, City of Pikeville and Southern Water and Sewer District

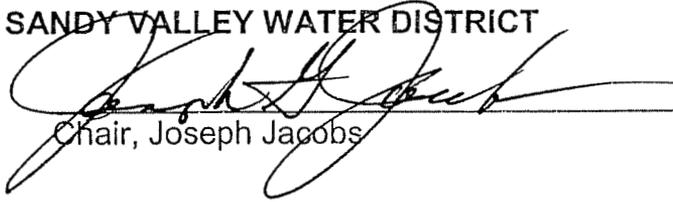
Date: April 11, 2006

Subject: Request for approval of debt assignment and assumption, relating to the asset transfer of the Sandy Valley Water District facilities.

Pursuant to an Interlocal Cooperation Agreement, entered into by and between the Floyd County Fiscal Court, the City of Pikeville, Sandy Valley Water District and Southern Water and Sewer District, duly executed by their designated representatives, as authorized, effective January 1, 2006, and incorporated herein by reference, several of the Parties to this Agreement have requested the Kentucky Public Service Commission to approve an asset transfer relating to the water distribution system of the Sandy Valley Water District and now seek the assignment and assumption of debt as follows:

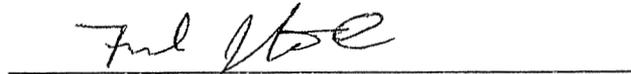
1. Sandy Valley Water District hereby requests that the US Department of Commerce, Economic Development Administration to authorize and effect the assignment of its existing unpaid indebtedness associated with its water distribution system and related appurtenances located in Floyd and Pike Counties Kentucky, being a total sum in the outstanding capital amount \$53,469.64 to the City of Pikeville and the Southern Water and Sewer District as set out herein below; and
2. The City of Pikeville hereby requests the US Department of Commerce, Economic Development Administration to approve and effect its assumption of 57% or \$ 30,477.70 of the total debt amount cited in Paragraph 1, above, so that it may own and operate the that portion of the subject water distribution facilities located in Pike County, Kentucky in its name and retire that portion of the indebtedness according to the existing repayment schedule; and,
3. The Southern Water and Sewer District hereby requests the US Department of Commerce, Economic Development Administration to approve and effect its assumption of 43% or \$ 22,991.95 of the total debt amount cited in Paragraph 1, above, so that it may own and operate that portion of the subject water distribution facilities located in Floyd County, Kentucky, in its name and retire that portion of the indebtedness according to the existing repayment schedule; and
4. The Parties make this request by action of their governing bodies and have authorized their respective representative to so attest by signature below:

SANDY VALLEY WATER DISTRICT


Chair, Joseph Jacobs

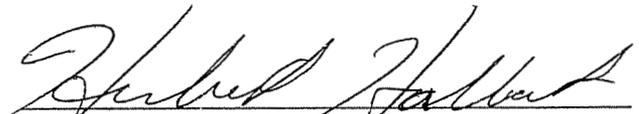
Date: 6-15-06

CITY OF PIKEVILLE


Mayor, Frank Justice

Date: 4-10-06

SOUTHERN WATER AND SEWER DISTRICT


Chair, Hubert Halbert

Date: 4-24-06

CITY OF PIKEVILLE
SUMMARY COMBINED STATEMENT OF REVENUES, EXPENDITURES
May 31, 2006
UNAUDITED

0.9167

GENERAL REVENUES	BUDGET	BUDGET AMENDMENTS	AMENDED BUDGET	UNAUDITED YTD	OVER/UNDER BUDGET	% OF BUDGET
REC'D 911	49,000.00	-	49,000.00	44,891.26	(4,108.74)	91.61%
PROPERTY TAX	700,000.00	-	700,000.00	664,579.61	(35,420.39)	94.94%
OCCUPATIONAL TAX	4,830,000.00	-	4,830,000.00	4,823,292.77	(6,707.23)	99.86%
PENALTY AND INT	40,000.00	-	40,000.00	42,936.41	2,936.41	107.34%
BUSINESS LICENSE	380,000.00	175,000.00	555,000.00	742,486.00	187,486.00	133.78%
MOTEL/MOTEL	78,000.00	-	78,000.00	84,954.92	6,954.92	108.92%
ABC	145,000.00	-	145,000.00	155,415.89	10,415.89	107.18%
BUILDING PERMITS	19,000.00	-	19,000.00	28,459.84	9,459.84	149.79%
MUNICIPAL ROAD AID	58,000.00	21,465.00	79,465.00	110,456.68	30,991.68	139.00%
AMBULANCE REVENUE	222,000.00	15,000.00	237,000.00	250,931.17	13,931.17	105.88%
PARKING VIOLATIONS	36,000.00	-	36,000.00	34,737.00	(1,263.00)	96.49%
OFF TRACK BETTING	50,000.00	-	50,000.00	27,784.63	(22,215.37)	55.57%
SHELTER GRANT/DONATIONS	45,000.00	(15,000.00)	30,000.00	35,975.00	5,975.00	119.92%
PARKING GARGAGE/RENTAL/UTILITIES	10,000.00	-	10,000.00	6,751.00	(3,249.00)	67.51%
OTHER/CARRYOVER/GRANTS	1,437,566.00	761,058.00	2,198,624.00	2,500,291.82	301,667.82	113.72%
TOTAL GENERAL REVENUE	8,099,566.00	957,523.00	9,057,089.00	9,553,944.00	496,855.00	
EXPENDITURES						
GENERAL FUND	1,057,060.00	262,642.00	1,319,702.00	1,041,705.09	277,996.91	78.93%
TRANSFER TO PROJECTS/MATCH VI	275,000.00	-	275,000.00	287,437.68	(12,437.68)	104.52%
TRANSFER TO 1992 KIA LOAN	208,000.00	-	208,000.00	208,000.00	-	0.00%
TRANSFER TO PARKING GARAGE	-	-	-	-	-	#DIV/0!
PIKE MEDICAL GRANT	50,000.00	-	50,000.00	50,000.00	-	100.00%
PIKE CT AIRPORT BOARD	25,000.00	-	25,000.00	24,999.00	1.00	100.00%
TOURISM EXPENSE	75,000.00	-	75,000.00	80,707.18	(5,707.18)	107.61%
MAIN ST/OPERATIONS/MATCH/UNITE	65,000.00	-	65,000.00	46,367.00	18,633.00	71.33%
PALL FIELD/LOAN TRANSFER/TURF	120,000.00	-	120,000.00	119,838.00	162.00	
TRANSFER TO WATER/SEWER	-	-	-	329,950.00	(329,950.00)	
TOTAL WITH TRANSFERS	1,875,060.00	262,642.00	2,137,702.00	2,189,003.95	265,559.23	102.40%
SHELTER	123,270.00	11,750.00	135,020.00	100,627.12	34,392.88	74.53%
CODES	75,705.00	21,700.00	97,405.00	74,429.39	22,975.61	76.41%
DISPATCH	328,150.00	(1,647.50)	326,502.50	259,709.10	66,793.40	79.54%
911	107,700.00	(7,675.00)	100,025.00	61,483.22	38,541.78	61.47%
POLICE	1,760,060.00	48,020.00	1,808,080.00	1,386,644.57	421,435.43	76.69%
FIRE	1,737,400.00	358,100.00	2,095,500.00	1,628,467.19	467,032.81	77.71%
AMBULANCE	94,800.00	1,630.00	96,430.00	64,005.69	32,424.31	66.38%
STREETS	1,119,500.00	(48,606.00)	1,070,894.00	930,471.72	140,422.28	86.89%
PARKING GARGAGE	145,600.00	1,800.00	147,400.00	108,806.27	38,593.73	73.82%
PARKS	462,645.00	110,500.00	573,145.00	698,070.55	(124,925.55)	121.80%
POOL	68,105.00	48,685.00	116,790.00	27,577.41	89,212.59	23.61%
PAVE	80,800.00	(22,645.00)	58,155.00	19,500.37	38,654.63	33.53%
LANDSCAPING/STORM SEWER	102,603.00	-	102,603.00	81,320.16	21,282.84	79.26%
TOTAL EXPENDITURES	8,081,398.00	784,253.50	8,865,651.50	7,630,116.71	1,235,534.79	86.06%
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES	18,168.00	173,269.50	191,437.50			

City of Pikeville												
Monthly Cash Flow												
General Fund												
Finance Department												
As of May 31, 2006												
	July	August	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	Total
Receipts:												
Coal Royalty	\$ 10,889.93	\$ 7,677.17	\$ 9,001.74	\$ 12,943.00	\$ 4,375.00	\$ 12,598.40	\$ -					\$ 57,485.24
Property tax/Bank tax	\$ 262.71	\$ 999.21	\$ 2,844.07	\$ 285,368.27	\$ 274,191.43	\$ 150,818.47	\$ 61,232.00	\$ 12,147.68	\$ 8,089.83	\$ 3,813.46	\$ 24,609.45	\$ 824,376.58
Grants	\$ -	\$ -			\$ 12,000.00	\$ 155,700.00	\$ -	\$ 14,550.00		\$ 34,425.00	\$ -	\$ 216,675.00
Occupational Tax	\$ 502,055.49	\$ 564,944.17	\$ 22,286.73	\$ 785,901.90	\$ 345,286.01	\$ 9,561.54	\$ 842,024.00	\$ 388,692.51	\$ 55,015.30	\$ 734,808.22	\$ 572,716.71	\$ 4,823,292.58
Business Tax	\$ 14,231.37	\$ 34,849.54	\$ 87,485.97	\$ 43,075.75	\$ 16,465.80	\$ 14,098.34	\$ 46,014.00	\$ 28,003.64	\$ 182,092.08	\$ 267,990.89	\$ 8,178.39	\$ 742,485.77
AEP Franchise fees	\$ 61,042.95	\$ -		\$ 77,006.43			\$ 72,774.00			\$ 80,572.53	\$ -	\$ 291,395.91
ABC License fees	\$ 27,170.61	\$ 13,627.93		\$ 30,761.85	\$ 8,293.61		\$ 35,671.00	\$ 4,392.56		\$ 28,758.62	\$ 6,739.48	\$ 155,415.66
Ambulance	\$ 22,194.50	\$ 28,260.33	\$ 19,365.23	\$ 25,968.77	\$ 13,677.13	\$ 25,500.06	\$ 20,654.00	\$ 22,206.21	\$ 22,667.00	\$ 28,806.78	\$ 21,631.16	\$ 250,931.17
Parking tickets	\$ 2,739.00	\$ 2,806.00	\$ 2,240.00	\$ 3,026.00	\$ 3,383.10	\$ 3,121.00	\$ 5,255.00	\$ 3,396.00	\$ 3,479.90	\$ 2,221.00	\$ 3,070.00	\$ 34,737.00
OTB revenue	\$ 4,333.70	\$ 4,779.61	\$ 2,197.78	\$ 2,181.55	\$ 2,991.93	\$ 3,039.62	\$ 2,502.81	\$ 2,207.61	\$ 2,644.00	\$ 3,253.93	\$ 2,873.26	\$ 33,005.80
Interest	\$ 6,925.78	\$ 6,519.58	\$ 7,904.00	\$ 7,482.61	\$ 7,212.56	\$ 7,321.00	\$ 7,119.14	\$ 7,142.60	\$ 11,329.98	\$ 7,944.95	\$ 7,736.00	\$ 84,638.20
Other	\$ 90,395.46	\$ 120,916.25	\$ 101,992.89	\$ 90,931.67	\$ 167,852.19	\$ 59,863.66	\$ 76,027.00	\$ 71,281.13	\$ 95,536.74	\$ 46,524.69	\$ 57,453.55	\$ 978,775.23
Total Receipts	\$ 742,241.50	\$ 777,702.62	\$ 246,316.67	\$ 1,351,704.80	\$ 851,353.76	\$ 429,023.69	\$ 1,169,272.95	\$ 554,019.94	\$ 380,854.83	\$ 1,239,120.07	\$ 705,008.00	\$ 8,446,618.83
Asset sale/to savings												
										\$ 1,067,682.93	\$ -	
Disbursements:												
Payroll	\$ 437,108.50	\$ 282,042.87	\$ 413,917.36	\$ 270,078.03	\$ 267,291.87	\$ 261,255.52	\$ 272,699.00	\$ 254,992.11	\$ 428,023.09	\$ 279,948.24	\$ 271,853.16	\$ 3,439,209.75
Payables	\$ 230,171.97	\$ 236,598.22	\$ 279,937.68	\$ 432,211.83	\$ 266,713.73	\$ 200,087.16	\$ 274,547.00	\$ 322,047.45	\$ 382,543.57	\$ 284,441.35	\$ 187,964.00	\$ 3,097,263.96
Debt service	\$ 1.00	\$ 1,561.66	\$ 780.83	\$ 780.83	\$ 780.83	\$ 780.83	\$ 780.00	\$ 780.00	\$ 780.00	\$ 780.00	\$ -	\$ 7,805.98
Capital	\$ 1.00	\$ -	\$ 12,872.70					\$ -	\$ -			\$ 12,873.70
Transfers out	\$ 208,000.00	\$ 385,000.00	\$ -		\$ 19,917.50	\$ 12,437.68	\$ 219,800.00	\$ 20,000.00	\$ -		\$ 99,917.50	\$ 965,072.68
Total Disbursements	\$ 875,282.47	\$ 905,202.75	\$ 707,508.57	\$ 703,070.69	\$ 554,703.93	\$ 474,561.19	\$ 767,826.00	\$ 597,819.56	\$ 811,346.66	\$ 565,169.59	\$ 559,734.66	\$ 7,522,226.07
Increase/Decrease Cash	\$ (133,040.97)	\$(127,500.13)	\$ (461,191.90)	\$ 648,634.11	\$ 296,649.83	\$ (45,537.50)	\$ 401,446.95	\$ (43,799.62)	\$ (430,491.83)	\$ 673,950.48	\$ 145,273.34	\$ 924,392.76
Cash balance beginning	\$ -	\$(133,040.97)	\$(260,541.10)	\$(721,733.00)	\$(73,098.89)	\$ 223,550.94	\$ 178,013.44	\$ 579,460.39	\$ 535,660.77	\$ 105,168.94	\$ 779,119.42	\$ 178,013.44
Cash balance ending	\$(133,040.97)	\$(260,541.10)	\$(721,733.00)	\$(73,098.89)	\$ 223,550.94	\$ 178,013.44	\$ 579,460.39	\$ 535,660.77	\$ 105,168.94	\$ 779,119.42	\$ 924,392.76	\$ 1,102,406.20

COAL SEVERANCE REVENUE		BUDGET AMENDMENTS	AMENDED BUDGET	UNAUDITED YEAR TO DATE	OVER/UNDER BUDGET	% OF BUDGET
COAL INCOME	375,000.00	-	375,000.00	444,858.63	69,858.63	118.63%
MINERAL INCOME	338,000.00	-	338,000.00	488,418.00	150,418.00	144.50%
OTHER/CARRYOVER/LOAN/STUDY/GRA	120,500.00	1,154,000.00	1,274,500.00	294,918.79	(979,581.21)	23.14%
TOTAL REVENUE	833,500.00	1,154,000.00	1,987,500.00	1,228,195.42	(759,304.58)	61.80%
EXPENDITURES/COAL SEVERANCE						
MUSEUM OPERATIONS	25,000.00	-	25,000.00	24,999.96	0.04	100.00%
OTHER/TRANSFERS/STUDY/EQUIPMEN	50.00	202,000.00	202,050.00	151,654.46	50,395.54	75.06%
DISPATCH	2,500.00	-	2,500.00	-	2,500.00	0.00%
911	2,500.00	-	2,500.00	465.00	2,035.00	18.60%
POLICE	2,500.00	93,500.00	96,000.00	93,277.00	2,723.00	97.16%
FIRE	72,500.00	74,000.00	146,500.00	137,890.00	8,610.00	94.12%
AMBULANCE	2,500.00	-	2,500.00	-	2,500.00	0.00%
STREET/PAVING/BRIDGE	394,400.00	242,282.00	636,682.00	470,104.48	166,577.52	73.84%
PARKS/	150,000.00	(5,000.00)	145,000.00	131,768.76	13,231.24	90.88%
WATER	181,500.00	32,000.00	213,500.00	79,265.47	134,234.53	37.13%
SEWER	-	-	-	-	-	0.00%
HEAD WORKS PROJECT	-	500,000.00	500,000.00	366,393.43	133,606.57	73.28%
TOTAL COAL SEVERANCE EXPENDITURES	833,450.00	1,138,782.00	1,972,232.00	1,455,818.56	516,413.44	73.82%
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES	50.00	15,218.00	15,268.00			

PROJECTS REVENUE	BUDGET	BUDGET AMENDMENTS	AMENDED BUDGET	UNAUDITED YEAR TO DATE	OVER/UNDER BUDGET	% OF BUDGET
HOMPSON ROAD PHASE I	1,000,000.00	-	1,000,000.00	106,288.22	(893,711.78)	0.00%
CITY MATCH/T ROAD	275,000.00	-	275,000.00	275,000.00	-	100.00%
PHASE I/II/III/IV/V/VI/VII	44,236.00	-	44,236.00	308,716.14	264,480.14	697.88%
INDIAN HILLS SEWER PROJECT	-	181,383.98	181,383.98	321,187.12	139,803.14	0.00%
OTHER CARRYOVER/TRANSFERS	7,200.00	108,650.00	115,850.00	91,344.75	(24,505.25)	78.85%
TOTAL REVENUE	1,326,436.00	290,033.98	1,616,469.98	1,102,536.23	(513,933.75)	68.21%
EXPENDITURES						
OTHER/TRANSFERS/LOAN PAYMENT	-	-	-	3,717.00		
PHASE I, II, III, IV	51,336.00	-	51,336.00			
PHASE V	-	44,225.00	44,225.00			
PHASE VI	-	-	-	349,757.85	(349,757.85)	#DIV/0!
HOMPSON ROAD PROJECT PHASE I	1,275,000.00	-	1,275,000.00	114,763.49	1,160,236.51	9.00%
TRACKS END PROJECT	-	77,000.00	77,000.00	76,904.00	96.00	99.88%
INDIAN HILLS SEWER PROJECT	-	167,000.00	167,000.00	173,484.16	(6,484.16)	103.88%
TOTAL EXPENDITURES	1,326,336.00	288,225.00	1,614,561.00	718,626.50	895,934.50	44.51%
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES	100.00	1,808.98	1,908.98	383,909.73	(1,409,868.25)	0.00%

UDAG ADAMS

REVENUES	BUDGET	BUDGET AMENDMENTS	AMENDED BUDGET	UNAUDITED YEAR TO DATE	OVER/UNDER BUDGET	% OF BUDGET
INTEREST	-	-	-	1,695.00	1,695.00	0.00%
CARRYOVER/TRANSFERS	-	168,460.00	168,460.00	20,642.00	(147,818.00)	
TOTAL REVENUE	-	168,460.00	168,460.00	22,337.00	(146,123.00)	0.00%
EXPENDITURES						
LAND PURCHASE	-	151,410.00	151,410.00	148,242.00	(3,168.00)	0.00%
OTHER/RELOCATION/DEMOLITION	-	17,000.00	17,000.00	5,660.00	(11,340.00)	0.00%
	-	-	-	-	-	0.00%
TOTAL EXPENDITURES	-	168,410.00	168,410.00	153,902.00	14,508.00	0.00%
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	50.00	50.00	(131,565.00)	(131,615.00)	0.00%

PARKING GARAGE FUND	BUDGET	BUDGET AMENDMENTS	AMENDED BUDGET	UNAUDITED YEAR TO DATE	OVER/UNDER BUDGET	% OF BUDGET
REVENUE						
CITY MATCHING	-	-	-	-	-	0.00%
REC'D SANDY VALLEY TRANSPORTATION	-	-	-	-	-	0.00%
REC'D FROM HUD	-	-	-	-	-	0.00%
REC'D FROM CDBG	-	-	-	-	-	0.00%
OTHER/CARRYOVER	-	38,438.00	38,438.00	38,438.00	-	
	-	-	-	-	-	
TOTAL REVENUE	-	38,438.00	38,438.00	38,438.00	-	0.00%
EXPENDITURES						
DEMOLITION	-	-	-	-	-	0.00%
CONTRACTORS	-	-	-	-	-	0.00%
PROFESSIONAL SERVICES	-	-	-	-	-	#DIV/0!
ENGINEERING	-	-	-	-	-	0.00%
MISC/CONT/EQUIPMENT	-	-	-	-	-	0.00%
TRANSFER TO GENERAL FUND	-	38,438.00	38,438.00	38,438.00	-	
TOTAL EXPENDITURES	-	38,438.00	38,438.00	38,438.00	-	100.00%
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	-	-	-	

MAIN STREET/ REN	BUDGET	BUDGET AMENDMENTS	AMENDED BUDGET	UNAUDITED YEAR TO DATE	OVER/UNDER BUDGET	% OF BUDGET
PAULEY BRIDGE/CARRYOVER	134,118.00	-	134,118.00	14,760.00	(119,358.00)	11.01%
CEMETARY GRANT/CARRYOVER	50,000.00	-	50,000.00	25,000.00	(25,000.00)	50.00%
CITY MATCH C GRANT/CS	-	370,599.00	308,399.00	-	(308,399.00)	0.00%
CARRYOVER PHASE II/III/CEMETARY/BF	50.00	-	50.00	308,398.00	308,348.00	0.00%
PHASE II/III/IV	-	-	-	-	-	0.00%
OTHER/CARRYOVER	-	-	-	-	-	-
TOTAL REVENUE	184,168.00	370,599.00	554,767.00	348,158.00	(144,409.00)	62.76%
EXPENDITURES						
PAULEY BRIDGE	134,118.00	-	134,118.00	110,066.10	24,051.90	82.07%
CEMETARY	50,000.00	6,907.00	56,907.00	74,932.89	(18,025.89)	131.68%
REMAINING FUNDS EXPENSE	-	363,680.00	363,680.00	224,426.32	139,253.68	61.71%
OTHER/MISC/PAYMENT	-	-	-	-	-	#DIV/0!
TOTAL EXPENDITURES	184,118.00	370,587.00	554,705.00	409,425.31	145,279.69	73.81%
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES	50.00	12.00	62.00			

GAS FUND	BUDGET	BUDGET AMENDMENTS	AMENDED BUDGET	UNAUDITED YEAR TO DATE	OVER/UNDER BUDGET	% OF BUDGET
CITY SALES	1,746,500.00	-	1,746,500.00	2,253,856.47	507,356.47	129.05%
COUNTY SALES	136,000.00	-	136,000.00	158,099.80	22,099.80	116.25%
OTHER REVENUE/CARRYOVER	42,100.00	-	42,100.00	69,111.70	27,011.70	164.16%
TOTAL REVENUE	1,924,600.00	-	1,924,600.00	2,481,067.97		128.91%
EXPENDITURES						
PUBLIC WORKS /GAS	457,500.00	-	457,500.00	419,320.00	38,180.00	91.65%
GAS PURCHASE	1,200,000.00	-	1,200,000.00	1,363,940.30	(163,940.30)	113.66%
PROFESSIONAL SERVICES	19,500.00	-	19,500.00	9,000.00	10,500.00	46.15%
REPAIRS AND MAINTENANCE GAS	35,000.00	-	35,000.00	8,482.00	26,518.00	24.23%
EQUIPMENT PURCHASE	35,000.00	-	35,000.00	-	35,000.00	0.00%
GAS LINE REPLACEMENT	100,000.00	-	100,000.00	5,335.00	94,665.00	5.34%
OTHER	73,790.00	-	73,790.00	48,006.61	25,783.39	65.06%
TOTAL EXPENDITURES	1,920,790.00	-	1,920,790.00	1,854,083.91	66,706.09	96.53%
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,810.00		3,810.00			

GAS STATEMENT OF REVENUES AND EXPENDITURES												
As of May 31, 2006												
REVENUE COLLECTED	MAY	APRIL	MARCH	FEB	JANAURY	DECEMBER	NOVEMBER	OCTOBER	SEPTEMBER	AUGUST	JULY	TOTAL
	M TO DATE	M TO DATE	M TO DATE	M TO DATE	M TO DATE	YEAR TO DATE						
TOTAL COLLECTED	164,852.00	283,854.26	414,453.60	414,949.10	391,851.61	280,993.27	117,130.94	94,867.30	78,843.52	88,145.58	85,282.60	2,415,224.78
TOTAL BILLED	112,444.42	175,734.62	316,767.98	361,818.42	428,284.24	414,629.79	250,044.76	148,054.09	82,812.21	85,516.17	92,652.55	2,468,760.25
PRIOR MONTH USAGE												
% OF COLLECTIONS OVER BILLINGS	1.47	1.62	1.31	1.15	0.91	0.68	0.47	0.64	0.95	1.03	0.92	0.98
EXPENDITURES	MAY	APRIL	MARCH	FEB	JANAURY	DECEMBER	NOVEMBER	OCTOBER	SEPTEMBER	AUGUST	JULY	TOTAL
	M TO DATE	M TO DATE	M TO DATE	M TO DATE	M TO DATE	YEAR TO DATE						
AUTO MAINTENANCE												-
POSTAGE/S C	-	-	-	-	-	-	-	-	-	3,000.00	1,500.00	4,500.00
INSURANCE	1,895.00	1,895.00	1,895.00	1,895.00	1,895.00	1,898.50	1,898.50	1,898.50	3,066.81	694.10	694.00	21,520.41
OFFICE SUPPLIES	-	-	-	-	-	-	-	-	-	-	-	-
PUBLIC WORKS	38,120.00	38,120.00	38,120.00	38,120.00	38,120.00	38,120.00	38,120.00	38,120.00	38,120.00	38,120.00	38,120.00	457,440.00
PROFF SERVICE/LEGALS	-	500.00	-	-	5,000.00	-	3,000.00	-	-	-	500.00	9,000.00
ENGINEERING	-	-	-	-	-	-	-	-	-	-	-	-
RENT EASEMENTS								212.35				212.35
GAS PURCHASED	123,229.45	201,409.31	34,546.25	303,537.00	189,315.00	95,571.01	167,417.19	58,322.24	52,411.34	57,354.90	80,825.00	1,363,938.69
GAS S TAX	1,496.31	1,902.31	1,627.83	1,712.00	2,140.00	1,071.29	1,410.67	1,698.26	1,689.08	1,606.23	1,385.00	17,738.98
REPAIRS/MAINTENANCE	-	-	-	1,311.00	1,023.41	-	3,441.15	-	-	2,707.80	-	8,483.36
RETIRES	423.91	-	847.91	423.91	423.00	-	423.91	423.91	423.91	347.56	924.10	5,086.03
CITY UTILITIES												-
EQUIPMENT PURCHASE VEHICLES												-
EQUIPMENT PURCHASE	-	-	-	-	-	-	-	-	-	-	-	-
GAS LINE REPLACEMENT	-	-	-	-	3,384.00	-	950.00	-	-	-	1,001.00	5,335.00
OTHER	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	165,164.67	243,826.62	77,040.40	347,002.71	241,300.41	137,636.16	216,661.42	100,675.26	95,711.14	103,830.59	124,949.10	1,894,237.39
	(312.67)	40,027.64	337,413.20	67,946.39	150,551.20	143,357.11	(99,530.48)	(5,807.96)	(16,867.62)	(15,685.01)	(39,666.50)	520,987.39

WATER REVENUE

REVENUE	BUDGET	BUDGET AMENDMENTS	AMENDED BUDGET	UNAUDITED YEAR TO DATE	OVER/UNDER BUDGET	% OF BUDGET
CITY SALES	1,110,500.00	84,000.00	1,194,500.00	928,688.61	(265,811.39)	77.75%
COUNTY SALES	107,400.00		107,400.00	95,861.16	(11,538.84)	89.26%
WHOLESALE DISTRICTS REVENUE	920,000.00	-	920,000.00	838,378.51	(81,621.49)	91.13%
WATER TAP FEE	18,000.00	-	18,000.00	28,323.90	10,323.90	157.36%
INTEREST/OTHER/CARRYOVER	112,600.00	(22,000.00)	90,600.00	35,528.49	(55,071.51)	39.21%
TRANSFER FROM GENERAL	-			287,000.00	-	
TOTAL REVENUE	2,268,500.00	62,000.00	2,330,500.00	2,213,780.67	(116,719.33)	94.99%

EXPENDITURES

PUBLIC WORKS/WATER	1,426,700.00	-	1,426,700.00	1,307,724.00	118,976.00	91.66%
PROFESSIONAL SERVICES	14,000.00	5,000.00	19,000.00	13,920.00	5,080.00	73.26%
REPAIRS AND MAINTENANCE WATER	100,000.00	30,000.00	130,000.00	43,502.00	86,498.00	33.46%
EQUIPMENT PURCHASE/WATER	41,000.00	66,000.00	107,000.00	89,809.00	17,191.00	83.93%
LINE REPLACEMENT	-	-	-	-	-	0.00%
TRANSFER TO 85/98 WTP	364,000.00	-	364,000.00	364,000.00	-	100.00%
TRANSFER TO 88 S M S	107,800.00	(52,674.00)	55,126.00	55,126.00	-	100.00%
TRANSFER TO 93 S M W	107,210.00	(16,520.00)	90,690.00	90,690.00	-	100.00%
TRANSFER TO 2000 RAW WATER	39,000.00	-	39,000.00	27,000.00	12,000.00	69.23%
PAULEY BRIDGE WATER LINE	-	-	-	-	-	#DIV/0!
OTHER	68,685.00	30,000.00	98,685.00	56,198.63	42,486.37	56.95%
TOTAL EXPENDITURES	2,268,395.00	61,806.00	2,330,201.00	2,047,969.63	282,231.37	87.89%

EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES

105.00 194.00 299.00

SEWER REVENUE

REVENUE	BUDGET	BUDGET AMENDMENTS	AMENDED BUDGET	UNAUDITED YEAR TO DATE	OVER/UNDER BUDGET	% OF BUDGET
SEWER REVENUE/CITY	1,034,000.00	-	1,034,000.00	774,210.16	(259,789.84)	74.88%
SEWER COUNTY				1,663.53		
SEWER TAP FEE	3,000.00	-	3,000.00	4,600.00	1,600.00	153.33%
SEWER SPECIAL REVENUE	60,000.00	-	60,000.00	73,805.10	13,805.10	123.01%
INTEREST/OTHER/CARRYOVER	12,600.00	-	12,600.00	72,548.04	59,948.04	575.78%
TOTAL REVENUE	1,109,600.00	-	1,109,600.00	926,826.83	(182,773.17)	83.53%

EXPENDITURES

TRANSFER TO T ROAD SEWER	37,000.00		37,000.00	37,000.00	-	100.00%
TRANSFER TO 95 SEWER	122,825.00	-	122,825.00	122,825.00	-	100.00%
TRANSFER TO 88 S M S	20,167.00	(13,167.00)	7,000.00	7,000.00	-	100.00%
PUBLIC WORKS/SEWER	624,500.00		624,500.00	572,451.00	52,049.00	91.67%
PROFESSIONAL SERVICES/SEWER	27,800.00	-	27,800.00	1,655.00	26,145.00	5.95%
REPAIRS AND MAINTENANCE/SEWER	40,000.00	10,000.00	50,000.00	38,572.84	11,427.16	77.15%
EQUIPMENT PURCHASE SEWER	40,000.00	-	40,000.00	28,327.00	11,673.00	70.82%
STATIONS/PUMPS/STORM DRAINS	142,000.00	-	142,000.00	56,569.00	85,431.00	39.84%
OTHER/CARRYOVER	52,300.00	3,010.00	55,310.00	33,617.54	21,692.46	60.78%
TOTAL EXPENDITURES	1,106,592.00	(157.00)	1,106,435.00	898,017.38	208,417.62	81.16%

EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES

3,008.00 157.00 3,165.00

GARBAGE FUND

REVENUES	BUDGET	BUDGET AMENDMENTS	AMENDED BUDGET	UNAUDITED YEAR TO DATE	OVER/UNDER BUDGET	% OF BUDGET
GARBAGE REVENUE	799,000.00	57,800.00	856,800.00	404,121.56	(452,678.44)	47.17%
SPECIAL REVENUE	200,000.00	23,800.00	223,800.00	150,619.12	(73,180.88)	67.30%
OTHER/CARRYOVER	38,280.00	14,200.00	52,480.00	8,233.00	(44,247.00)	15.69%
TOTAL REVENUE	1,037,280.00	95,800.00	1,133,080.00	1,037,280.00	(95,800.00)	91.55%
EXPENDITURES						
PUBLIC WORKS /TRASH	516,500.00	-	516,500.00	473,374.00	43,126.00	91.65%
TRANSPORTATION FEES/DISPOSAL	296,500.00	-	296,500.00	275,933.57	20,566.43	93.06%
EQUIPMENT PURCHASE	83,000.00	-	83,000.00	43,500.00	39,500.00	52.41%
FINANCE DEPT EXPENSE	-	78,800.00	78,800.00	19,449.66	59,350.34	24.68%
OTHER/CARRYOVER	139,700.00	15,500.00	155,200.00	41,859.90	113,340.10	26.97%
TOTAL EXPENDITURES	1,035,700.00	94,300.00	1,130,000.00	854,117.13	275,882.87	75.59%
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,580.00	1,500.00	3,080.00			

As of May 31, 2006

REVENUE COLLECTED	MAY	APRIL	MARCH	FEB	JAN	DEC	NOV	OCT	SEPT	AUG	JULY	TOTAL
MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	YEAR TO DATE
TO DATE	TO DATE	TO DATE	TO DATE	TO DATE	TO DATE	TO DATE	TO DATE	TO DATE	TO DATE	TO DATE	TO DATE	YEAR TO DATE
1,092,765.37	97,227.26	79,216.72	114,333.01	104,432.02	102,549.00	100,110.62	107,191.90	97,002.70	82,174.26	123,010.81	85,516.07	1,092,765.37
TOTAL BILLED	96,401.39	90,663.22	87,764.36	101,903.37	99,731.23	92,912.99	89,169.66	93,073.37	92,428.49	98,219.26	96,652.02	1,038,920.36
PRIOR MONTH USAGE												
% OF COLLECTIONS	1.0086	0.8737	1.3027	1.0248	1.0283	1.0775	1.2021	1.0422	0.8891	1.2524	0.8848	1.0518
OVER BILLINGS												
NOTES												
EXPENDITURES	MAY	APRIL	MARCH	FEB	JAN	DEC	NOV	OCT	SEPT	AUG	JULY	TOTAL
MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	YEAR TO DATE
TO DATE	TO DATE	TO DATE	TO DATE	TO DATE	TO DATE	TO DATE	TO DATE	TO DATE	TO DATE	TO DATE	TO DATE	YEAR TO DATE
ADVERTISING/SC	-	-	-	-	6.27	-	6.00	74.00	6.00	-	-	92.27
AUTO MAINTENANCE	-	-	285.00	-	-	-	-	-	-	-	-	285.00
POSTAGE	-	-	3,000.00	-	-	-	-	-	-	-	-	4,500.00
INSURANCE	1,611.00	1,611.00	1,611.00	1,611.00	1,611.00	1,611.00	1,611.00	1,611.00	1,611.00	1,611.00	1,611.00	19,332.00
PUBLIC WORKS	43,034.00	43,034.00	43,034.00	43,034.00	43,034.00	43,034.00	43,034.00	43,034.00	43,034.00	43,034.00	43,034.00	516,408.00
PROFF SERVICE/LEGALSR/RE	749.00	749.00	525.00	750.00	2,250.00	750.00	830.37	1,560.00	2,310.00	1,560.00	1,560.00	12,844.37
REPAIRS AND MAINTENANC				3,518.00				5,436.60				8,954.60
FORD BRANCH LANDFILL	24,725.41	24,695.05	20,708.00	25,822.44	23,546.00	24,572.21	22,971.97	26,147.12	28,559.99	26,867.77	27,698.00	276,313.96
SUPPLIES												
UTILITIES	2,177.75	2,525.11	2,531.77	2,838.66	1,783.21	1,783.21	971.76	7.21	7.21	7.21	982.00	13,824.68
FINANCE DEPT EXPENSE	989.98	903.00	2,687.70	2,977.11	5,064.00	252.12	5,340.16	556.15	1,347.30	2,646.26	1,636.50	24,400.28
EQUIP/VEHICLE PURCHASE	43,500.00	43,500.00	-	-	-	-	-	-	-	-	-	43,500.00
DUE TO FROM/OTHER	26,368.92	17,643.05	27,248.39	-	-	19,268.03	8,010.06	14,430.31	-	8,114.49	-	121,083.25
TOTAL EXPENDITURES	140,229.31	90,812.85	101,624.20	81,867.93	89,487.36	83,586.77	88,384.34	82,312.10	83,840.73	78,021.50	1,041,538.41	
REVENUES OVER EXPENDIT	(43,002.06)	(11,696.13)	12,708.81	27,706.70	20,681.07	10,623.26	23,605.13	8,618.36	(137.84)	39,170.08	7,494.57	61,226.96
TONS												
TONS/AT 27.00	901.61	914.64	866.51	1,066.00	872.00	919.42	850.82	989.01	1107.68	1054.79	1,026.00	10,567.48
TONS/AT 35.00	-	-	-	-	-	-	-	-	-	-	0	-
TONS/AT 17.00												
TONS/AT 40.00												
AVERAGE PER MONTH												880.62
TOTAL DISPOSAL/TRANSI	25,715.39	24,696.05	20,708.00	25,822.44	23,546.00	24,572.21	22,971.97	26,147.12	28,559.99	26,867.77	27,698.00	276,313.96

Michael R. Spears, CPA, PSC

Certified Public Accountant

SOUTHERN WATER & SEWER DISTRICT

REPORT ON AUDIT OF FINANCIAL STATEMENTS
for the years ended December 31, 2004 & 2003

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Michael R. Spears, C.P.A., P.S.C.
Certified Public Accountant

Independent Auditor's Report

The Board of Commissioners
Southern Water and Sewer District
McDowell, Kentucky

We have audited the accompanying financial statements of the Southern Water and Sewer District, as of and for the years ended December 31, 2004 and December 31, 2003 as listed in the table of contents. These financial statements are the responsibility of the Southern Water and Sewer District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Southern Water and Sewer District, as of December 31, 2004 and December 31, 2003, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 21, 2005, on our consideration of Southern Water and Sewer District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

As described in Note 14, the District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, as amended and interpreted, as of December 31, 2004.

The management's discussion and analysis and budgetary comparison information on pages 2 through 6 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements of Southern Water and Sewer District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Michael R. Spears CPA PSC

Michael R. Spears, CPA, PSC
September 21, 2005

SOUTHERN WATER AND SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years ended December 31, 2004 and 2003

This discussion and analysis of the Southern Water and Sewer District's financial performance provides an overview of the District's financial activities for the years ended December 31, 2004 and December 31, 2003. This information is presented in conjunction with the audited financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- The District assets exceeded its liabilities at the end of the year by \$16,088,003. This was an increase of \$944,627 from the year ended December 31, 2003.
- At December 31, 2004, the District had \$23,054,508 in assets and \$6,966,505 in liabilities. The invested in capital assets, net of related debt, balance at this date was \$16,123,639. The restricted for capital projects balance was \$102,286. The restricted for maintenance balance was \$179,052. The restricted for debt service balance was \$34,014. The unrestricted balance was (\$350,988).
- The District had a net income of \$944,627 for the year ended December 31, 2004. For the year ended December 31, 2003 the net income was \$4,198,089.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise two components: 1) financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Financial statements. The financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private – sector business.

The balance sheets present information on all of the District's assets and liabilities, in a comparative format showing the balances as of December 31, 2004 and December 31, 2003. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statements of revenues, expenses and changes in retained earnings present information showing the District's net income or (loss) for the years then ended.

The statements of cash flows shows the increase or decrease in the cash and cash equivalents for the years ended by the different types of activities.

The financial statements can be found on pages 7 through 11 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 12 through 17 of this report.

SOUTHERN WATER AND SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years ended December 31, 2004 and 2003

FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$16,088,003 at the close of the most recent year.

Southern Water and Sewer District's Net Assets

		2004
Current assets	\$	511,264
Restricted assets		323,882
Fixed assets		22,128,333
Other assets		91,029
 Total assets		 23,054,508
 Current liabilities		 1,176,972
Long-term liabilities		5,789,533
 Total liabilities		 6,966,505
 Net assets:		
Investment in		
Capital Assets		16,123,639
Restricted		315,352
Unrestricted		(350,988)
 Total net assets	 \$	 16,088,003

By far the largest portion of the District's net assets reflects its investment in fixed assets (e.g., land, water lines, tanks), less any related debt used to acquire those assets still outstanding.

Grant income was \$1,471,581 during the year. Grant monies and customer contributions accounted for this increase. These monies were used for water line expansions.

SOUTHERN WATER AND SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years ended December 31, 2004 and 2003

Southern Water and Sewer District's Statements of Revenues, Expenses, and Changes in Retained Earnings

	2004
Revenues:	
Water sales	\$ 1,885,617
Solid waste revenue	722,370
Penalties and service charges	63,324
Other	49,573
Total revenues	2,720,884
Expenses:	
Management fees	1,277,370
Flood damage expense	69,982
Depreciation and amortization	898,911
Purchased water	198,660
Solid Waste payments	722,370
Power for pumping	146,050
Outside services	17,897
Miscellaneous	12,854
Insurance	16,441
Distribution supplies and expense	1,048
Taxes and other	8,624
Customer accounts expense	13,889
Wages	18,000
Transportation expense	470
Pumping supplies and expense	337
Total operating expenses	3,402,903
Net operating income	(682,019)
Non-operating income (expense)	
Grants income	1,471,581
Capital contributions, other	3,601
Interest income	1,549
Interest expense	(114,431)
Forgiveness of debt	257,555
Gain (loss) on sale of asset	6,791
Total non-operating (expense)	1,626,646
Net income (loss) before contributions and transfers	944,627
Total net assets, beginning	15,143,376
Total net assets, ending	16,088,003

Operations. The District showed a net income of \$944,627.

Key elements of this income are as follows:

- Depreciation for the year was \$898,911. This was a result of moving \$5,102,803 of construction projects to utility plant during the year and starting depreciation on these assets.
- Miscellaneous income included a write off of the old account payable to the City of Pikeville in the amount of \$257,555.
- Grant income of \$1,471,581 was received during the year.

SOUTHERN WATER AND SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years ended December 31, 2004 and 2003

Southern Water and Sewer District Budget Comparison

	Actual Amounts	Original Budget Amounts	Variance Positive (Negative)
	2004	2004	2004
Revenues:			
Water sales	\$ 1,885,617	\$ 2,054,000	\$ (168,383)
Solid waste revenue	722,370	678,000	44,370
Penalties and service charges	63,324	46,500	16,824
Other	49,573	0	49,573
Total revenues	<u>2,720,884</u>	<u>2,778,500</u>	<u>(57,616)</u>
Expenses:			
Management fees	1,277,370	1,377,217	99,847
Flood damage expense	69,982	0	(69,982)
Depreciation and amortization	898,911	0	(898,911)
Purchased water	198,660	219,000	20,340
Solid Waste payments	722,370	678,000	(44,370)
Power for pumping	146,050	86,750	(59,300)
Outside services	17,897	16,000	(1,897)
Miscellaneous	12,854	15,650	2,796
Insurance	16,441	29,800	13,359
Distribution supplies expense	1,048	0	(1,048)
Taxes and other	8,624	6,720	(1,904)
Customer accounts expense	13,889	0	(13,889)
Wages	18,000	18,000	0
Transportation expense	470	0	(470)
Pumping supplies expense	337	0	(337)
Total operating expenses	<u>3,402,903</u>	<u>2,447,137</u>	<u>(955,766)</u>
Net operating income	(682,019)	331,363	(1,013,382)
Non-operating income (expense)			
Grant income	1,471,581		
Capital contributions, other	3,601		
Interest income	1,549		
Interest expense	(114,431)		
Forgiveness of debt	257,555		
Gain (loss) on sale of asset	6,791		
Total non-operating (expense)	<u>1,626,646</u>		
Net income (loss)	944,627	331,363	613,264
Total net assets, beginning	15,143,376		
Total net assets, ending	<u>\$ 16,088,003</u>	<u>\$</u>	<u>\$</u>

Budget Comparisons

- Revenues were \$57,616 less than budgeted as a result of the write off of the old accounts payable to the City of Pikeville and various other differences. Operating expenses were \$955,766 less than budgeted as a result of not budgeting for depreciation and amortization and various other expenses.

SOUTHERN WATER AND SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years ended December 31, 2004 and 2003

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The accrual basis of accounting is utilized by the District. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred.

Capital Assets

The District's investment in utility plant as of December 31, 2004 amounts to \$22,128,333 (net of accumulated depreciation). The investment in utility plant includes the expansion of the water system. The increase in the District's investment in utility plant for the current year was 6.5% percent, before current depreciation.

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

Debt Administration

At the end of the current fiscal year, the District had total debt outstanding of \$6,966,505. Additional information on the District's long-term debt can be found in Note (4) of the financial statements.

Fiscal Year 2004 – Final Comments

For the year ended December 31, 2004, the Southern Water and Sewer District became GASB 34 compliant. The changeover includes a new more detailed and departmentalized chart of accounts, a new look in financial statements, and a slightly different methodology of accounting. This compliance increases the accountability of our financial decisions to users, vendors and financial partners.

In viewing comparisons to the prior fiscal year data, some numbers may seem out of line. This is merely due to the change in account structure and does not misrepresent the integrity of the data.

Contacting the District's Financial Management

This financial report is designed to provide our customers, creditors, and other users with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Manager, at the Southern Water and Sewer District, P.O. Box 610, McDowell, KY 41647, telephone number (606) 377-9296.

Southern Water and Sewer District
 STATEMENTS OF NET ASSETS
 December 31, 2004 and 2003

ASSETS	<u>2004</u>	<u>2003</u>
Current assets		
Cash	\$ 62,994	\$ 31,545
Accounts receivable, customer water	307,844	265,431
Accounts receivable, Solid Waste	120,679	101,299
Grant receivable	19,747	19,747
Material and supplies	<u>0</u>	<u>35,278</u>
Total current assets	<u>511,264</u>	<u>453,300</u>
Restricted Assets	<u>323,882</u>	<u>601,105</u>
Total restricted assets	<u>323,882</u>	<u>601,105</u>
Capital assets		
Land and construction in progress	3,786,428	6,950,907
Other capital assets, net of accumulated depreciation	<u>18,341,905</u>	<u>14,167,787</u>
Total capital assets	<u>22,128,333</u>	<u>21,118,694</u>
Other assets		
Prepaid interest	98,410	98,410
Less: accumulated amortization	<u>(7,381)</u>	<u>(4,920)</u>
Total other assets	<u>91,029</u>	<u>93,490</u>
Total assets	<u>\$ 23,054,508</u>	<u>\$ 22,266,589</u>

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

Southern Water and Sewer District
 STATEMENTS OF NET ASSETS (CONT.)
 December 31, 2004 and 2003

LIABILITIES		
	2004	2003
Current liabilities		
Accounts payable	\$ 464,335	\$ 670,943
Accounts payable - Solid Waste	345,651	308,580
Customer deposits	49,352	40,641
Notes payable, current	306,190	108,210
Accrued interest	11,444	67,824
Total current liabilities	1,176,972	1,196,198
Long-term liabilities		
Notes payable, long-term	3,300,533	3,412,015
Bonds payable, long-term	2,489,000	2,515,000
Total long-term liabilities	5,789,533	5,927,015
Total liabilities	6,966,505	7,123,213
NET ASSETS		
Invested in capital assets, net of related debt	16,123,639	15,176,959
Restricted for capital projects	102,286	407,362
Restricted for maintenance	179,052	155,830
Restricted for debt service	34,014	29,112
Unrestricted (deficit)	(350,988)	(625,887)
Total net assets	\$ 16,088,003	\$ 15,143,376

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

Southern Water and Sewer District
 STATEMENTS OF REVENUES, EXPENSES
 AND CHANGES IN NET ASSETS
 for the years ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Operating revenues		
Water sales	\$ 1,885,617	\$ 1,845,042
Solid Waste revenue	722,370	660,044
Penalties and service charges	63,324	55,182
Other	<u>49,573</u>	<u>5,822</u>
Total operating revenues	<u>2,720,884</u>	<u>2,566,090</u>
Operating expenses		
Management fees	1,277,370	1,268,582
Flood damage expense	69,982	0
Depreciation and amortization	898,911	730,095
Purchased water	198,660	235,129
Solid Waste payments	722,370	660,044
Power for pumping	146,050	108,749
Outside services	17,897	23,217
Miscellaneous and commissioners expenses	12,854	15,630
Insurance	16,441	14,712
Distribution supplies and expenses	1,048	2,672
Taxes and other	8,624	5,036
Customer accounts expense	13,889	11,805
Wages	18,000	18,000
Transportation expense	470	2,079
Pumping supplies and expenses	<u>337</u>	<u>1,175</u>
Total operating expenses	<u>3,402,903</u>	<u>3,096,925</u>
Net operating income	(682,019)	(530,835)
Non-operating income (expense)		
Grants income	1,471,581	4,945,526
Capital contributions, other	3,601	16,150
Interest income	1,549	2,269
Interest expense	(114,431)	(231,460)
Forgiveness of debt	257,555	0
Gain (loss) on sale of asset	<u>6,791</u>	<u>(3,561)</u>
Total non-operating income (expense)	<u>1,626,646</u>	<u>4,728,924</u>
Net income (loss) before contributions and transfers	944,627	4,198,089
Capital contributions, other	<u>0</u>	<u>0</u>
Change in net assets	944,627	4,198,089
Total net assets, beginning	<u>15,143,376</u>	<u>10,945,287</u>
Total net assets, ending	<u>\$16,088,003</u>	<u>\$15,143,376</u>

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

Southern Water and Sewer District
 STATEMENTS OF CASH FLOWS
 for the years ended December 31, 2004 and 2003

	2004	2003
Cash flows from operating activities:		
Cash received from customers	\$ 2,657,542	\$ 2,542,763
Cash payments to suppliers for goods and services	(2,523,820)	(2,143,871)
Cash paid for interest	(170,811)	(174,672)
Cash received for customer deposits	8,711	7,750
Cash received for interest income	1,549	2,269
 Total cash (used) provided by operating activities:	 (26,829)	 234,239
 Cash flow from capital and related financing activities:		
(Increase) decrease in restricted asset accounts	277,223	(416,720)
Loan proceeds	194,710	1,011,647
Bond proceeds	0	0
Interest paid on notes	(114,431)	(231,460)
Contributed capital - customers	3,601	16,149
Principle paid on notes	(108,210)	(1,150,390)
Purchase of utility plant in service	(5,102,803)	(1,889,848)
Principle paid on bonds	(26,000)	0
Retirement of utility plant in service, net	0	18,769
Increase (decrease) in advances for construction	1,471,581	4,945,527
Decrease (increase) in construction in progress	3,196,712	(2,648,394)
 Net cash (used) provided by capital and related financing activities	 (207,617)	 (344,720)
 Cash flows from investing activities:		
Interest income	1,549	2,269
Forgiveness of debt	257,555	0
Gain (loss) on sale of asset	6,791	(3,561)
 Net cash flows from investing activities	 265,895	 (1,292)
 Net increase (decrease) in cash and cash equivalents	 31,449	 (111,773)
 Cash and cash equivalents, beginning of year	 31,545	 143,318
 Cash and cash equivalents, end of year	 \$ 62,994	 \$ 31,545

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

Southern Water and Sewer District
 STATEMENTS OF CASH FLOWS (CONT.)
 for the years ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (682,019)	\$ (530,835)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	898,911	730,095
(Increase) decrease in		
Accounts receivable	(61,793)	(21,058)
Inventory	35,278	(5,070)
Prepaid expenses	0	0
Contract receivable	0	39,233
Increase (decrease) in		
Accounts payable	(169,537)	(42,664)
Customer deposits	8,711	7,750
Accrued interest	<u>(56,380)</u>	<u>56,788</u>
 Total cash (used) provided by operating activities:	 <u>\$ (26,829)</u>	 <u>\$ 234,239</u>

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

SOUTHERN WATER AND SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004 & 2003

1. Summary of Significant Accounting Policies

Southern Water and Sewer District was created and organized as a public body corporate in Floyd County, Kentucky, pursuant to Chapter 74 of the Kentucky Revised Statutes, to operate a water distribution system.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The Southern Water and Sewer District's financial statements include the operations of all entities for which the District exercises oversight responsibility. Oversight responsibility includes, but is not limited to, financial interdependency, selection of the governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. The entities included in the financial statements are the general operations of the District.

There are no other entities that are subject to the District's oversight responsibility as indicated above.

B. Basis of Accounting

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The accrual basis of accounting is utilized by the District. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred.

C. Inventory

Inventory consists primarily of materials and supplies and is stated at the lower of cost or market. Cost is determined by use of the first-in, first-out method. The cost of inventory is recorded as expenditures/expenses when consumed rather than when purchased.

D. Property, Plant, and Equipment

Additions to the utility plant in service are recorded at cost or, if contributed property, at their estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterment are capitalized. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives range from 7 to 50 years.

E. Deferred Expense

Deferred regulatory expenses are rate case expenses required to be deferred to conform to accounting policies and procedures as set forth by the Public Service Commission of Kentucky.

F. Uncollectible Accounts

Accounts receivable are written off as bad debts in the year in which they become uncollectible. In the District's opinion, any accounts receivable at year-end that may become uncollectible would not materially affect the financial position of the results of operations for the year then ended.

SOUTHERN WATER AND SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004 & 2003

G. Cash and Cash Equivalents

Cash and cash equivalents for the purposes of the cash flow statement consist of cash on hand and cash in bank.

H. Use of Estimates

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

2. Capital Assets

The following summarized the changes to capital assets during 2004.

December 31, 2004	Balance at January 1, 2004	Increase	Decrease	Balance at December 31, 2004
Capital assets not being depreciated:				
Land	\$ 129,805	\$ 32,233		\$ 162,038
Construction in progress	6,821,102	1,906,091	(5,102,803)	3,624,390
	<u>6,950,907</u>	<u>1,938,324</u>	<u>(5,102,803)</u>	<u>3,786,428</u>
Capital assets being depreciated:				
Pumping and Distribution System	20,157,764	5,102,803	(47,411)	25,213,156
Trans. Equipment	280,107		(19,974)	260,133
Furniture, fixtures and equipment	86,200			86,200
	<u>20,524,071</u>	<u>5,102,803</u>	<u>(67,385)</u>	<u>25,559,489</u>
Total Capital Assets	27,474,978	7,041,127	(5,170,188)	29,345,917
Less accumulated depreciation	<u>6,356,284</u>	<u>898,911</u>	<u>(37,611)</u>	<u>7,217,584</u>
Net capital assets	<u>\$ 21,118,694</u>	<u>\$ 6,142,216</u>	<u>\$ (5,132,577)</u>	<u>\$ 22,128,333</u>

The following summarized the changes to capital assets during 2003.

December 31, 2003	Balance at January 1, 2003	Increase	Decrease	Balance at December 31, 2003
Capital assets not being depreciated:				
Land	\$ 124,805	\$ 5,000		\$ 129,805
Construction in progress	4,172,708	2,648,394		6,821,102
	<u>4,297,513</u>	<u>2,653,394</u>		<u>6,950,907</u>
Capital assets being depreciated:				
Pumping and Distribution System	17,136,407	3,021,357		20,157,764
Trans. Equipment	280,107			280,107
Furniture, fixtures and equipment	86,200			86,200
	<u>17,502,714</u>	<u>3,021,357</u>		<u>20,524,071</u>
Total Capital Assets	21,800,227	5,674,751		27,474,978
Less accumulated depreciation	<u>4,473,372</u>	<u>1,882,912</u>		<u>6,356,284</u>
Net capital assets	<u>\$ 17,326,855</u>	<u>\$ 3,791,839</u>		<u>\$ 21,118,694</u>

SOUTHERN WATER AND SEWER DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2004 & 2003

3. Reserves for Notes

Repair and Maintenance Reserve

Phase I

The District entered into a loan agreement with the Kentucky Infrastructure Authority on February 21, 1995, bearing interest at the rate of 3%. The note calls for 60 semi-annual payment of \$34,607, commencing June 1, 1995.

The note dated February 21, 1995 requires the District to maintain the following reserve:

Repair and Maintenance Reserve – The sum of \$3,600 is to be transferred semi-annually until there is accumulated in such repair and maintenance fund the sum of \$68,143.50. The balance of this reserve at December 31, 2004 was \$71,712.83. The cash balance at December 31, 2004 for this reserve was \$72,528.15. As of the issuance of this report this reserve was fully funded.

Phase III

The District entered into a loan agreement with the Kentucky Infrastructure Authority on February 21, 1995, bearing interest at the rate of 3%. The note calls for 60 semi-annual payments of \$71,897, commencing June 1, 1998.

The note dated February 21, 1995 requires the District to maintain the following reserve:

Repair and Maintenance Reserve – The sum of \$7,800 is to be transferred semi-annually until there is accumulated in such repair and maintenance fund the sum of \$141,568. The balance of this reserve at December 31, 2004 was \$105,208.80. The cash balance at December 31, 2004 for this reserve was \$106,523.73. As of the issuance of this report this reserve was fully funded.

4. Notes Payable

The District had the following notes payable at December 31, 2004:

Description and purpose	January 1, 2004	Issued	Retired	December 31, 2004	Within one year
3% installment note payable to Kentucky Infrastructure Authority, dated March 15, 1993, due in 60 semi-annual installments of \$34,607 including interest, beginning June 1, 1995.	\$ 1,072,640	\$ 0	\$ 37,314	\$ 1,035,326	\$ 38,442
6.15% line of credit to First Guaranty National Bank, dated May 2, 2004, due May 2, 2005, including interest, unsecured loan.	0	194,709	0	194,709	194,709
3% installment note payable to Kentucky Infrastructure Authority, dated February 21, 1995, due in 60 semi-annual installments of \$71,898 including interest, beginning June 1, 1998.	2,447,585	0	70,897	2,376,688	73,039
Total notes payable	\$ 3,520,225	\$ 194,709	\$ 108,211	\$ 3,606,723	\$ 306,190

SOUTHERN WATER AND SEWER DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2004 & 2003

Maturities of long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	
2006	\$ 114,850	\$ 98,161	
2007	118,322	94,690	
2008	121,898	91,113	
2009	125,582	87,429	
2010	129,378	83,633	
2011-2015	707,965	357,092	
2016-2020	821,624	243,434	
2021-2025	883,792	112,049	
2026-2029	277,122	10,469	
	<u>\$ 3,300,533</u>	<u>\$ 1,178,070</u>	

5. Bonds Payable

The District had the following bonds payable at December 31, 2004:

Description and purpose	January 1, 2004	Issued	Retired	December 31, 2004	Within one year
The 4.5% revenue bonds issued December 12, 2002 in the original amount of \$2,515,000 for the Rural Development Project are payable to the Rural Development in semi-annual installments to the year 2042. The bonds are secured by a pledge of all water revenues from the system.	\$ 2,515,000	\$ _____	\$ 26,000	\$ 2,489,000	\$ 0
Total bonds payable	\$ 2,515,000	\$ _____	\$ 26,000	\$ 2,489,000	\$ 0

Maturities of long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	
2006	\$ 27,000	\$ 112,005	
2007	29,000	110,790	
2008	30,000	109,485	
2009	31,000	108,135	
2010	33,000	106,740	
2011-2015	187,000	510,210	
2016-2020	233,000	464,175	
2021-2025	289,000	406,890	
2026-2030	361,000	335,700	
2031-2035	450,000	246,825	
2036-2040	561,000	135,945	
2041-2044	258,000	17,460	
	<u>\$ 2,489,000</u>	<u>\$ 2,664,360</u>	

SOUTHERN WATER AND SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004 & 2003

6. Restricted Cash Accounts

The District had the following restricted cash accounts as of December 31, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
KIA Project	\$ 42,544	\$ 37,913
Repair and maintenance reserve fund	179,052	155,831
Mud Creek/Spurlock Project Account	102,286	407,361
	\$ 323,882	\$ 601,105

7. Contributed Capital and Net Assets

Changes in contributed capital and net assets during the years ended December 31, 2004 and December 31, 2003.

	<u>Contributed Capital</u>	<u>Reserves</u>	<u>Net Assets (Deficit)</u>	<u>Total</u>
Balance, January 1, 2003	\$ 15,744,381	\$ 132,100	\$ (4,931,194)	\$ 10,945,287
Customer contributions/refunds	16,149			16,149
Grant in aid – FEMA	45,653			45,653
Grant in aid – AML (Rock Fork)	30,255			30,255
Grant in aid – AML (Spurlock)	1,331			1,331
Grant in aid – AML (Right Beaver)	27,960			27,960
Grant in aid – ARC	98,277			98,277
Other contribution – United Fire & Casualty	500,000			500,000
State Contribution – DOT	206,703			206,703
Local contribution – Coal Severance	4,035,348			4,035,348
Net income (loss)			(763,587)	(763,587)
Transfer		22,022	(22,022)	0
Balance, December 31, 2003	\$ 20,706,057	\$ 154,122	\$ (5,716,803)	\$ 15,143,376
Customer contributions/refunds	3,601			3,601
Grant in aid – FEMA	34,704			34,704
Grant in aid – PRIDE (Wayland Sewer)	769,358			769,358
Grant in aid – AML (Right Beaver)	8,640			8,640
Grant in aid – ARC	3,256			3,256
State contribution – DOT	180,832			180,832
Local contribution – Coal Severance	462,924			462,924
Other contribution – Miscellaneous	11,867			11,867
Transfer		22,800	(22,800)	0
Net income (loss)			(530,555)	(530,555)
Balance, December 31, 2004	\$ 22,181,239	\$ 176,922	\$ (6,270,158)	\$ 16,088,003

8. Commitments and Contingencies

Per the District's counsel, there is no pending litigation against the District as of the issuance of this audit report.

9. Construction in Progress

Southern Water and Sewer District has overseen several construction projects. As of December 31, 2004, the following projects were in progress:

Rt. 7 Project	\$ 2,806,154
Wayland Sewer Project	742,498
Total	\$ 3,548,652

In addition to the above construction in progress, the District capitalized \$5,102,803 on various expansion projects during the year ended December 31, 2004.

SOUTHERN WATER AND SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004 & 2003

10. Deposits with Financial Institutions

At December 31, 2004, the carrying amount of the District's deposits with financial institutions was \$386,416 and the bank balance, per statements was \$601,344. The bank balance is categorized as follows:

Amount insured by the FDIC	\$ 121,834
Amount collateralized by securities held by the third party trust company in the District's name	<u>479,510</u>
Total Bank Balance	<u>\$ 601,344</u>

Pledged collateral was obtained for amounts up to \$1,000,000 for money on deposit at First Guaranty Bank in the name of Southern Water and Sewer District.

11. Solid Waste Agreement

On July 1, 2001, the District entered into an agreement with the Floyd County Fiscal Court to bill and collect garbage fees from the District's customers and remits the amount received to the Court on a monthly basis. The December 31, 2004 and December 31, 2003 Accounts Receivable – Solid Waste balances were \$120,679 and \$101,299, respectively. The December 31, 2004 and December 31, 2003 Accounts Payable – Solid Waste balances were \$345,651 and \$308,580, respectively. These two accounts were a result of this agreement. The Solid Waste revenue and expenses for the year ended December 31, 2004 are equal due to the fact that this is pass-through agreement only.

12. Management

The District entered into a management agreement with U. S. Filter Operations after the merger of Beaver Elkhorn Water District and Mud Creek Water District. U.S. Filter Operations handles the daily management of the District and also supplies the workforce for a monthly management fee. The management fees for the years ended December 31, 2004 and 2003, were \$1,277,370 and \$1,268,582, respectively. The term of this agreement is 20 years starting May of 2000 with yearly increases in the fee based upon the Consumer Price Index in effect for that year. As of March 1, 2004, U.S. Filter Operations was reorganized as Veolia Water North American Operating Services, LLC.

13. Prepaid Interest

The note payable to ABN-AMRO was refinanced with the \$2,515,000 Bond Issue at December 31, 2002. As a result of this refinancing and subsequent payoff of the ABN-AMRO note, there was a prepaid interest charge of \$98,410. The District is amortizing this prepaid interest for 40 years, the life of the Bond Issue. As of December 31, 2004 the amortization expense was \$7,381.

14. Change in financial statement presentation

For the year ended December 31, 2004 the District has implemented GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. GASB 34 creates new basic financial statements for reporting on the District's financial activities. The financial statements now include basic financial statements prepared on an accrual basis of accounting.

15. Commitments and Contingencies

The District has been committed to several construction projects that have not been either started or completed as of the date of this report.

16. Forgiveness of debt

This forgiveness of debt arose as a result of the City of Pikeville forgiving an old accounts payable for the purchase of water by the Mud Creek Water District. The Mud Creek Water District and Beaver Elkhorn Water District merged into Southern Water and Sewer District on March 15, 2000. The amount of the accounts payable as of the date of the merger was \$257,555. This amount was written off by the City of Pikeville on December 13, 2004.

Michael R. Spears, C.P.A., P.S.C.

Certified Public Accountant

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

Board of Commissioners
Southern Water and Sewer District
McDowell, Kentucky

We have audited the financial statements of Southern Water and Sewer District as of and for the years ended December 31, 2004 and December 31, 2003, which collectively comprise the Southern Water and Sewer District's basic financial statements, and have issued our report thereon dated September 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southern Water and Sewer District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

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

Michael R. Spears CPA PSC

Michael R. Spears, CPA, PSC
September 21, 2005

SOUTHERN WATER AND SEWER DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year ended December 31, 2004

Federal Grantor / Passthrough Grantor / Program Title	Federal CFDA Number	Pass- Through Grantors Number	Total Program or Award Amount	Expenditures
<u>U.S. DEPARTMENT OF COMMERCE</u>				
Passed through the Rural Development District				
* Pride Grant	11.469	N/A	\$ 1,020,000	\$ 769,358
Federal Emergency Management Agency	83.100	N/A	\$ 34,704	<u>\$ 34,704</u>
Total Expenditure of Federal Awards				<u><u>\$ 804,062</u></u>

* - indicates a major program

SOUTHERN WATER AND SEWER DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2004 & 2003

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Southern Water and Sewer District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Michael R. Spears, C.P.A., P.S.C.

Certified Public Accountant

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

Board of Commissioners
Southern Water and Sewer District
McDowell, Kentucky

Compliance

We have audited the compliance of Southern Water and Sewer District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended December 31, 2004 and December 31, 2003. Southern Water and Sewer District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Southern Water and Sewer District's management. Our responsibility is to express an opinion on Southern Water and Sewer District's compliance based on our audit.

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

In our opinion, Southern Water and Sewer District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2004 and December 31, 2003.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Michael R. Spears CPA PSC

Michael R. Spears, CPA, PSC
September 21, 2005

SOUTHERN WATER AND SEWER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEARS ENDED DECEMBER 31, 2004 AND DECEMBER 31, 2003

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Southern Water and Sewer District.
2. No reportable conditions relating to the audit of the general purpose financial statements are reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of non-compliance material to the financial statements of Southern Water and Sewer District were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs is reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Southern Water and Sewer District expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for Southern Water and Sewer District are reported in Part C of this Schedule.
7. The programs tested as major programs include:

<u>NAME</u>	<u>CFDA NUMBER</u>
United States Department of Commerce - Pride Grant	11.469
Federal Emergency Management Agency	83.100

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Southern Water and Sewer District was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

SOUTHERN WATER AND SEWER DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Years ended December 31, 2004 and 2003

There were no findings noted during the prior period.

Commonwealth of Kentucky

County of Pike

AFFIDAVIT

The affiant, Joseph Jacobs, Chairman, after being sworn, states that he is authorized on behalf of the Sandy Valley Water District to file this petition and that information contained in it is true and correct to his best belief and information.

A handwritten signature in cursive script that reads "Joseph A. Jacobs". The signature is written in black ink and is positioned above a horizontal line.

Sworn and subscribed to before me a notary public on the 14 day of June, 2006.

A handwritten signature in cursive script that reads "Pat Layne". The signature is written in black ink and is positioned above a horizontal line. Below the line, the words "Notary Public" are printed in a standard font.

My commission expires: 10-27-07

Commonwealth of Kentucky

County of Pike

AFFIDAVIT

The affiant, Frank Justice, Mayor, after being sworn, states that he is authorized on behalf of the city of Pikeville to file this petition and that information contained in it is true and correct to his best belief and information.



Sworn and subscribed to before me a notary public on the ^{13th} day of June, 2006.



Notary Public

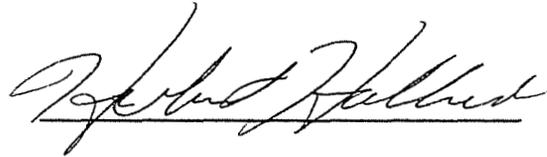
My commission expires: 2/25/2008

Commonwealth of Kentucky

County of Floyd

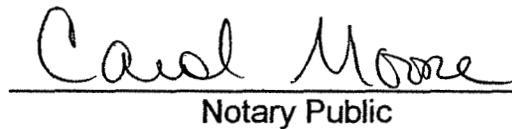
AFFIDAVIT

The affiant, Hubert Halbert, Chairman, after being sworn, states that he is authorized on behalf of the Southern Water and Sewer District to file this petition and that information contained in it is true and correct to his best belief and information.



A handwritten signature in cursive script, appearing to read "Hubert Halbert", is written over a horizontal line.

Sworn and subscribed to before me a notary public on the 14 day of June, 2006.



A handwritten signature in cursive script, appearing to read "Carol Moore", is written over a horizontal line. Below the line, the words "Notary Public" are printed.

My commission expires: 4-26-2010

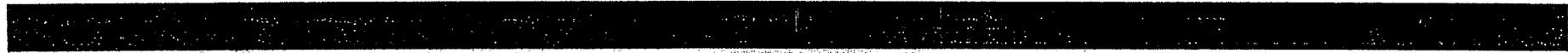
Michael R. Spears, CPA, PSC

Certified Public Accountant

SOUTHERN WATER & SEWER DISTRICT

PUBLIC SERVICE COMMISSION ANNUAL REPORT FOR SEWER DIVISION
for the year ended December 31, 2005

Title Page



Sewer Utilities

Annual Report of

Respondent Southern Water & Sewer District P.O. Box 810 245 Ky Rt. 680 McDowell KY 41647

22270009 Southern Water & Sewer District Sewer Division 01/01/2005 - 12/31/2005

Principal Payment and Interest Information

Amount of Principal Payment During Calendar Year \$0.00

Is Principal Current?

Is Interest Current?

Y

Services Performed by Independent CPA

Are your financial statements examined by a Certified Public Accountant?

Enter Y for Yes or N for No

If yes, which service is performed?

Enter an X on each appropriate line:

Audit

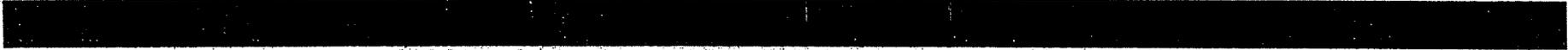
X

Compilation

Review

22270009 Southern Water & Sewer District Sewer Division 01/01/2005 - 12/31/2005

Additional Information Required



General Information 1. (Ref Page: 1)

Exact name of utility making this report.

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

Southern Water & Sewer Division

22270009 Southern Water & Sewer District Sewer Division 01/01/2005 - 12/31/2005

General Information 4 (Ref Page: 1)



Name of State under the laws of which respondent is incorporated and the date of incorporation Kentucky

22270009 Southern Water & Sewer District Sewer Division 01/01/2005 - 12/31/2005

General Information 5. (Ref Page: 1)



Date sewer utility began operations

08/01/2005

General Information 6. (Ref Page: 1)



Wayland

Floyd

22270009 Southern Water & Sewer District Sewer Division 01/01/2005 - 12/31/2005

Balance Sheet - Assets and Other Debts (Ref Page: 2)

UTILITY PLANT

Utility Plant (101-109)

less: Accum. Prov. for Depr., Depletion and Amortization (110)

Net Utility Plant

OTHER PROPERTY AND INVESTMENTS

Non-Utility Property (121)

less: Accum. Prov. for Depr. and Amort. of Non-Utility Property
(122)

Net Non-Utility Property

Other Investments (124)

Special Funds (125)

Total Other Property and Investments

CURRENT AND ACCRUED ASSETS

Cash and Working Funds (131)

Temporary Debt Investments (132)

Notes Receivable (141)

Customer Accounts Receivable (142)

310,617.00

Other Accounts Receivable (143)

Accum. Prov. for Uncollectible Accts. - CR (144)

Notes Receivable from Assoc. Companies (145)

Accounts Receivable from Assoc. Companies (146)

Materials and Supplies (160)

Prepayments (166)

Other Current and Accrued Assets (170)

Total Current and Accrued Assets

510,617.00

DEFERRED DEBITS:

Unamortized Debt Expense (181)

22270009 Southern Water & Sewer District Sewer Division 01/01/2005 - 12/31/2005

Balance Sheet - Assets and Other Debts (Ref Page: 2)

Extraordinary Property Losses (182)

Other Deferred Debts (183)

Total Deferred Debts

TOTAL ASSETS AND OTHER DEBITS

\$10,817,000

22270009 Southern Water & Sewer District Sewer Division 01/01/2005 - 12/31/2005

Balance Sheet - Liabilities and Other Credits (Ref Page: 3)

EQUITY CAPITAL

Common Capital Stock (201)

Preferred Capital Stock (204)

Other Paid-in Capital (207)

Discount on Capital Stock (213)

Capital Stock Expense (214)

Appropriated Retained Earnings (215)

Unappropriated Retained Earnings (216)

Non-Corporate Proprietorship (218)

Total Equity Capital

\$5,155.00

LONG-TERM DEBT

Bonds (221)

Advances From Associated Companies (223)

Other Long-Term Debt (224)

Total Long-Term Debt

CURRENT AND ACCRUED LIABILITIES

Notes Payable (231)

Accounts Payable (232)

Notes Payable to Associated Companies (233)

Accounts Payable to Associated Companies (234)

\$5,462.00

Customer Deposits (235)

Taxes Accrued (236)

Interest Accrued (237)

Other Current and Accrued Liabilities (238)

Total Current and Accrued Liabilities

\$5,462.00

DEFERRED CREDITS

Advances for Construction (252)

22270009 Southern Water & Sewer District Sewer Division 01/01/2005 - 12/31/2005

Balance Sheet - Liabilities and Other Credits (Ref Page: 3)

Other Deferred Credits (253)

Accum. Deferred Investment Tax Credits (255)

Total Deferred Credits

Operating Reserves (261-265)

Contributions in Aid of Construction (271)

ACCUMULATED DEFERRED INCOME TAXES

Accum. Def. Income Taxes-Accel. Amort (281)

Accum. Def. Income Taxes-Lib. Depr. (282)

Accum. Def. Income Taxes-Other (283)

Total Accum. Deferred Income Taxes

TOTAL LIABILITIES AND OTHER CREDITS

\$10,617.00

Summary of Utility Plant (Ref Page: 4)

UTILITY PLANT	
In Service	
Plant In Service Classified (from pg 5 line 40) (101)	
Completed Construction Not Classified (102)	
Utility Plant In Process of Reclassification (103)	
Utility Plant Purchased or Sold (106)	
Total In Service	
Utility Plant Leased to Others (104)	
Property Held for Future Use (105)	
Construction Work in Progress (107)	
Utility Plant Acquisition Adjustments (108)	
Other Utility Plant Adjustments (109)	
Total Utility Plant (to pg 2, line 4)	
Loss	
Accumulated Provision for Depreciation and Amort. of Utility Plant (to pg 2, line 6) (110)	
Net Utility Plant (to pg 2, line 6)	

22270009 Southern Water & Sewer District Sewer Division 01/01/2005 - 12/31/2005

Accum. Prov. for Depreciation and Amortization of Utility Plant (Ref Page: 4)

Balance Beginning of Year
Accruals for Year
Depreciation
Amortization
Other Accounts (detail)
Total Accruals for Year
Credit Adjustments (describe)
Total Credits for Year
Net Charges for Plant Retired
Book Cost of Plant Retired (same as no. 11)
Add: Cost of Removal
Less: Salvage
Net Charges for Plant Retired
Debit Adjustments (describe)
Total Debit Adjustments for Year
Balance End of Year

Sewer Utility Plant In Service (Ref Page: 5)

INTANGIBLE PLANT

Organization (301)

Franchises and Consents
(302)

Misc. Intangible Plant
(303)

Total Intangible Plant

LAND AND
STRUCTURES

Land and Land Rights
(310)

Structures and
Improvements (311)

Total Land and Structures

COLLECTION PLANT

Collection Sewers - Force
(352.1)

Collection Sewers - Gravity
(352.2)

Other Collection Plant
Facilities (353)

Services to Customers
(354)

Flow Measuring Devices
(355)

Total Collection Plant

PUMPING PLANT

Receiving Wells and Pump
Rt's (362)

Pumping Equipment -
Electric (363A)

Sewer Utility Plant In Service (Ref Page: 5)

Pumping
Equipment-Diesel (363B)

Pumping Equipment
Other (363C)

Total Pumping Plant (364)

TREATMENT AND
DISPOSAL PLANT

Oxidation Lagoon (372)

Treatment and Disposal
Equipment (373)

Plant Sewers (374)

Outfall Sewer Lines (375)

Other Treatment and
Disposal Plant Equip.
(378)

Other Treatment and
Disposal Plant (377)

GENERAL PLANT (372)

Office Furniture and
Equipment (391)

Transportation Equipment
(392)

Stores Equipment (393A)

Tools, Shop and Garage
Equipment (393B)

Laboratory Equipment
(393C)

Power Operated
Equipment (393D)

Communication Equipment
(393E)

22270009 Southern Water & Sewer District Sewer Division 01/01/2005 - 12/31/2005

Long-Term Debt (Ref Page: 6)

List each Original
Issue Amount Class
and Series of
Obligation

0

Total

0

22270009 Southern Water & Sewer District Sewer Division 01/01/2005 - 12/31/2005

Notes Payable (Ref Page: 6)

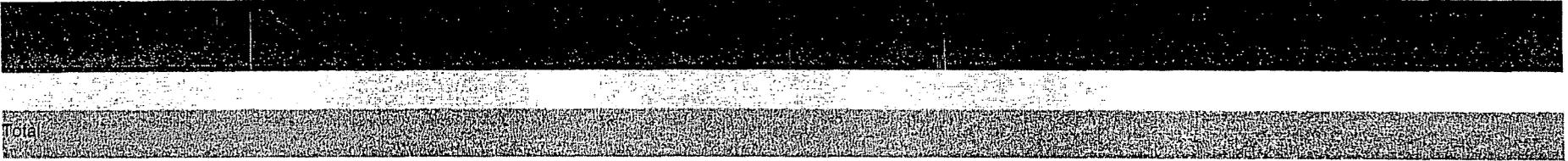
(Include Notes Payable to
Associated Companies Under
This Heading)

Total

0

22270009 Southern Water & Sewer District Sewer Division 01/01/2005 - 12/31/2005

Interest Accrued (Ref Page: 6)



22270009 Southern Water & Sewer District Sewer Division 01/01/2005 - 12/31/2005

Other Current and Accrued Liabilities (Ref Page: 7)

Total (must agree with pg 8 Acct 238)

22270009 Southern Water & Sewer District Sewer Division 01/01/2005 - 12/31/2005

Statement of Retained Earnings For the Year (Ref Page: 7)

UNAPPROPRIATED RETAINED EARNINGS
(216)

Balance Beginning of Year

Balance Transferred From Income (435)

\$5,155.00

Appropriations of Retained Earnings (436)

Dividends Declared-Preferred Stock (437)

Dividends Declared-Common Stock (438)

Adjustments to Retained Earnings (439)

Balance End of Year

\$5,155.00

22270009 Southern Water & Sewer District Sewer Division 01/01/2005 - 12/31/2005

Statement of Income for the Year (Ref Page: 8)

OPERATING REVENUES

Flat Rate Revenues - General Customers		
Residential Revenues (521.1)	155	\$57,249.00
Commercial Revenues (521.2)		
Industrial Revenues (521.3)		
Revenues From Public Authorities (521.4)		
Total (521)	155	\$57,249.00
Measured Revenues - General Customers (483)		
Residential Revenues (522.1)		
Commercial Revenues (522.2)		
Industrial Revenues (522.3)		
Revenues From Public Authorities (522.4)		
Total (522)		
Revenues From Public Authorities (523)		
Revenues From Other Systems (524)		
Miscellaneous Sewage Revenues (526)		
Total Sewage Service Revenues (521-526)	155	\$57,249.00

OTHER OPERATING REVENUES

Customers Forfeited Discounts (532)		
Miscellaneous Operating Revenues (636)		
Total Other Operating Revenues		
Total Operating Revenues		

OPERATING EXPENSES

Total Sewer Operation and Maint. Expenses (from pg 9)		\$52,094.00
Depreciation Expense (403)		
Amortization Expense (from pg. 10) (404-407)		

22270009 Southern Water & Sewer District Sewer Division 01/01/2005 - 12/31/2005

Statement of Income for the Year (Ref Page: 8)

Taxes Other Than Income taxes (from pg 10)
(408.1)

Total Income Taxes-Utility Operations (from pg 10)

Total Sewage Operating Expenses

\$52,094.00

Net Operating Income

\$5,155.00

OTHER INCOME

Income from Nonutility Operations (417)

Interest and dividend Income (419)

Miscellaneous Nonoperating Income (421)

Other Accounts (Specify Acct. No & Title)

Total Other Income

OTHER DEDUCTIONS

Interest on Long-Term Debt (427)

Amortization of Debt Discount and Expense (428)

Interest on Debt to Associated Companies (430)

Other Interest Expense (431)

Taxes Other than Income Taxes 408.2 (from pg 10)

Total Income Taxes-Nonutility Operations (from pg 10)

Other Accounts (Specify Acct. No. and Title)

Total Other Deductions

Net Income

\$5,155.00

22270009 Southern Water & Sewer District Sewer Division 01/01/2005 - 12/31/2005

Sewer Operation and Maintenance Expenses (Ref Page: 9)

OPERATION EXPENSES

Supervision and Engineering (700)

Owner/Manager-Management Fee (700-A)

\$52,094.00

Other Expenses (700-B)

Labor and Expenses (701):

Collection System-Labor, Materials and Expenses (701-A)

Pumping System-Labor, Materials and Expenses (701-B)

Treatment System (701-C)

Sludge Hauling

Utility Service - Water Cost

Other-Labor, Materials and Expense

Rents (702)

Fuel and Power Purchased for Pumping and Treatment (703)

Chemicals (704)

Miscellaneous Supplies and Expenses (705):

Collection System (705-A)

Pumping System (705-B)

Treatment and Disposal (705-C)

Total Operation Expenses

\$52,094.00

MAINTENANCE EXPENSES

Supervision and Engineering (710):

Routine Maintenance Service Fee (710-A)

Internal Supervision and Engineering (710-B)

Maintenance of Structures and Improvements (711)

Maintenance of Collection Sewer system (712)

Maintenance of Pumping System (713)

Maintenance of Treatment and Disposal Plant (714)

Sewer Operation and Maintenance Expenses (Ref Page: 9)

Maintenance of Other Plant Facilities (715)

Total Maintenance Expenses

CUSTOMER ACCOUNTS EXPENSES

Supervision (901)

Meter Reading Expenses and Flat Rate Inspections (902)

Customer Records and Collection Expenses (903)

Agency Collection Fee (903-A)

Internal Labor, Materials and Expenses (903-B)

Uncollectible Accounts (904)

Miscellaneous Customer Accounts Expenses (905)

Total Customer Accounts Expenses

ADMINISTRATIVE AND GENERAL EXPENSES

Administrative and General Salaries (920)

Office Supplies and Other Expenses (921)

Outside Services Employed (923)

Insurance Expenses (924)

Employee Pensions and Benefits (926)

Regulatory Commission Expense (928)

Transportation Expenses (929)

Miscellaneous General Expenses (930)

Rents (931)

Maintenance of General Plant (932)

Total Administrative and General Expenses

TOTAL SEWER OPERATION AND MAINTENANCE EXPENSES (to pg 8)

352.09.00

Taxes Other Than Income Taxes (Ref Page: 10)

Payroll Taxes

Property Taxes

Utility Regulatory Commission Assessment

Other (specify)

Total (Same as Page 8 line 27 plus 44)

Operating and Non-Operating Income Taxes (Ref Page: 10)

Income Taxes-Federal (409.1)

Income Taxes - State (409.1)

Income Taxes - Other (409.1)

Provisions for Deferred Income Taxes (410.1)

Income Taxes Deferred in Prior Years - Credit (411.1)

Investment Tax Credits - Net (412.0)

Total Income Taxes - Util. Operating Income (to pg 9 line 28)

Income Taxes - Federal (409.2)

Income Taxes - State (409.2)

Income Taxes - Other (409.2)

Provisions for Deferred Income (410.2)

Income Taxes Deferred in Prior Years - Credit (411.2)

Investment Tax Credits - Net (412.4)

Total Inc. Taxes - Nonutil. Op. Income (to pg 8 line 45)

Amortization Expense (Ref Page: 10)

Amortization of Limited - Term Utility Plant (404)

Amortization of Other Utility Plant (405)

Amortization of Utility Plant Acquisition Adjustments (408)

Amortization of Property Losses (407)

Amortization of Rate Case Expense

Total Amortization Expense (to pg 3 line 26)

22270009 Southern Water & Sewer District Sewer Division 01/01/2005 - 12/31/2005

Sewer Plant Statistics - Plant Valuation 1 - 3 (Ref Page: 11)

What method of valuation was used with reference to Sewer Utility Plant in Service Appearing on page two line four: Original Cost, Estimated Cost, Original Cost Study? N/A

What percentage of Sewer Utility Plant in Service was recovered by the developer of the subdivision through the sale of lots? 0

If less than one-hundred percent of the utility plant was recovered, please designate what portion (collection lines, treatment plant, etc.) of the plant that represents non-contributed plant. 0

Sewer Plant Statistics - Plant Valuation 4. (Ref Page: 11)

By whom were the books of account audited?

What was the date of the last audit?

Spears

Michael R.

12/31/2005

If unaudited in the past twelve months, when and
by whom is the next audit anticipated?

22270009 Southern Water & Sewer District Sewer Division 01/01/2005 - 12/31/2005

Sewer Plant Statistics - Physical Data of Sewer Plant (Ref Page: 11)

Date of Construction of original Plant	03/01/2005
Type of treatment process	Extended Aeration
Date and additional GPD Capacity of subsequent additions to plant	N/A
Population for which plant is designed including population equivalent of industrial waste load	500

22270009 Southern Water & Sewer District Sewer Division 01/01/2005 - 12/31/2005

Sewer Plant Statistics - Treatment Plant Operating Statistics (Ref Page: 11)

Total gallons received during the year	4,881,027	
Total gallons received on maximum day	48,692	
Maximum G.P.D. Capacity of the sewage treatment plant	100,000	
Routine maintenance service fee		
Cost per month		\$0.00
Contract Expires		
Sludge hauling		
Cost per load		\$0.00
Average number of gallons per load		
Number of loads this year		

22270009 Southern Water & Sewer District Sewer Division 01/01/2005 - 12/31/2005

Sewer Plant Statistics - Customer Statistics End of Year (Ref Page: 12)

Residential			
Single/Family	155	Monthly	155
Apartments/Condominiums			
Commercial			
Industrial			
Other			
Total	155		155

22270009 Southern Water & Sewer District Sewer Division 01/01/2005 - 12/31/2005

Sewer Plant Statistics - Pumping Stations (Ref Page: 12)

Pumpkin Center	20 HP	Myers Pump	0
Estill Hill	15 HP	Myers Pump	0
Estill Bottom	15 HP	Myers Pump	0
Wayland	20 HP	Myers Pump	0

22270009 Southern Water & Sewer District Sewer Division 01/01/2005 - 12/31/2005

Sewer Plant Statistics - Service Laterals and Stubs (Ref Page: 12)

[REDACTED]	
Number of service laterals owned by the utility at end of year	155
Number of stubs at end of year	0
Number of service laterals owned by others	0

22270009 Southern Water & Sewer District Sewer Division 01/01/2005 - 12/31/2005

CheckList

Item	Value 1	Value 2	Agree	Explain
Balance Sheet (ref pg 2) Line Utility Plant (101-109) agrees with Sched Summary of Utility Plant (ref. pg 4) Total Utility Plant		0	0	OK
Balance Sheet (ref pg 2) Line Less: Acct 110 agrees with Sched Summary of Utility Plant (ref pg 4) Line Total Utility Plant		0	0	OK
Balance Sheet (ref pg 2) Line Net Utility Plant agrees with Summary of Utility Plant (ref pg 4) Line Net Utility Plant		0	0	OK
Summary of Utility Plant (ref pg 4) Plant in Service Classified (Acct 101) agrees with Sched Sewer Plant in Service (ref pg 5) Total Sewer Plant in Service		0	0	OK
Accum. Prov for Deprec. and Amort (Ref pg 4) Balance End of Year agrees with Sched Summary of Utility Plant (ref pg 4) Accumulated Prov. for Depr. and Amort.		0	0	OK
Balance Sheet (ref pg 3) Sum of Common Capital Stock (201) and Preferred Capital Stock (204) agrees with Schedule Capital Stock (ref pg 6)		0	0	OK
Balance Sheeet (ref pg 3) Unappropriated Retained Earnings (216) agrees with Sched Statement of Retained Earnings (ref pg 7) Balance End of Year	5155.00	5155.00		OK
Balance Sheet (ref pg 3) Total Long Term Debt (224) agrees with Sched Long Term Debt (ref pg 6) Total col d		0	0	OK
Balance Sheet (ref pg 3) The sum of Notes Payable (231) and (233) agrees with Sched Notes Payable (ref pg 6) Total Col e		0	0	OK
Balance Sheet (ref pg 3) Interest Accrued (237) agrees with Sched Interest Accrued (ref pg 6) Total Col e		0	0	OK
Balance Sheet (ref pg 3) Current and Accrued Liabilities (238) agrees with Sched Other Current and Accrued Liabilities (ref pg 7) Total		0	0	OK

22270009 Southern Water & Sewer District Sewer Division 01/01/2005 - 12/31/2005

CheckList

Item	Value 1	Value 2	Agree	Explain
Balance Sheet (ref pg 3) Total Liabilities and Other Credits agrees with Balance Sheet (ref pg 2) Total Assets and Other Debits	10617.00	10617.00	OK	
Accum Prov. for Depreciation and Amortization (ref. pg 4) Depreciation agrees with Sched Statement of Income for the Year (ref pg 8) Depreciation Expense (403)	0	0	OK	
Sched Long Term Debt (ref pg 6) Total Interest Amount agrees with Sched Statement of Income (ref pg 8) Interest on Long Term Debt (427)	0	0	OK	
Interest Accrued (ref pg 6) Total Interest Accrued agrees with Sched Statement of Income (ref pg 8) Other Interest Expense (431)	0	0	OK	
Statement of Income for the Year (ref pg 8) Total Sewer Operation and Maint. Expenses agrees with Sched Sewer Operation and Maintenance Expenses (ref pg 9) Total Sewer Operation and Maint. Exp	52094.00	52094.00	OK	
Statement of Income for the Year (ref pg 8) Total Income taxes - Utility Operations agrees with Sched Operating and Non-Operating Income Taxes (ref pg 10) Total Income Taxes - Util Operating Income	0	0	OK	
Statement of Income for the Year (ref pg 8) Amortization Expense agrees with Sched Amortization Expense (ref pg 10) Total Amortization Expense	0	0	OK	
Statement of Income for the Year (ref pg 8) The sum of lines Taxes Other than Income Taxes 408.1 and 408.2 agrees with Taxes Other Than Income (ref pg 10)	0	0	OK	
Statement of Income for the Year (ref pg 8) Total Income Taxes - Nonutility Operations agrees with Sched Operating and Non-Operating Income Taxes Total Inc. Taxes - Nonutil. Op Income	0	0	OK	
Schedule Sewer Plant Statistics (ref pg 11 and 12) have been completed				

OATH

Commonwealth of Kentucky

County of Floyd

Robert L. Meyer makes oath and says

(Insert here the name of the affiant)

that he is District Manager of

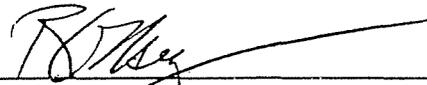
(Insert here the official title of the affiant)

Southern Water and Sewer District

(Insert here the exact legal title or name of the respondent)

that it is his duty to have supervision over the books of account of the respondent and to control the manner in which such books are kept; that he knows that such books have, during the period covered by the foregoing report, been kept in good faith in accordance with the accounting and other orders of the Public Service Commission of Kentucky, effective during the said period; that he has carefully examined the said report and to the best of his knowledge and belief the entries contained in the said report have, so far as they relate to matters of account, been accurately taken from the said books of account and are in exact accordance therewith; that he believes that all other statements of fact contained in the said report are true; and that the said report is a correct and complete statement of the business and affairs of the above-named respondent during the period of time from and including

January 1, 2005 to and including December 31, 2005



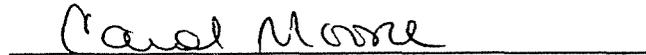
(Signature of affiant)

Subscribed and sworn to before me, a Notary in and for the

State and County above named, this 14 day of June, 20 06

(Apply Seal)
(Here)

My commission expires 4-26-2010



(Signature of officer authorized to administer oaths)

Michael R. Spears, CPA, PSC

Certified Public Accountant

SOUTHERN WATER & SEWER DISTRICT

PUBLIC SERVICE COMMISSION ANNUAL REPORT FOR WATER DIVISION
for the year ended December 31, 2005

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005

Title Page

Water
Districts/Associations

Respondent Southern Water & Sewer P.O. Box 610 245 Ky Rt. 680 McDowell KY 41647
District

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005

Principal Payment and Interest Information

[Redacted]

Amount of Principal Payment During Calendar Year

\$260,875.00

[Redacted]

Is Interest Current?

[Redacted]

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005

Services Performed by Independent CPA

Are your financial statements examined by a Certified Public Accountant?

Yes No

If yes, which service is performed?

Full audit Partial audit Other

Audit

X

Review

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005

Additional Requested Information

Name of Utility and Web Address	Southern Water & Sewer District
Contact Name	Robert L. Meyer
Contact Email	meyerrf@usfilter.com

meyerrf@usfilter.com

Robert L. Meyer

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005

Additional Information Required



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.

[REDACTED]

[REDACTED]

[REDACTED]

Total projected cost for expansions are \$7,779,000. Funding sources: RD Grant \$450,000; RD Loan \$2,515,000; ARC Grant \$434,000; State Funds \$300,000; County Bond Issue \$2,000,000; AML Grant \$980,000; Coal Severance Funds \$1,100,000.

[REDACTED]

Location: (community, area or nearby roads)

Spurlock Creek; Johns Branch; Frasures Creek; Mink Branch; John Hall Branch; Weeksberry; Keathley Fork; Deadenling Branch; Middle Branch; Hunter Branch; Sage Allen Branch; Frasures Branch; and Caleb.

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005

History-Legal Name (Ref Page: 4)

1: Exact name of utility making this report.

Southern Water & Sewer District

History-Location (Ref Page: 4)

Give the location, including street and number, and TELEPHONE NUMBER of the principal office in KY.

245 K/RL 680 McDowell KY 41647 377-3298

Give name, title, address and TELEPHONE NUMBER of the officer.

Robert L. Meyer, District Manager P.O. Box 610 245 K/RL 680 McDowell KY 41647 377-3298

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005

History-Date Organized (Ref Page: 4)



Date of Organization

03/15/2000

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005

History-Laws of Organization (Ref Page: 4)

[REDACTED]

If a consolidated or merged company, name all contingent and all merged companies. Give reference to Beaver Elkhorn Water District and Mud Creek Water District merged by PSC Order on March 15, 2000 into Southern Water & Sewer District.

[REDACTED]

File for PSC Commission Case No. 99-175-Palactix 18-99

History-Departments (Ref Page: 4)



State whether respondent is a water district or association
Name of respondent (if applicable)

Water District
Sewer District

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005

History - Counties (Ref Page: 5)

Floyd, Knott

Contacts (Ref Page: 6)

[REDACTED]

Person to send correspondence: District Manager Meyer Robert McDowell, KY

[REDACTED]

Officers and Managers:

Chairman Halbar Layne Bert \$6,000.00 12/18/2005

Treasurer Spaulds Johnson Palms Palmer \$6,000.00 12/18/2005

Commissioner Frasure Hall \$6,000.00 12/18/2005

[REDACTED]

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005

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

UTILITY PLANT		
Utility Plant (108)	\$28,459,977.00	\$28,459,977.00
Less: Accumulated Depreciation and Amortization (108-110)	\$7,217,584.00	\$8,184,714.00
Utility Plant Acquisition Adjustments (Net) (114-115)	\$22,128,333.00	\$20,875,629.00
Total Net Utility Plant	\$22,128,333.00	\$20,875,629.00
NONUTILITY PROPERTY AND INVESTMENTS		
Nonutility Property (121)	\$98,410.00	\$98,410.00
Less: Accumulated Depreciation and Amortization (121)	\$7,381.00	\$91,029.00
Net Nonutility Property	\$91,029.00	\$91,029.00
UTILITY AND OTHER INVESTMENTS		
Utility and Other Investments (124-125)		
Other Special Funds (127)	\$323,882.00	\$496,892.00
UTILITY AND OTHER INVESTMENTS	\$323,882.00	\$496,892.00
CURRENT AND ACCRUED ASSETS		
Special Deposits (132)		
Working Funds (134)		
Accounts and Notes Receivable, Less Accumulated Provision for Uncollectible Accounts (141-144)	\$448,269.00	\$548,894.00
Notes Receivable from Associated Companies (145)		
Notes Receivable from Associated Companies (146)		
Materials and Supplies (151)	\$0.00	\$0.00

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005

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

[REDACTED]		
Stores Expense (161)		
[REDACTED]		
Accrued Interest and Dividends Receivable (171)		
[REDACTED]		
Accrued Utility Revenues (173)		
[REDACTED]		
Total Current and Accrued Assets	\$511,264.00	\$815,814.00
[REDACTED]		
Unamortized Debt Discount and Expense (181)		
[REDACTED]		
Preliminary Survey and Investigation Charges (183)		
[REDACTED]		
Temporary Facilities (185)		
[REDACTED]		
Research and Development Expenditure (187)		
[REDACTED]		
TOTAL ASSETS AND OTHER DEBITS	\$23,054,508.00	\$22,281,364.00

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005

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

EQUITY CAPITAL		
Retained Earnings From Income before contributions (215.1)	(\$6,270,158.00)	(\$6,997,134.00)
Total Equity Capital	\$15,487,670.00	\$14,704,691.00
LONG TERM DEBT		
Bonds (221)	\$2,489,000.00	\$2,489,000.00
Advances from Associated Companies (223)		
Other Long Term Debt (225)	\$3,900,634.00	\$3,366,383.00
Total Long Term Debt	\$5,789,534.00	\$5,855,383.00
CURRENT LIABILITIES		
Accounts Payable (231)	\$807,770.00	\$998,293.00
Accounts Payable to Associated Co. (233)		
Customer Deposits (235)	\$49,351.00	\$59,551.00
Accrued Interest (237)	\$11,444.00	\$11,444.00
Matured Interest (240)		
Misc. Current and Accrued Liabilities (242)		
Total Current Liabilities	\$868,565.00	\$1,069,288.00
DEFERRED CREDITS		
Advances for Construction (252)	\$423,410.00	\$423,410.00

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

Other Deferred Credits (253)	
Equity Capital and Liabilities	1,223,810.00
OPERATING RESERVES	
Operating Reserves	1,223,810.00
Property Insurance (261)	
Reserve for Depreciation (262)	
Pensions and Benefits (263)	
Accumulated Depreciation (265)	176,923.00
Total Operating Reserves	\$176,923.00
Total Equity Capital and Liabilities	\$2,260,923.00

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005

Comparative Operating Statement (Ref Page: 11)

UTILITY OPERATING INCOME		
Operating Revenues (400)	\$7,005,167.00	\$7,300,000.00
Operating Expenses (401)	\$1,703,015.00	\$1,666,141.00
Depreciation Expense (403)	\$991,100.00	\$1,000,000.00
Amortization of Utility Plant Acquisition Adjustment (408)		
Amortization of Intangibles (407)		
Taxes Other Than Income (408.10-408.13)	\$8,824.00	\$4,953.00
Utility Operating Expenses	\$2,610,567.00	\$2,670,053.00
Utility Operating Income	(\$807,399.00)	(\$608,809.00)
Gain from Utility Plant Assets Other (410)		
Gains (Losses) from Disposition of Utility Property (414)	\$2,152.00	\$12,923.00
Total Utility Operating Income	(\$805,247.00)	(\$595,886.00)
OTHER INCOME AND DEDUCTIONS		
Revenue from Merchandise Sold (415)		
Costs and Expenses of Merchandising, Jobbing and Contract Work (416)		
Revenue from Other Sources (419)	\$1,248.00	\$1,158.00
Allowance for funds Used During Constructions (420)		
Revenue from Other Sources	\$27,555.00	\$27,555.00
Miscellaneous Nonutility Expenses (426)	\$69,980.00	\$0.00
Gain (Loss) from Other Operations	\$18,100.00	\$1,555.00
TAXES APPLICABLE TO OTHER INCOME		
Income Tax Expense (427)		
Total Taxes Applicable to Other Income		
OTHER EXPENSE		
Interest Expense (427)	\$114,431.00	\$125,286.00
Amortization of Debt Discount and Exp (428)		

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005

Comparative Operating Statement (Ref Page: 11)

Amortization of Premium on Debt (429)

EXTRAORDINARY ITEMS

Extraordinary Deductions (434)

NET INCOME BEFORE CONTRIBUTIONS

(\$530,555.00)

(\$719,614.00)

Statement of Retained Earnings 2002 (Ref Page: 12)

Appropriated Retained Earnings (214)	
This amount is available for use only after approval of the Board of Directors.	
Total Appropriated Retained Earnings	
Retained Earnings From Income Before Contributions (215.1)	
Balance at beginning of year	(6,270,415.00)
Balance transferred from Net Income Before Contributions (435)	(\$719,614.00)
Changes to Retained Earnings	
Appropriations of Retained Earnings (436)	(\$7,362.00)
Adjustment to Retained Earnings (439)	
(requires Commission approval prior to use)	
Total	
Balance at end of year	
	(\$6,997,182.00)

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005

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

Donated Capital (215.2)				
Beginning Balance	\$1,338,028.00	\$1,347,897.00	\$6,972,822.00	\$21,701,825.00
Credits				
Retained Earnings (215.2)	0.00	0.00	(5,600,000.00)	(5,600,000.00)
Other Credits (explain)				
Debits (explain - requires Commission Approval)				
Balance End of Year	\$1,338,028.00	\$13,446,975.00	\$6,916,822.00	\$21,701,825.00

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005

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

Utility Plant in Service (101)	\$25,741,512.00
Utility Plant Under Construction (102)	
Property Held for Future Use (103)	
Utility Plant Under Construction (104)	
Construction Work in Progress (105)	\$3,300,831.00
Utility Plant Under Construction (106)	
Total Utility Plant	\$29,042,343.00

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005

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

Balance First of Year	\$7,217,584.00
Accruals Charged to Account 108.1	\$1,017,799.00
Accruals Charged to Account 108.3	
(specify)	
Other Credits	
Total Credits	\$1,017,799.00
Book Cost of Plant Retired	\$50,669.00
Other Debits	
Total Debits	\$50,669.00

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005
 Water Utility Plant Accounts (Ref Page: 14)

Organization (301)	\$0.00	\$0.00	\$2,450.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Buildings (302)	\$0.00	\$0.00	\$2,450.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Land and Land Rights (303)	\$163,338.00	\$0.00	\$163,338.00	\$0.00	\$55,030.00	\$25,600.00	\$82,208.00	\$500.00	\$500.00
Equipment (304)	\$11,996.00	\$0.00	\$11,996.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Collecting and Impounding Reservoirs (305)	\$0.00	\$0.00	\$11,996.00	\$11,996.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Wells and Springs (307)	\$3,304.00	\$0.00	\$3,304.00	\$3,304.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Supply Mains (309)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Pumping Equipment (311)	\$1,983,418.00	\$0.00	\$1,983,418.00	\$1,983,418.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Distribution Reservoirs and Standpipes (330)	\$229,888.00	\$0.00	\$229,888.00	\$229,888.00	\$0.00	\$0.00	\$229,888.00	\$0.00	\$0.00
Terminal Points (350)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005
 Water Utility Plant Accounts (Ref Page: 14)

Services (333)	\$0.00	\$0.00	\$594,824.00	\$0.00	\$0.00	\$0.00	\$0.00	\$594,824.00	\$0.00
Water Treatment (334)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Hydrants (335)	\$0.00	\$0.00	\$252,794.00	\$0.00	\$0.00	\$0.00	\$0.00	\$252,794.00	\$0.00
Other Plant and Misc. Equipment (339)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other Plant and Misc. Equipment (340)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Transportation Equipment (341)	\$0.00	\$0.00	\$224,983.00	\$0.00	\$0.00	\$0.00	\$0.00	\$224,983.00	\$0.00
Tools, Shop and Garage Equip (343)	\$0.00	\$0.00	\$14,874.00	\$0.00	\$0.00	\$0.00	\$0.00	\$14,874.00	\$0.00
Power Operated Equipment (345)	\$0.00	\$0.00	\$12,489.00	\$0.00	\$0.00	\$0.00	\$0.00	\$12,489.00	\$0.00
Miscellaneous Equipment (347)	\$0.00	\$0.00	\$5,892.00	\$0.00	\$0.00	\$0.00	\$0.00	\$5,892.00	\$0.00
Total Water Plant	\$48,247.00	\$28,262.00	\$25,741,512.00	\$9,095,087.00	\$55,030.00	\$468,694.00	\$15,799,963.00	\$322,738.00	

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005
Analysis of Accumulated Depreciation and Amortization by Primary Acct (Ref Page: 15)

Organization (301)							
Land and Land Rights (303)							
Collecting and Impounding Reservoirs (305)	\$7,316.00	\$240.00	\$0.00	\$0.00	\$0.00	\$7,556.00	
Wells and Springs (307)	\$3,304.00						
Supply Mains (309)							
Pumping Equipment (311)	\$588,839.00	\$89,376.00	\$0.00	\$0.00	\$0.00	\$678,215.00	
Distributions Reservoirs and Standpipes (330)	\$126,525.00	\$4,737.00	\$0.00	\$0.00	\$0.00	\$131,262.00	
Services (333)	\$190,953.00	\$22,214.00	\$0.00	\$0.00	\$0.00	\$213,167.00	
Hydrants (335)	\$85,034.00	\$5,056.00	\$0.00	\$0.00	\$0.00	\$90,090.00	

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005

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

Other Plant and Miscellaneous Equipment (339)							
Transportation Equipment (341)	\$199,956.00	\$3,553.00	\$0.00	\$0.00	\$0.00	\$203,509.00	
Tools, Shop and Garage Equip (343)	\$15,883.00	\$37.00	\$0.00	\$0.00	\$0.00	\$15,920.00	
Power Operated Equipment (346)	\$37,441.00	\$654.00	\$0.00	\$0.00	\$0.00	\$38,095.00	
Miscellaneous Equipment (347)							
Totals	\$7,217,584.00	\$1,017,799.00	\$0.00	\$50,669.00	\$0.00	\$8,184,714.00	

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005

Accumulated Amortization (Acct. 110) (Ref Page: 16)

Balance First of Year	\$7,381.00
Accruals Charged to Account 110.1	
Other Credits	
Total Credits	
Book Cost of Plant Retired	
(specify)	
Balance end of Year	\$7,381.00

Acquisition Adjustments (114)	
Total Plant Acquisition Adjustments	
(specify)	
Net Acquisition Adjustments	

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005
 Investments and Special Funds (Ref Page: 17)

Investment in Associated Companies (123)		
Total Investment in Associated Companies		
Other Investments (125)		
Total Other Investments		
Special Funds (126)		
Totals Including Special Funds (127)	\$188,267.00	\$188,267.00
Escrow, KIA, Repair and Maintenance		
Escrow, Depreciation Reserve	\$12,274.00	\$12,274.00
Total Special Funds	\$12,274.00	\$12,274.00

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

Accounts and Notes Receivable	
Accounts Receivable	\$29,747.00
Other Accounts Receivable (142)	
	\$19,747.00
Total Other Accounts Receivable	\$19,747.00
Total Accounts and Notes Receivable	\$548,894.00
Balance First of Year	
Provision for uncollectibles for current year	
Other	
Total Additions	
Other	
Total Deductions	
Balance End of Year	
Total Accounts and Notes Receivable - Net	\$548,894.00

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005

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

Plant Materials and Supplies (151)

Other Materials and Supplies (153)

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005

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

Prepaid Insurance		
Prepaid Interest		
Other Prepayments		
Total Prepayments		

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

Miscellaneous Deferred Debits (186)	
EXPENSES (186) (EXPIRES 12/31/2005)	
Other Deferred Debits (186.2)	
EXPENSES (186.2)	
Total Miscellaneous Deferred Debits	

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005

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

Unamortized Debt Discount and Expense (181)

Total Unamortized Debt Discount and Expense

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

Extraordinary Property Losses (182)

Total Extraordinary Property Losses

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005

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

Balance First of Year	\$423,410.00
Product charges during year	

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005

Long Term Debt (Ref Page: 22)

Kentucky Infrastructure Authority	12/31/94	2023	3.0000	\$34,028.00	\$996,884.00		
Kentucky Infrastructure Authority	12/31/94	2023	3.0000	\$2,478.00	\$2,478.00		
Kentucky Infrastructure Authority	2005	2035	3.0000	\$0.00	\$65,849.00		
			0.0000	\$0.00	\$0.00		

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005

Bonds - Account 221 (Ref Page: 23)

	\$2,515,000.00	\$2,515,000.00	\$0.00	\$2,489,000.00	\$0.00	\$0.00
Total	\$2,515,000.00	\$2,515,000.00	\$0.00	\$2,489,000.00	\$0.00	\$0.00

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005

Schedule of Bond Maturities (Ref Page: 23)

	2042	4,500,000	\$2,615,000.00	\$28,000.00	\$2,489,000.00		
			\$2,615,000.00	\$28,000.00	\$2,489,000.00		

(The total of Column 12 must agree with the total of col 4)

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005

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

Account 232 - Notes Payable						
Account	Notes	Payable	Balance	Original	Current	Balance
			0.0000		\$3,402.00	\$0.00
KIA - III	12/19/97	2027	3.0000		\$82,978.00	\$0.00
			0.0000		\$0.00	\$0.00
First Guaranty Bank	05/02/04	05/02/05	6.1500		\$8,280.00	\$45,317.00
Interim Financing						
Total Account 232					\$125,236.00	\$45,317.00
Account 234 - Notes Payable to Associated Companies						
Total Account 234						

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005

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

Show Payable to Each Associated Company Separately

Total

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005

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

Balance First of Year	\$2,216.00
Utility regulatory assessment fees (408.10)	\$3,292.00
Property taxes	\$1,661.00
Payroll taxes (employer's portion) (408.12)	
Other taxes (408.13)	
Taxes other than income, other income and deductions (408.20)	
Taxes paid during year	
Utility regulatory assessment fees (408.10)	
Property taxes (408.11)	
Payroll taxes (employer's portion) (408.12)	
Other taxes and licenses (408.13)	
Taxes other than income, other income and deductions (408.20)	
Total Taxes Paid	\$2,716.00
Balance December 31	

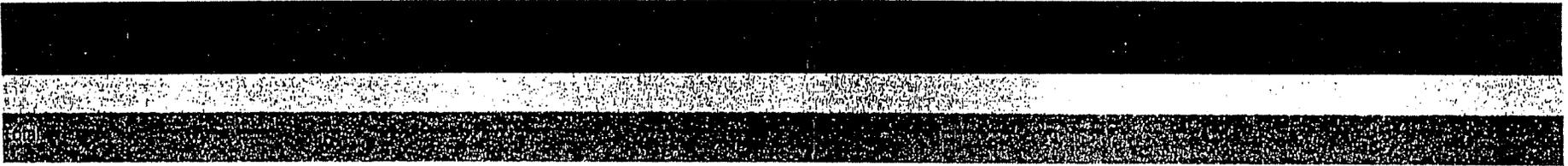
7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005

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



7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005

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



7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005

Water Operating Revenue (Ref Page: 27)

Operating Revenues			
Metered Water Revenue (461)			
Sales to Residential Customers (461.1)	7,085	7,086	\$1,772,000
Sales to Commercial Customers (461.2)	131	124	\$101,584.00
Sales to Public Authorities (461.4)			
Sales through Bulk Loading Stations (461.8)			
Other Water Sales			
Fire Protection Revenue (462)			
Private Fire Protection (462.2)			
Other Sales to Public Authorities (464)			
Sales for Resale (466)			\$37,790.00
Total Sales of Water	8,017	8,181	\$1,983,100.00
Guaranteed Revenues (469)			
Miscellaneous Service Revenues (471)			
Interdepartmental Rents (473)			
Other Water Revenues (474)			
Total Other Water Revenues			\$96,984.00

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005

Water Operating Revenue (Ref Page: 27)



Total Water Operating Revenues

\$2,080,084.00

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005

Water Utility Expense Accounts (Ref Page: 28)

Account Description	01/01/2005	02/01/2005	03/01/2005	04/01/2005	05/01/2005	06/01/2005	07/01/2005	08/01/2005	09/01/2005	10/01/2005	11/01/2005	12/31/2005
Salaries and Wages-Employees (601)	1,235,000	1,235,000	1,235,000	1,235,000	1,235,000	1,235,000	1,235,000	1,235,000	1,235,000	1,235,000	1,235,000	1,235,000
Employee Pensions and Benefits (604)	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Purchased Power (615)	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Chemicals (618)	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Contractual Services-Eng (631)	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Contractual Services-Legal (633)	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005

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

January	8,262	45,750	54,022	31,777
February	7,552	42,220	49,776	26,367
March	7,756	47,000	55,082	28,223
April	8,082	47,223	55,579	33,922
May	8,356	45,818	54,750	28,751
June	7,521	44,325	52,529	26,292
July	8,204	53,162	63,388	29,885
August	7,521	53,784	63,388	29,885
September	8,931	537,953	639,784	347,644
October	8,204			
November	8,204			
December	15,204			
Total for the year	101,831			

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



Maximum Gallons pumped by all methods in any one day (Omit 2,000 05/14/2005
000 s)

Minimum Gallons pumped by all methods in any one day (Omit 08/05/2005

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

If water is purchased indicate the following:

Vendor

Point of Delivery

Water used for water utility (check box)

List names of such utilities below

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005

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

City of Hindman	18,895	\$2.00	\$37,790.00	
	18,895			

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005

Water Statistics (Ref Page: 30)

1. Water Produced, Purchased and Distributed

Water Produced 647,955

3. Water Purchased 101,831

Water Purchased 101,831

6. Water Sales

Water Sales 292,791

8. Commercial 36,458

Commercial 36,458

10. Bulk Loading Stations

Bulk Loading Stations 18,585

12. Other Sales

Other Sales 1,000

15. Other Water Used

Utility water treatment plant 56,777

17. Wastewater plant

Wastewater plant 2,400

19. Fire department

Fire department 6,600

21. Total Other Water Used

Total Other Water Used 87,377

24. Tank Overflows

Tank Overflows 10,763

26. Line Leaks

Line Leaks 104,763

28. Total Line Loss

Total Line Loss 204,763

32. Water Loss Percentage

Water Statistics (Ref Page: 30)

33. Line 28 divided by Line 4

32.0050

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005

Plant Statistics (Ref Page: 31)

Number of fire hydrants, by size	329 - 4 3/4" & 153 - 5 1/4"
If produced, whether water supply is river, impounded streams, well, springs, artificial lake, or collector well	Surface water from the Levisa Fork of the Big Sandy River.
Type, capacity, and elevation of reservoirs at overflow and ground level	See attached list
Types of filters, gravity or pressure; number of units and total rated in capacity, in gal. per min.	Gravity 3 Units; 2,803 GPM.
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	See Attached List
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	No major additions or retirements during 2005.
Capacity of plant	1,500,000 gpd
Peak month, in gallons of water sold	June 2005 - 33,922,000 gallons
Average, in millions of water	

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005

Plant Statistics - Part B (Ref Page: 31)



Choose one to indicate the type of Water Supply.

Combination

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005

Plant Statistics - Part C (Ref Page: 31)



Choose one to indicate the type of Water Supply Method

Combination

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005

CheckList (2002)

Item	Value 1	Value 2	Agree	Explain
NOTE: Any mention of page numbers or Line items refers to the annual report published and distributed for the 2002 report period.				
Identifications pages (ref 4-6) have been completed.				
Balance Sheet - Assets and Other Debts (ref. pg 7)				
Utility Plant (Accts 101-106) agrees with Sched: Net Utility Plants Accts 101-106 (ref pg 13) Line: Total Utility Plant	29042343.00	29042343.00	OK	
Accts 108-110 Acc. Depreciation and Amort. agrees with Sched: Analysis of Acc. Dep. and Amort. (ref pg 15) Line: Total 301-348 Col h	8184714.00	8184714.00	OK	
Accts 114-115 Utility Plant Acquisition Adjustments agrees with Sched: Utility Plant Acquisition Adjustments (ref pg 16) Line: Net Acquisition Adjustments (114-115)	0	0	OK	
Accts 123 Investment in Assoc. Companies agrees with Sched: Investments and Spec. Funds (ref pg 17) Line: Total Investment in Associated Companies	0	0	OK	
Accts 124-125 Utility Investments agrees with Sched: Investments and Spec. Funds (ref pg 17) Sum of Lines: 124 Total Utility Investments and 125 Total Other Investments	0	0	OK	
Accts 126 Sinking Funds agrees with Sched: Investments and Spec. Funds (ref pg 17) Line: 126 Total Sinking Funds	0	0	OK	
Accts 127 Other Special Funds agrees with Sched: Investments and Spec. Funds (ref pg 17) Line: Total 127 Other Special Funds	498892.00	498892.00	OK	
Accts 141-144 Accounts and Notes Receivable agrees with Sched: Accts and Notes Receivable (ref pg 18) Line: Net Balance 141-144	548894.00	548894.00	OK	
Accts 151-153 Material and Supplies agrees with Sched: Material and Supplies (ref pg 19) Line: Total 151-153	0	0	OK	

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005

CheckList (2002)

Item	Value 1	Value 2	Agree	Explain
Accts 162 Prepayments agrees with Sched: Prepayments (ref pg 19) Line: Total 162	0	0	OK	
Accts 181 Unamortized Debt Discount and Expense agrees with Sched: Unamortized Debt Discount and Exp. (ref pg 20) Line: Total 181	0	0	OK	
Accts 182 Extraordinary Prop. losses agrees with Sched: Extraordinary Property Losses (ref pg 21) Line: Total 182	0	0	OK	
Accts 186 Misc. Deferred Debits agrees with Sched: Misc. Deferred Debits (ref pg 20) Line: Total 186	0	0	OK	
Balance Sheet - Equity Capitol and Liabilities (ref. pg 9)				
Accts 214 Appropriated Retained Earnings agrees with Sched: Statement of Retained Earnings (ref pg 12) Line: Total Appropriated Retained Earnings 214	0	0	OK	
Accts 215.1 Retained Earnings from Income before Contributions with Sched: Statement of Retained Earnings (ref pg 12) Line: Balance End of Year 215.1	-6997134.00	-6997134.00	OK	
Accts 215.2 Donated Capital with Sched: Statement of Retained Earnings (cont. 215.2) (ref pg 12) Line: Balance End of Year 215.2	21701825.00	21701825.00	OK	
Accts 221 Bonds agrees with Sched: Account 221 (ref pg 23) Line: Total Outstanding Bonds Col 4	2489000.00	2489000.00	OK	
Accts 221 Bonds agrees with Sched: Schedule of Bond Maturities (ref pg 23) Line: Total Remaining Bonds (Col 12)	2489000.00	2489000.00	OK	
Accts 224 Other Long Term Debt agrees with Sched: Long Term Debt (ref pg 22) Line: Total Acct 224 col f	3366383.00	3366383.00	OK	
Accts 232 Notes Payable agrees with Sched: Notes Payable (Accts 232 and 234) (ref pg 24) Line: Total Acct 232	45317.00	45317.00	OK	

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005

CheckList (2002)

Item	Value 1	Value 2	Agree	Explain
Accts 233 Accounts Payable to Associated Co. agrees with Sched: Accounts Payable to Assoc. Companies (Accts 233) (ref pg 24) Line: Total Acct 233	0	0	OK	
Accts 234 Notes Payable agrees with Sched: Notes Payable (Accts 232 and 234) (ref pg 24) Line: Total Acct 234	0	0	OK	
Accts 236 Taxes Accrued Balance First of Year agrees with Sched: Taxes Accrued (Accts 236) (ref pg 25) Line: Beginning Balance	2216.00	2216.00	OK	
Accts 236 Taxes Accrued agrees with Sched: Taxes Accrued (Accts 236) (ref pg 25) Line: Ending Balance	4453.00	4453.00	OK	
Accts 237 Accrued Interest Balance from Prev Year agrees with Sched: Accrued Interest (Accts 237) (ref pg 25) Line: Total 237 Balance Beginning of Year -Col b	11444.00	11444.00	OK	
Accts 237 Accrued Interest agrees with Sched: Accrued Interest (Accts 237) (ref pg 25) Line: Total 237 Balance End of Year -Col e	11444.00	11444.00	OK	
Accts 242 Misc. Current and Accrued Liabilities agrees with Sched: Misc current and Accrued Liabilities (Accts 242) (ref pg 26) Line: Total Miscellaneous and Current Accrued Liabilities	0	0	OK	
Accts 251 Unamortized Premium on Debt agrees with Sched: Unamorted Debt Discount and Expense and Premium on Debt (Accts 181 - 251) (ref pg 20) Line: Total 251	0	0	OK	
Accts 252 Advances for Construction agrees with Sched: Advances for Construction (Accts 252) (ref pg 21) Line: Total 252	423410.00	423410.00	OK	
Total Equity Capital and Liabilities agrees with Balance Sheet - Assets and Other Debits: Total Assets and Other Debits Comparitive Operating Statement (ref pg 10)	22281364.00	22281364.00	OK	

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005

CheckList (2002)

Item	Value 1	Value 2	Agree	Explain
Accts 400 Operating Revenues agrees with Sched: Water Operating Revenue (Accts 400) (ref pg 27) Line: Total Water Operating Revenues - Col e	2080084.00	2080084.00	OK	
Accts 401 Operating Expenses agrees with Sched: Water Utility Expense Accounts (ref pg 28) Line: Total Accts (601-675) - Col c	1666141.00	1666141.00	OK	
Accts 408.1 Taxes Other than Income agrees with Schedule Taxes Accrued (Acct 236) (ref pg 26) Sum of Accts 408.10 - 408.13	4953.00	4953.00	OK	
Sum of Accts 408.1 and 408.2 agrees with Sched: Taxes Accrued (Acct 236) (ref pg 25) Line: Total taxes Accrued	4953.00	4953.00	OK	
Accts 427 Interest Expense agrees with Sched: Accrued Interest (Acct 237) (ref pg 25) Line: Total Acct No 237 Col c - Interest Accrued	125286.00	125286.00	OK	
Net Income agrees with Sched: Retained Earnings (Acct 237) (ref pg 12) Line: Balance Transferred from Income (Acct 435)	-719614.00	-719614.00	OK	
Miscellaenous				
Schedule Net Utility Plant Accts 101 - 106 (ref pg 13) Utility Plant (101) agrees with Sched: Water Utility Plant Accounts (ref pg 14) Line: Total Water Plant Col f - Current Year	25741512.00	25741512.00	OK	
The analysis of water utility plant accounts Cols c though k has been completed (Ref pg 14)				
The analysis of accumulated depreciation and amortization by primary account has been completed. (Ref pg 14)				
Sched: Misc. Defferred Debits (Acct 186) Deferred Rate Case (Acct 186.1) agrees with Sched: Amort. of Rate Case (Acct 665 and 667) (ref pg 26) Line: Total Col c - Amt Transferred to 186.1	0	0	OK	
Schedule of Long Term Debt has been completed (ref pg 22)				

7000900 Southern Water & Sewer District Water Division 01/01/2005 - 12/31/2005

CheckList (2002)

Item	Value 1	Value 2	Agree	Explain
Schedule of Bond Maturities has been completed (ref pg 23)				
Taxes collected (example: school tax, sales tax, franchise tax) have been excluded from Operating Revenue (Ref pg 29)				
The analysis of water opertating revenue Cols c,d and e have been completed. (Ref pg 28)				
The analysis of water utility expense accounts Cols c through k have been completed. (Ref pg 28)				
Schedule of Pumping and Purchased Water Statistics has been completed (Ref pg 29)				
Sched Pumping and Water Statistics - part one (ref pg 29) Line Total for the year - Col Total (d) agrees with Sched Water Statistics (ref pg 30) Line 4. Total Produced and Purchased Col Gallons	639784	639784	OK	
Sched Pumping and Water Statistics - part one (ref pg 29) Line Total for the year - Col Water Sold(e) agrees with Sched Water Statistics (ref pg 30) Line Total Water Sales Col Gallons	347644	347644	OK	
Sched Sales for Resale (ref pg 30) 466 Total Gal agrees with Sched Water Statistics (ref pg 30) Total Water Sales	18895	18895	OK	
Oath Page Has been Completed				

SOUTHERN WATER & SEWER DISTRICT

PUMP STATION DATA

Map Ref	Name	Pump Type	H.P.	Flow Rate (GPM)	Latitude	Longitude	Ground Elev.
P1	Arkansas Creek	Peerless	5	80	N37°33'38"	W82°43'31"	693
P2	Brush Creek	Carver	15	225	N37°31'49"	W82°51'41"	729
P3	Wilson Creek	Carver	40	350	N37°31'44"	W82°48'03"	670
P4	Fisher Hollow	Peerless	40	600	N37°32'14"	W82°44'52"	660
P5	Trace Branch	Red Jacket	2	24	N37°30'34"	W82°41'23"	767
P6	Branham Creek #1	Red Jacket	10	150	N37°29'38"	W82°39'15"	677
P7	Bill Hall Branch	Grundfos	7.5	80	N37°26'56"	W82°42'54"	795
P8	Mink Branch	Grundfos	7.5	80	N37°26'41"	W82°39'32"	787
P9	Morg Branch	Goulds	20	68	N37°25'46"	W82°38'36"	831
P10	Soewing Camp	Carver	40	350	N37°25'48"	W82°44'04"	726
P11	Ligon (Reynolds Br)	Goulds	7.5	56	N37°22'46"	W82°41'29"	1010
P12	Buckingham	Carver	25	300	N37°23'19"	W82°43'50"	815
P13	Wheelwright	Peerless	10	200	N37°21'18"	W82°43'02"	939
	Jacks Creek	Grundfos	30	148	N37°20'19"	W82°44'31"	1040
	Branham Creek #2	Grundfos	15	100	N37°27'30"	W82°37'50"	770
	Branham Creek #3	Berkley	5	38	N37°25'37"	W82°36'42"	990
	Abner Mountain #1	Grundfos	20	60	N37°21'03"	W82°40'57"	1075
	Abner Mountain #2	Grundfos	5	35	N37°21'15"	W82°39'05"	1705

TANK DATA

Map Ref	Name	Capacity (1,000 gal)	Diam.	Type	Latitude	Longitude	Ground Elev.	Overflow Elev.
T1	Arkansas Creek	43	20	Glass	N37°33'29"	W82°43'14"	961	980
T2	Martin	400	44	Steel	N37°33'37"	W82°45'51"	830	865
T3	Aller Central	209	31	Glass	N37°31'12"	W82°48'32"	938	976
T4	Brush Creek	60	16	Steel	N37°32'24"	W82°52'15"	1065	1105
T5	Lackey	200	32	Steel	N37°28'09"	W82°49'59"	892	926
T6	Minnie	246	45	Glass	N37°28'26"	W82°45'42"	895	916
T7	Trace Fork	1	6	Glass	N37°30'24"	W82°42'13"	991	996
T8	Little Mud	50	20	Steel	N37°30'38"	W82°41'11"	879	900
T9	Toler	100	28	Steel	N37°28'04"	W82°36'27"	878	900
T10	Branham Crk #1	20	13	Steel	N37°26'51"	W82°38'01"	879	900
T11	Morg Branch	150	31	Steel	N37°26'38"	W82°39'13"	874	900
T12	Mink Branch	10	12	Steel	N37°26'40"	W82°39'44"	1080	1092
T13	Sterling Hamilton	100	28	Steel	N37°25'21"	W82°25'21"	1296	1318
T14	Tinker	25	15	Steel	N37°24'12"	W82°24'12"	1288	1307
T15	Tackett	25	15	Steel	N37°23'07"	W82°38'57"	1289	1307
T16	Ligon (MC)	25	15	Steel	N37°22'26"	W82°41'22"	1289	1307
T17	Ligon (BE)	25	16	Glass	N37°22'36"	W82°40'24"	1308	1324
T18	Melvin	105	24	Glass	N37°21'23"	W82°41'57"	1206	1237
T19	Buckingham	209	29	Steel	N37°22'16"	W82°44'31"	1098	1139
T20	Pice	100	27	Steel	N37°23'36"	W82°44'39"	961	985
T21	Bill Hall Branch	25	21	Steel/Skid	N37°27'05"	W82°42'00"	1150	1160
T22	Branham Crk #2	20	13	Steel	N37°26'07"	W82°37'14"	1118	1137
T23	Pikeville/Mud Creek	200	33	Steel	N37°26'59"	W82°35'21"	1130	1161
	Jacks Creek	54	17	Glass	N37°18'28"	W82°44'49"	1490	1523
	Branham Creek	27	14	Glass	N37°26'07"	W82°37'14"	1119	1143
	Abner Mountain	24	17	Glass	N37°21'15"	W82°39'05"	1755	1770

OATH

Commonwealth of Kentucky

County of Floyd

Robert L. Meyer makes oath and says

(Insert here the name of the affiant)

that he is District Manager of

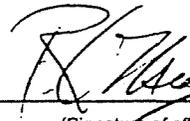
(Insert here the official title of the affiant)

Southern Water and Sewer District

(Insert here the exact legal title or name of the respondent)

that it is his duty to have supervision over the books of account of the respondent and to control the manner in which such books are kept; that he knows that such books have, during the period covered by the foregoing report, been kept in good faith in accordance with the accounting and other orders of the Public Service Commission of Kentucky, effective during the said period; that he has carefully examined the said report and to the best of his knowledge and belief the entries contained in the said report have, so far as they relate to matters of account, been accurately taken from the said books of account and are in exact accordance therewith; that he believes that all other statements of fact contained in the said report are true; and that the said report is a correct and complete statement of the business and affairs of the above-named respondent during the period of time from and including

January 1, 2005 to and including December 31, 2005



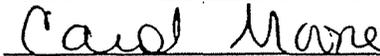
(Signature of affiant)

Subscribed and sworn to before me, a _____ in and for the

State and County above named, this 14 day of June, 2006

(Apply Seal)
(Here)

My commission expires 4-26-2010



(Signature of officer authorized to administer oaths)

Exhibit 10

Financial Exhibit for Southern Water and Sewer District

1. No stock is issued or authorized
2. No preferred stock is authorized or issued.
3. Mortgages are listed in exhibit 9.
4. Bonds authorized and issued are listed in exhibit 9.
5. Notes issued and outstanding are listed in exhibit 9.
6. Other indebtedness is listed in exhibit 9.
7. Interest paid in last year is listed in exhibit 9.
8. No dividends have been paid.
9. A current balance sheet and income statement are included in exhibit 9.
10. The current amortization schedule is attached as exhibit 11. A schedule with the assumed debt will be provided when available from the lending agencies.
11. There are no affiliated corporate or business relationships of Southern.

KENTUCKY INFRASTRUCTURE AUTHORITY
 REPAYMENT SCHEDULE
 BEAVER-ELKHORN WATER DISTRICT

Assumed by
 Southern Workers Sav
 3.00% Rate
 \$71,897.78 P & I Calculation

LOAN B295-01

Payment Date	Principal Due	Interest Due	Interest Rate	Principal & Interest	Servicing Fee	Credit Due	Total Payment	Principal Balance	R & I Reserve	Total Reserve
08/01/98	\$28,427.47	\$43,851.30	3.00%	\$73,278.77	\$2,831.35	\$0.00	\$76,110.12	\$2,831,354.23	\$7,811.01	\$7,811.01
12/01/98	\$29,888.69	\$42,028.90	3.00%	\$71,897.78	\$2,801.93	\$0.00	\$74,699.71	\$2,772,057.87	\$7,488.87	\$15,080.98
06/01/99	\$30,318.82	\$41,580.87	3.00%	\$71,897.78	\$2,772.08	\$0.00	\$74,669.85	\$2,741,740.95	\$7,488.88	\$22,547.97
12/01/98	\$30,771.67	\$41,128.11	3.00%	\$71,897.78	\$2,741.74	\$0.00	\$74,639.52	\$2,710,969.28	\$7,488.88	\$30,011.82
06/01/00	\$31,233.25	\$40,684.54	3.00%	\$71,897.78	\$2,710.87	\$0.00	\$74,608.78	\$2,679,736.03	\$7,488.88	\$37,472.80
12/01/00	\$31,701.75	\$40,196.04	3.00%	\$71,897.78	\$2,678.74	\$0.00	\$74,577.52	\$2,648,034.28	\$7,487.75	\$44,930.55
06/01/01	\$32,177.27	\$39,720.51	3.00%	\$71,897.78	\$2,648.03	\$0.00	\$74,546.26	\$2,616,857.01	\$7,484.88	\$52,385.13
12/01/01	\$32,659.83	\$39,237.86	3.00%	\$71,897.78	\$2,615.88	\$0.00	\$74,514.98	\$2,585,047.24	\$7,448.10	\$59,836.50
06/01/02	\$33,149.83	\$38,747.98	3.00%	\$71,897.78	\$2,583.20	\$0.00	\$74,480.98	\$2,553,047.24	\$7,448.10	\$67,284.68
12/01/02	\$33,647.08	\$38,260.71	3.00%	\$71,897.78	\$2,550.05	\$0.00	\$74,447.84	\$2,520,400.18	\$7,447.78	\$74,728.38
06/01/03	\$34,151.79	\$37,746.00	3.00%	\$71,897.78	\$2,516.40	\$0.00	\$74,414.18	\$2,487,246.38	\$7,441.42	\$82,170.80
12/01/03	\$34,664.08	\$37,233.73	3.00%	\$71,897.78	\$2,482.25	\$0.00	\$74,380.04	\$2,454,124.32	\$7,438.00	\$89,608.80
06/01/04	\$35,184.02	\$36,713.78	3.00%	\$71,897.78	\$2,447.58	\$0.00	\$74,345.37	\$2,421,400.29	\$7,434.54	\$97,043.34
12/01/04	\$35,711.78	\$36,188.00	3.00%	\$71,897.78	\$2,412.40	\$0.00	\$74,310.19	\$2,378,688.61	\$7,431.02	\$104,474.36
06/01/05	\$36,247.48	\$35,650.33	3.00%	\$71,897.78	\$2,376.89	\$0.00	\$74,274.48	\$2,340,441.05	\$7,427.45	\$111,901.80
12/01/05	\$36,781.17	\$35,106.82	3.00%	\$71,897.78	\$2,340.44	\$0.00	\$74,238.23	\$2,303,649.88	\$7,423.82	\$119,328.63
06/01/06	\$37,343.04	\$34,554.75	3.00%	\$71,897.78	\$2,303.65	\$0.00	\$74,201.44	\$2,228,403.65	\$7,420.19	\$126,756.82
12/01/06	\$37,903.19	\$33,994.80	3.00%	\$71,897.78	\$2,266.31	\$0.00	\$74,164.08	\$2,189,831.92	\$7,416.51	\$134,185.33
06/01/07	\$38,471.73	\$33,426.05	3.00%	\$71,897.78	\$2,228.40	\$0.00	\$74,126.19	\$2,150,883.11	\$7,412.87	\$141,613.84
12/01/07	\$39,048.81	\$32,848.98	3.00%	\$71,897.78	\$2,189.93	\$0.00	\$74,087.72	\$2,111,248.87	\$7,409.24	\$149,042.35
06/01/08	\$39,634.54	\$32,263.25	3.00%	\$71,897.78	\$2,151.25	\$0.00	\$74,048.87	\$2,071,019.61	\$7,405.61	\$156,470.86
12/01/08	\$40,228.08	\$31,668.73	3.00%	\$71,897.78	\$2,112.25	\$0.00	\$73,999.81	\$2,030,187.01	\$7,402.00	\$163,899.37
06/01/09	\$40,832.50	\$31,065.29	3.00%	\$71,897.78	\$2,073.02	\$0.00	\$73,949.88	\$1,988,742.03	\$7,398.39	\$171,327.88
12/01/09	\$41,444.98	\$30,452.81	3.00%	\$71,897.78	\$2,033.19	\$0.00	\$73,899.88	\$1,946,876.57	\$7,394.78	\$178,756.39
06/01/10	\$42,068.68	\$29,831.13	3.00%	\$71,897.78	\$1,992.74	\$0.00	\$73,849.40	\$1,904,651.40	\$7,391.17	\$186,184.90
12/01/10	\$42,697.65	\$29,200.13	3.00%	\$71,897.78	\$1,951.88	\$0.00	\$73,801.77	\$1,862,039.59	\$7,387.56	\$193,613.41
06/01/11	\$43,338.12	\$28,559.67	3.00%	\$71,897.78	\$1,910.64	\$0.00	\$73,754.44	\$1,819,514.40	\$7,384.00	\$201,041.92
12/01/11	\$43,988.18	\$27,908.59	3.00%	\$71,897.78	\$1,869.04	\$0.00	\$73,707.14	\$1,777,000.38	\$7,380.44	\$208,470.43
06/01/12	\$44,646.02	\$27,249.77	3.00%	\$71,897.78	\$1,827.08	\$0.00	\$73,659.79	\$1,734,686.64	\$7,376.88	\$215,898.94
12/01/12	\$45,317.74	\$26,580.05	3.00%	\$71,897.78	\$1,784.84	\$0.00	\$73,612.47	\$1,692,648.17	\$7,373.32	\$223,327.45
06/01/13	\$45,997.50	\$25,902.28	3.00%	\$71,897.78	\$1,742.33	\$0.00	\$73,565.19	\$1,650,858.14	\$7,369.76	\$230,755.96
12/01/13	\$46,687.47	\$25,210.32	3.00%	\$71,897.78	\$1,699.58	\$0.00	\$73,517.89	\$1,609,300.87	\$7,366.20	\$238,184.47
06/01/14	\$47,387.78	\$24,510.01	3.00%	\$71,897.78	\$1,656.40	\$0.00	\$73,470.61	\$1,568,012.89	\$7,362.64	\$245,612.98
12/01/14	\$48,098.59	\$23,799.19	3.00%	\$71,897.78	\$1,612.81	\$0.00	\$73,423.33	\$1,526,964.30	\$7,359.08	\$253,041.49
06/01/15	\$48,820.07	\$23,077.71	3.00%	\$71,897.78	\$1,569.86	\$0.00	\$73,376.05	\$1,486,189.22	\$7,355.52	\$260,469.99
12/01/15	\$49,552.37	\$22,345.41	3.00%	\$71,897.78	\$1,526.54	\$0.00	\$73,328.77	\$1,446,141.85	\$7,352.00	\$267,898.50
06/01/16	\$50,295.66	\$21,602.13	3.00%	\$71,897.78	\$1,482.88	\$0.00	\$73,281.49	\$1,406,348.19	\$7,348.44	\$275,327.01
12/01/16	\$51,050.10	\$20,847.69	3.00%	\$71,897.78	\$1,438.80	\$0.00	\$73,234.21	\$1,367,260.25	\$7,344.88	\$282,755.52
06/01/17	\$51,815.85	\$20,081.94	3.00%	\$71,897.78	\$1,394.33	\$0.00	\$73,186.93	\$1,328,950.25	\$7,341.32	\$290,184.03
12/01/17	\$52,593.08	\$19,304.70	3.00%	\$71,897.78	\$1,349.58	\$0.00	\$73,139.65	\$1,291,487.71	\$7,337.76	\$297,612.54
06/01/18	\$53,381.94	\$18,516.81	3.00%	\$71,897.78	\$1,304.38	\$0.00	\$73,092.37	\$1,254,822.47	\$7,334.20	\$305,041.05
12/01/18	\$54,182.71	\$17,716.08	3.00%	\$71,897.78	\$1,258.82	\$0.00	\$73,045.09	\$1,218,922.47	\$7,330.64	\$312,469.56
06/01/19	\$54,995.45	\$16,902.34	3.00%	\$71,897.78	\$1,212.82	\$0.00	\$73,000.00	\$1,183,822.47	\$7,327.08	\$320,000.00
12/01/19	\$55,820.38	\$16,077.41	3.00%	\$71,897.78	\$1,166.44	\$0.00	\$72,955.14	\$1,149,141.85	\$7,323.52	\$327,633.52
06/01/20	\$56,657.69	\$15,240.10	3.00%	\$71,897.78	\$1,119.68	\$0.00	\$72,910.28	\$1,115,848.19	\$7,320.00	\$335,267.00
12/01/20	\$57,507.55	\$14,390.23	3.00%	\$71,897.78	\$1,072.54	\$0.00	\$72,865.42	\$1,082,964.30	\$7,316.44	\$342,900.44
06/01/21	\$58,370.17	\$13,527.62	3.00%	\$71,897.78	\$1,025.00	\$0.00	\$72,820.56	\$1,050,648.19	\$7,312.88	\$350,533.88
12/01/21	\$59,245.72	\$12,652.07	3.00%	\$71,897.78	\$977.08	\$0.00	\$72,775.70	\$1,018,950.25	\$7,309.32	\$358,167.32
06/01/22	\$60,134.41	\$11,763.38	3.00%	\$71,897.78	\$928.79	\$0.00	\$72,730.84	\$987,822.47	\$7,305.76	\$365,800.76
12/01/22	\$61,036.42	\$10,861.37	3.00%	\$71,897.78	\$880.10	\$0.00	\$72,686.00	\$957,260.25	\$7,302.20	\$373,434.20
06/01/23	\$61,951.97	\$9,945.92	3.00%	\$71,897.78	\$831.00	\$0.00	\$72,641.14	\$927,260.25	\$7,298.64	\$381,067.64
12/01/23	\$62,881.25	\$9,016.54	3.00%	\$71,897.78	\$781.49	\$0.00	\$72,596.28	\$897,822.47	\$7,295.08	\$388,701.08
06/01/24	\$63,824.47	\$8,073.32	3.00%	\$71,897.78	\$731.58	\$0.00	\$72,551.42	\$868,950.25	\$7,291.52	\$396,334.52
12/01/24	\$64,781.83	\$7,115.95	3.00%	\$71,897.78	\$681.26	\$0.00	\$72,506.56	\$840,648.19	\$7,288.00	\$404,000.00
06/01/25	\$65,753.56	\$6,144.23	3.00%	\$71,897.78	\$630.54	\$0.00	\$72,461.70	\$812,964.30	\$7,284.44	\$411,633.44
12/01/25	\$66,739.88	\$5,167.92	3.00%	\$71,897.78	\$579.41	\$0.00	\$72,416.84	\$785,822.47	\$7,280.88	\$419,266.88
06/01/26	\$67,740.96	\$4,185.63	3.00%	\$71,897.78	\$527.86	\$0.00	\$72,371.98	\$759,260.25	\$7,277.32	\$426,900.32
12/01/26	\$68,757.08	\$3,140.71	3.00%	\$71,897.78	\$475.98	\$0.00	\$72,327.12	\$733,260.25	\$7,273.76	\$434,533.76
06/01/27	\$69,788.43	\$2,108.38	3.00%	\$71,897.78	\$423.65	\$0.00	\$72,282.26	\$707,822.47	\$7,270.20	\$442,167.20
12/01/27	\$70,835.28	\$1,062.53	3.00%	\$71,897.78	\$370.84	\$0.00	\$72,237.40	\$682,950.25	\$7,266.64	\$449,800.64
Totals	\$2,831,354.22	\$1,483,894.05		\$4,315,248.27	\$98,834.20	\$0.00	\$4,414,082.48		\$141,587.71	\$141,587.71

Created by K/A on 3/27/08

KENTUCKY INFRASTRUCTURE AUTHORITY
1801E
BEAVER-SILKHOEN WATER DISTRICT (PHASES 1 & 2)
LOAN#2023-01 ~~XXXXXXXXXXXX~~

Underwritten by
Southern Water Services

3.00% Rate
53,407.94 P & I Contribution

Payment Date	Principal Due	Interest Due	Interest Rate	Principal & Interest	Servicing Fee	Credit Due	Total Payment	Principal Balance	R & I Reserve	Total Reserve
06/01/05	\$14,164.89	\$20,443.05	3.00%	\$34,607.94	\$1,332.87	\$0.00	\$35,970.81	\$1,342,870.05	\$3,897.08	\$3,897.08
12/01/05	\$14,377.36	\$20,230.98	3.00%	\$34,607.94	\$1,340.71	\$0.00	\$35,956.55	\$1,324,327.79	\$3,896.86	\$7,793.94
06/01/06	\$14,593.02	\$20,018.92	3.00%	\$34,607.94	\$1,334.33	\$0.00	\$35,942.27	\$1,310,734.77	\$3,894.23	\$11,688.17
12/01/06	\$14,811.92	\$19,798.02	3.00%	\$34,607.94	\$1,319.73	\$0.00	\$35,927.68	\$1,304,822.65	\$3,887.77	\$15,575.94
06/01/07	\$15,034.10	\$19,573.84	3.00%	\$34,607.94	\$1,304.92	\$0.00	\$35,912.86	\$1,289,888.75	\$3,881.29	\$19,467.23
12/01/07	\$15,259.61	\$19,348.32	3.00%	\$34,607.94	\$1,289.89	\$0.00	\$35,897.83	\$1,274,698.14	\$3,874.78	\$23,352.01
06/01/08	\$15,488.50	\$19,118.44	3.00%	\$34,607.94	\$1,274.83	\$0.00	\$35,882.57	\$1,259,140.64	\$3,868.26	\$27,240.27
12/01/08	\$15,720.43	\$18,887.11	3.00%	\$34,607.94	\$1,259.14	\$0.00	\$35,867.08	\$1,243,419.80	\$3,861.71	\$31,131.98
06/01/09	\$15,956.64	\$18,651.30	3.00%	\$34,607.94	\$1,243.42	\$0.00	\$35,851.38	\$1,227,483.16	\$3,855.14	\$35,037.12
12/01/09	\$16,196.90	\$18,411.95	3.00%	\$34,607.94	\$1,227.45	\$0.00	\$35,835.40	\$1,211,287.16	\$3,848.54	\$38,955.66
06/01/10	\$16,441.82	\$18,169.01	3.00%	\$34,607.94	\$1,211.87	\$0.00	\$35,819.21	\$1,194,824.23	\$3,841.92	\$42,887.58
12/01/10	\$16,691.82	\$17,922.42	3.00%	\$34,607.94	\$1,194.83	\$0.00	\$35,802.77	\$1,178,142.71	\$3,835.28	\$46,832.86
06/01/11	\$16,946.30	\$17,672.14	3.00%	\$34,607.94	\$1,178.14	\$0.00	\$35,786.09	\$1,161,296.81	\$3,828.61	\$50,791.47
12/01/11	\$17,199.84	\$17,418.10	3.00%	\$34,607.94	\$1,161.21	\$0.00	\$35,769.19	\$1,144,297.07	\$3,821.91	\$54,772.58
06/01/12	\$17,457.69	\$17,160.26	3.00%	\$34,607.94	\$1,144.82	\$0.00	\$35,751.94	\$1,127,648.39	\$3,815.20	\$58,777.78
12/01/12	\$17,709.40	\$16,898.54	3.00%	\$34,607.94	\$1,128.87	\$0.00	\$35,734.41	\$1,110,859.99	\$3,808.58	\$62,806.36
06/01/13	\$17,975.04	\$16,632.90	3.00%	\$34,607.94	\$1,109.85	\$0.00	\$35,716.80	\$1,093,927.02	\$3,801.98	\$66,858.34
12/01/13	\$18,244.67	\$16,363.27	3.00%	\$34,607.94	\$1,090.88	\$0.00	\$35,699.38	\$1,076,849.28	\$3,795.41	\$70,933.75
06/01/14	\$18,518.34	\$16,098.60	3.00%	\$34,607.94	\$1,072.64	\$0.00	\$35,682.58	\$1,059,626.64	\$3,788.88	\$75,035.63
12/01/14	\$18,796.11	\$15,831.83	3.00%	\$34,607.94	\$1,054.12	\$0.00	\$35,665.27	\$1,042,261.52	\$3,782.38	\$79,163.01
06/01/15	\$19,078.05	\$15,562.89	3.00%	\$34,607.94	\$1,035.33	\$0.00	\$35,647.37	\$1,024,764.15	\$3,775.81	\$83,316.82
12/01/15	\$19,364.23	\$15,293.72	3.00%	\$34,607.94	\$1,016.85	\$0.00	\$35,629.18	\$1,007,134.97	\$3,769.28	\$87,496.10
06/01/16	\$19,654.60	\$15,023.30	3.00%	\$34,607.94	\$998.88	\$0.00	\$35,610.83	\$989,376.14	\$3,762.71	\$91,700.81
12/01/16	\$19,949.51	\$14,751.26	3.00%	\$34,607.94	\$977.23	\$0.00	\$35,592.17	\$971,483.91	\$3,756.17	\$95,931.98
06/01/17	\$20,248.75	\$14,478.19	3.00%	\$34,607.94	\$957.28	\$0.00	\$35,573.22	\$953,456.69	\$3,749.61	\$100,199.59
12/01/17	\$20,552.48	\$14,202.48	3.00%	\$34,607.94	\$937.03	\$0.00	\$35,554.97	\$935,291.72	\$3,743.08	\$104,493.67
06/01/18	\$20,860.77	\$13,927.17	3.00%	\$34,607.94	\$916.48	\$0.00	\$35,536.42	\$916,995.30	\$3,736.58	\$108,813.25
12/01/18	\$21,173.65	\$13,652.26	3.00%	\$34,607.94	\$895.62	\$0.00	\$35,517.58	\$898,567.72	\$3,730.09	\$113,167.34
06/01/19	\$21,491.52	\$13,377.35	3.00%	\$34,607.94	\$874.44	\$0.00	\$35,498.39	\$879,999.33	\$3,723.58	\$117,546.92
12/01/19	\$21,813.66	\$13,102.20	3.00%	\$34,607.94	\$852.95	\$0.00	\$35,478.86	\$861,291.47	\$3,717.05	\$121,951.97
06/01/20	\$22,140.86	\$12,827.14	3.00%	\$34,607.94	\$831.14	\$0.00	\$35,459.08	\$842,442.39	\$3,710.51	\$126,383.48
12/01/20	\$22,473.07	\$12,551.97	3.00%	\$34,607.94	\$809.00	\$0.00	\$35,439.94	\$823,452.45	\$3,704.00	\$130,841.48
06/01/21	\$22,810.27	\$12,276.67	3.00%	\$34,607.94	\$786.52	\$0.00	\$35,420.47	\$804,321.98	\$3,697.51	\$135,325.99
12/01/21	\$23,152.22	\$12,001.22	3.00%	\$34,607.94	\$763.71	\$0.00	\$35,400.68	\$784,951.27	\$3,691.04	\$139,837.03
06/01/22	\$23,500.50	\$11,725.56	3.00%	\$34,607.94	\$740.58	\$0.00	\$35,380.50	\$765,450.69	\$3,684.61	\$144,374.64
12/01/22	\$23,853.80	\$11,449.69	3.00%	\$34,607.94	\$717.06	\$0.00	\$35,359.97	\$745,820.72	\$3,678.21	\$148,936.85
06/01/23	\$24,209.78	\$11,173.37	3.00%	\$34,607.94	\$693.21	\$0.00	\$35,339.15	\$726,061.57	\$3,671.84	\$153,534.99
12/01/23	\$24,570.92	\$10,896.82	3.00%	\$34,607.94	\$669.00	\$0.00	\$35,317.94	\$706,171.63	\$3,665.51	\$158,168.50
06/01/24	\$24,938.54	\$10,620.26	3.00%	\$34,607.94	\$644.43	\$0.00	\$35,296.37	\$686,151.20	\$3,659.21	\$162,837.71
12/01/24	\$25,312.14	\$10,343.50	3.00%	\$34,607.94	\$619.49	\$0.00	\$35,274.43	\$665,999.77	\$3,652.93	\$167,541.64
06/01/25	\$25,692.37	\$10,066.57	3.00%	\$34,607.94	\$594.17	\$0.00	\$35,252.11	\$645,717.60	\$3,646.68	\$172,280.32
12/01/25	\$26,078.80	\$9,789.34	3.00%	\$34,607.94	\$568.48	\$0.00	\$35,229.50	\$625,304.62	\$3,640.46	\$177,053.88
06/01/26	\$26,471.02	\$9,511.81	3.00%	\$34,607.94	\$542.40	\$0.00	\$35,206.68	\$604,762.12	\$3,634.27	\$181,872.15
12/01/26	\$26,869.59	\$9,234.50	3.00%	\$34,607.94	\$516.00	\$0.00	\$35,183.54	\$584,090.18	\$3,628.11	\$186,726.26
06/01/27	\$27,273.13	\$8,956.31	3.00%	\$34,607.94	\$489.05	\$0.00	\$35,159.97	\$563,298.21	\$3,622.00	\$191,615.26
12/01/27	\$27,681.21	\$8,677.26	3.00%	\$34,607.94	\$461.78	\$0.00	\$35,136.00	\$542,386.21	\$3,615.91	\$196,538.35
06/01/28	\$28,094.43	\$8,397.26	3.00%	\$34,607.94	\$434.10	\$0.00	\$35,111.86	\$521,354.25	\$3,609.86	\$201,496.51
12/01/28	\$28,512.88	\$8,116.29	3.00%	\$34,607.94	\$406.00	\$0.00	\$35,087.08	\$500,202.25	\$3,603.84	\$206,489.65
06/01/29	\$28,946.66	\$7,834.56	3.00%	\$34,607.94	\$377.48	\$0.00	\$35,061.64	\$478,929.77	\$3,597.85	\$211,517.50
12/01/29	\$29,385.53	\$7,552.06	3.00%	\$34,607.94	\$348.54	\$0.00	\$35,035.54	\$457,535.23	\$3,591.89	\$216,580.39
06/01/30	\$29,829.18	\$7,268.81	3.00%	\$34,607.94	\$319.24	\$0.00	\$35,008.88	\$436,026.39	\$3,585.96	\$221,688.35
12/01/30	\$30,282.85	\$6,984.81	3.00%	\$34,607.94	\$289.78	\$0.00	\$34,981.61	\$414,402.78	\$3,580.06	\$226,831.41
06/01/31	\$30,746.99	\$6,699.96	3.00%	\$34,607.94	\$259.07	\$0.00	\$34,953.78	\$392,674.00	\$3,574.19	\$232,010.60
12/01/31	\$31,221.04	\$6,414.36	3.00%	\$34,607.94	\$228.05	\$0.00	\$34,925.31	\$370,839.19	\$3,568.35	\$237,224.95
06/01/32	\$31,705.54	\$6,128.01	3.00%	\$34,607.94	\$197.17	\$0.00	\$34,896.11	\$348,897.02	\$3,562.54	\$242,475.49
12/01/32	\$32,200.00	\$5,840.81	3.00%	\$34,607.94	\$166.53	\$0.00	\$34,866.11	\$326,845.91	\$3,556.75	\$247,762.24
06/01/33	\$32,704.98	\$5,552.86	3.00%	\$34,607.94	\$136.26	\$0.00	\$34,835.38	\$304,686.55	\$3,550.98	\$253,084.22
12/01/33	\$33,220.00	\$5,264.06	3.00%	\$34,607.94	\$106.36	\$0.00	\$34,804.00	\$282,419.59	\$3,545.24	\$258,441.46
06/01/34	\$33,745.64	\$4,974.71	3.00%	\$34,607.94	\$76.81	\$0.00	\$34,772.19	\$260,047.80	\$3,539.52	\$263,834.98
12/01/34	\$34,281.44	\$4,684.81	3.00%	\$34,607.94	\$47.61	\$0.00	\$34,740.00	\$237,571.80	\$3,533.82	\$269,263.80
06/01/35	\$34,827.94	\$4,394.36	3.00%	\$34,607.94	\$18.76	\$0.00	\$34,707.20	\$215,002.60	\$3,528.14	\$274,727.94
12/01/35	\$35,384.74	\$4,103.45	3.00%	\$34,607.94	\$0.00	\$0.00	\$34,673.74	\$192,349.15	\$3,522.48	\$280,228.18
06/01/36	\$35,952.40	\$3,812.08	3.00%	\$34,607.94	\$0.00	\$0.00	\$34,640.00	\$169,701.15	\$3,516.84	\$285,763.02
12/01/36	\$36,530.60	\$3,520.26	3.00%	\$34,607.94	\$0.00	\$0.00	\$34,606.00	\$147,059.15	\$3,511.22	\$291,332.24
06/01/37	\$37,119.96	\$3,228.00	3.00%	\$34,607.94	\$0.00	\$0.00	\$34,571.00	\$124,422.15	\$3,505.62	\$296,936.86
12/01/37	\$37,720.00	\$2,935.31	3.00%	\$34,607.94	\$0.00	\$0.00	\$34,535.00	\$101,791.15	\$3,500.04	\$302,576.90
06/01/38	\$38,331.32	\$2,642.20	3.00%	\$34,607.94	\$0.00	\$0.00	\$34,498.00	\$79,165.15	\$3,494.48	\$308,251.38
12/01/38	\$38,953.44	\$2,348.68	3.00%	\$34,607.94	\$0.00	\$0.00	\$34,460.00	\$56,545.15	\$3,488.94	\$313,960.32
06/01/39	\$39,586.80	\$2,054.75	3.00%	\$34,607.94	\$0.00	\$0.00	\$34,421.00	\$33,930.15	\$3,483.42	\$319,703.74
12/01/39	\$40,241.00	\$1,760.39	3.00%	\$34,607.94	\$0.00	\$0.00	\$34,381.00	\$11,330.15	\$3,477.92	\$325,481.66
06/01/40	\$40,906.64	\$1,465.58	3.00%	\$34,607.94	\$0.00	\$0.00	\$34,340.00	\$0.00	\$3,472.44	\$331,294.10
12/01/40	\$41,593.12	\$1,170.31	3.00%	\$34,607.94	\$0.00	\$0.00	\$34,298.00	\$0.00	\$3,467.98	\$337,141.08
06/01/41	\$42,300.00	\$875.00	3.00%	\$34,607.94	\$0.00	\$0.00	\$34,255.00	\$0.00	\$3,463.54	\$343,024.52
12/01/41	\$43,027.76	\$579.24	3.00%	\$34,607.94	\$0.00	\$0.00	\$34,211.00	\$0.00	\$3,459.12	\$348,943.64
06/01/42	\$43,776.00	\$283.00	3.00%	\$34,607.94	\$0.00	\$0.00	\$34,166.00	\$0.00	\$3,454.72	\$354,907.36
12/01/42	\$44,545.44	\$0.00	3.00%	\$34,607.94	\$0.00	\$0.00	\$34,120.00	\$0.00	\$3,450.34	\$360,915.70
06/01/43	\$45,335.68	\$0.00	3.00%	\$34,607.94	\$0.00	\$0.00	\$34,073.00	\$0.00	\$3,446.00	\$366,957.70
12/01/43	\$46,147.36	\$0.00	3.00%	\$34,607.94	\$0.00	\$0.00	\$34,025.00	\$0.00	\$3,441.69	\$373,033.39
06/01/44	\$46,979.20	\$0.00	3.00%	\$34,607.94	\$0.00	\$0.00	\$33,976.00	\$0.00	\$3,437.41	\$379,142.80
12/01/44	\$47,831.84	\$0.00	3.00%	\$34,607.94	\$0.00	\$0.00	\$33,926.00	\$0.00	\$3,433.16	\$385,284.96
06/01/45	\$48,704.80	\$0.00	3.00%	\$34,607.94	\$0.00	\$0.00	\$33,875.00	\$0.00	\$3,428.94	\$391,468.90
12/01/45	\$49,598.64	\$0.00	3.00%	\$34,607.94	\$0.00	\$0.00	\$33,823.00	\$0.00	\$3,424.74	\$397,693.64
06/01/46	\$50,513.04	\$0.00	3.00%	\$34,607.94	\$0.00	\$0.00	\$33,770.00	\$0.00	\$3,420.56	\$403,958.20
12/01/46	\$51,447.68	\$0.00	3.00%	\$34,6						



**RURAL UTILITIES SERVICE
BOND SCHEDULE, 8/16/2005**



Name of Borrower: Southern Water and Sewer District			
Amount of Loan	225000	Annual Interest Rate	0.0425
Number of Initial Interest Only Payments	2	Number of principal and/or Interest Payments	40
Payment Frequency	Annual	This is a split payment bond.	false
Principal Payment Units	500	Interest Payment Units	1

YEAR	PERIOD	NUMBER	PAYMENT	INTEREST	PRINCIPAL	BALANCE
2006	1	1	9563	9563	0	225000
2007	1	2	9563	9563	0	225000
2008	1	3	12063	9563	2500	222500
2009	1	4	11957	9457	2500	220000
2010	1	5	11850	9350	2500	217500
2011	1	6	12244	9244	3000	214500
2012	1	7	12117	9117	3000	211500
2013	1	8	11989	8989	3000	208500
2014	1	9	11862	8862	3000	205500
2015	1	10	12234	8734	3500	202000
2016	1	11	12085	8585	3500	198500
2017	1	12	11937	8437	3500	195000
2018	1	13	12288	8288	4000	191000
2019	1	14	12118	8118	4000	187000
2020	1	15	11948	7948	4000	183000
2021	1	16	12278	7778	4500	178500
2022	1	17	12087	7587	4500	174000
2023	1	18	11895	7395	4500	169500
2024	1	19	12204	7204	5000	164500
2025	1	20	11992	6992	5000	159500
2026	1	21	12279	6779	5500	154000
2027	1	22	12045	6545	5500	148500
2028	1	23	11812	6312	5500	143000
2029	1	24	12078	6078	6000	137000
2030	1	25	11823	5823	6000	131000
2031	1	26	12068	5568	6500	124500
2032	1	27	11792	5292	6500	118000
2033	1	28	12015	5015	7000	111000
2034	1	29	12218	4718	7500	103500
2035	1	30	11899	4399	7500	96000
2036	1	31	12080	4080	8000	88000
2037	1	32	12240	3740	8500	79500
2038	1	33	11879	3379	8500	71000
2039	1	34	12018	3018	9000	62000
2040	1	35	12135	2635	9500	52500
2041	1	36	12232	2232	10000	42500
2042	1	37	11807	1807	10000	32500
2043	1	38	11882	1382	10500	22000
2044	1	39	11935	935	11000	11000
2045	1	40	11468	468	11000	0
TOTALS			475979	250979	225000	

- REPORT

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**RURAL UTILITIES SERVICE
BOND SCHEDULE, 4/26/2002**


Name of Borrower: Southern Water and Sewer District			
Amount of Loan	2515000	Annual Interest Rate	0.045
Number of Initial Interest Only Payments	2	Number of principal and/or Interest Payments	40
Payment Frequency	Annual	This is a split payment bond.	false
Principal Payment Units	1000	Interest Payment Units	1

YEAR	PERIOD	NUMBER	PAYMENT	INTEREST	PRINCIPAL	BALANCE
2003	1	1	113175	113175	0	2515000
2004	1	2	113175	113175	0	2515000
2005	1	3	139175	113175	26000	2489000
2006	1	4	139005	112995	27000	2462000
2007	1	5	139790	110790	29000	2433000
2008	1	6	139485	109485	30000	2403000
2009	1	7	139135	108135	31000	2372000
2010	1	8	139740	106740	33000	2339000
2011	1	9	139255	105255	34000	2305000
2012	1	10	139725	103725	36000	2269000
2013	1	11	139105	102105	37000	2232000
2014	1	12	139440	100440	39000	2193000
2015	1	13	139685	98685	41000	2152000
2016	1	14	139840	96840	43000	2109000
2017	1	15	138905	94905	44000	2065000
2018	1	16	138925	92925	46000	2019000
2019	1	17	139855	90855	49000	1970000
2020	1	18	139650	88650	51000	1919000
2021	1	19	139355	86355	53000	1866000
2022	1	20	138970	83970	55000	1811000
2023	1	21	139495	81495	58000	1753000
2024	1	22	138885	78885	60000	1693000
2025	1	23	139185	76185	63000	1630000
2026	1	24	139350	73350	66000	1564000
2027	1	25	139380	70380	69000	1495000
2028	1	26	139275	67275	72000	1423000
2029	1	27	139035	64035	75000	1348000
2030	1	28	139660	60660	79000	1269000
2031	1	29	139105	57105	82000	1187000
2032	1	30	139415	53415	86000	1101000
2033	1	31	139545	49545	90000	1011000
2034	1	32	139495	45495	94000	917000
2035	1	33	139265	41265	98000	819000
2036	1	34	139855	36855	103000	716000
2037	1	35	139220	32220	107000	609000
2038	1	36	139405	27405	112000	497000
2039	1	37	139365	22365	117000	380000
2040	1	38	139100	17100	122000	258000
2041	1	39	139610	11610	128000	130000
2042	1	40	135850	5850	130000	0
TOTALS			5518885	3003885	2515000	