

Rattlesnake Ridge Water District

Serving Areas of Carter, Elliott and Lawrence Counties

Member KRWA

RECEIVED

OCT 17 2008

PUBLIC SERVICE
COMMISSION

P.O. Box 475
Grayson, Kentucky 41143-0475

(606) 474-7570
Fax (606) 474-8531
E-Mail rrwd@alltel.net

October 14, 2008

Stephanie Stumbo, Executive Director
KY Public Service Commission
P. O. Box 615
Frankfort, KY 40602

CASE NO: 2008-00447

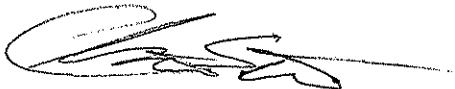
Dear Ms. Stumbo:

Please find enclosed one original plus ten copies of our application to The Kentucky Public Service Commission for a rate increase. We are also mailing one copy to the Attorney Generals office.

We have obtained proper signatures and will make notification in the local newspaper for three consecutive weeks beginning October 22, 2008. We will also post the proposed rate notification in our office.

If you have any questions or need additional information please contact me at 606-474-7570.

Sincerely,



Christopher Stamper
Office Manager

RECEIVED

OCT 17 2008

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE APPLICATION OF THE RATTLESNAKE)	
RIDGE WATER DISTRICT FOR APPROVAL OF)	CASE NO. 2008- <u>00447</u>
INCREASED RATES FOR WATER SERVICE)	

STATEMENT AND NOTICE

Rattlesnake Ridge Water District ("Rattlesnake Ridge"), by counsel, pursuant to KRS 278.180 and KRS 278.190, hereby petitions the Commission for approval of a proposed increase in its water rates and charges. In support of its application, Rattlesnake Ridge respectfully states as follows:

1. Rattlesnake Ridge is a non-profit water district that has been engaged in the distribution and sale of water. It currently provides water service to approximately 3,630 customers in Carter, Elliott and Lawrence counties in Kentucky. Rattlesnake Ridge is organized under KRS Chapter 74. Rattlesnake Ridge's principal office, place of business, and mailing address is Route 7, P.O. Box 475, Grayson, Kentucky 41143.

2. The proposed increase in the rates and charges is necessary for Rattlesnake Ridge to meet its operating expenses, to maintain financial viability, and to continue to provide adequate service.

3. As authorized by KRS 278.192 (1), and for the purpose of justifying the reasonableness of the proposed general increase in rates, Rattlesnake Ridge has utilized an historical test period consisting of the twelve (12) consecutive calendar months ending December 31, 2007.

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

5. Rattlesnake Ridge hereby gives notice to the Public Service Commission of the adjustment of its rates to those rates set forth in Exhibit No. 1 in the filing requirements. The proposed rates will result in increased annual revenues of \$201,839, which is an increase of 12.5 percent over 2007 revenues from water sales of \$1,614,717.

6. The proposed tariffs (Exhibit No. 1) are shown in comparative form on the same sheets, side by side, and those comparative sheets are identified as Exhibit No. 2 in the filing requirements.

7. Rattlesnake Ridge has complied with 807 KAR 5:011, Section 9, (2) and 807 KAR 5:001, Section 10, (3) and (4), by delivering to newspapers of general circulation in its service area a copy of the Notice identified as Exhibit No. 8 in the filing requirements, for publishing once a week for three consecutive weeks in a prominent manner, the first of said publications to be made no later than seven (7) days after October 15, 2008.

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

9. As required by 807 KAR 5:001, Section 10, (4), (f), Rattlesnake Ridge will post a copy of its Customer Notice (Exhibit No. 8) at its place of business on October 15, 2008 and it will remain posted until the Public Service Commission has determined Rattlesnake Ridge 's rates.

10. The list of the documents filed in support of Rattlesnake Ridge's application for approval of the proposed adjustment of rates or the explanation for their absence is contained in the Filing Requirement Index.

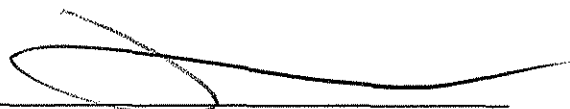
WHEREFORE, the Applicant, Rattlesnake Ridge Water District requests that the Public Service Commission of Kentucky grant to the Applicant its proposal to increase its rates and charges as set forth in this Petition.

Dated at Grayson, Kentucky this October 6, 2008.

RATTLESNAKE RIDGE WATER DISTRICT

By 
Chairman

LAW FIRM OR ATTORNEY

By 
Delores Woods Baker
134 West Third Street
Maysville, KY 41056
(606) 564-7969

COMMONWEALTH OF KENTUCKY)
)SS
COUNTY OF CARTER)

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

IN TESTIMONY WHEREOF, witness the signature of the undersigned on this 10-13-2008.

Bill Gilbert
Chairman
Rattlesnake Ridge Water District

Subscribed and sworn to before me by Bill Gilbert, Chairman of the Rattlesnake Ridge Water District, on this 10-13, 2008.

My Commission Expires July 30, 2011

Lucy E. Corlew Dickerson
Notary Public
In and for said County and State

Filing Requirement Index Historical Test Period Rate Case

Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 8(1)	Full name and P. O. address of applicant and reference to the particular provision of law requiring PSC approval.	Application – Page No. 1.
807 KAR 5:001 Section 8(2)	The original and 10 copies of application plus copy for anyone named as interested party.	The correct number of applications has been filed.
807 KAR 5:001 Section 10(1)(b)(1)	Reason adjustment is required.	Application – Page No. 1.
807 KAR 5:001 Section 10(1)(b)(2)	Statement that utility's annual reports, including the most recent calendar year, are filed with PSC. 807 KAR 5:006, Section 3(1)	Application – Page No. 2.
807 KAR 5:001 Section 10(1)(b)(3) & (5)	If utility is incorporated, certified copy of articles of incorporation and amendments or out of state documents of similar import. If they have already been filed with PSC refer to the style and case number of the prior proceeding and file a certificate of good standing or authorization dated within 60 days of date application filed.	NA – Applicant is a Water District.
807 KAR 5:001 Section 10(1)(b)(4) & (5)	If applicant is limited partnership, certified copy of limited partnership agreement. If agreement filed with PSC refer to style and case number of prior proceeding and file a certificate of good standing or authorization dated within 60 days of date application filed.	N/A – Applicant is not a limited partnership.
807 KAR 5:001 Section 10(1)(b)(6)	Certified copy of certificate of assumed name required by KRS 365.015 or statement that certificate not necessary.	N/A – Applicant has never used an assumed name.
807 KAR 5:001 Section 10(1)(b)(7)	Proposed tariff in form complying with 807 KAR 5:011 effective not less than 30 days from date application filed.	Exhibit No. 1.
807 KAR 5:001 Section 10(1)(b)(8)	Proposed tariff changes shown by present and proposed tariffs in comparative form or by indicating additions in italics or by underscoring and striking over deletions in current tariff.	Exhibit No. 2.
807 KAR 5:001	Statement that notice given, see subsections (3) and (4) of	Application – Page No. 2.

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

Filing Requirements	Filing Requirement Description	Location or Absence Reason
Section 10(1)(b)(9)	807 KAR 5:001, Section 10 with copy.	Exhibit No. 8.
807 KAR 5:001 Section 10(2)	If gross annual revenues exceed \$1,000,000, written notice of intent filed at least 4 weeks prior to application. Notice shall state whether application will be supported by historical or fully forecasted test period.	The PSC was notified by letter dated 9/2/08 of the District's intent to file a rate case. If that notice is deemed insufficient, the District hereby requests a waiver of this filing requirement to expedite this matter.
807 KAR 5:001 Section 10 (6)(a)	Complete description and quantified explanation for proposed adjustments with support for changes in price or activity levels, and other factors affecting the adjustment.	Exhibit No. 4.
807 KAR 5:001 Section 10 (6)(b) & (c)	If gross annual revenues exceed \$1,000,000, prepared testimony of each witness who will support the application. If less than \$1,000,000, prepared testimony of each witness who will support application or statement that utility does not plan to submit prepared testimony.	Waiver requested - Applicant does not intend to submit testimony as Commission Staff assisted with this application.
807 KAR 5:001 Section 10 (6)(d)	Estimate of effect that new rate(s) will have on revenues including, at minimum, total revenues resulting from increase or decrease and percentage of increase or decrease.	Application – Page No. 2.
807 KAR 5:001 Section 10 (6)(e)	If electric, gas, water or sewer utility effect upon the average bill for each customer classification to which change will apply.	Exhibit No. 7.
807 KAR 5:001 Section 10 (6)(f)	If local exchange company, effect upon the average bill for 807 each customer class for change in basic local service.	N/A – Applicant is a Water District.
807 KAR 5:001 Section 10 (6)(g)	Analysis of customers' bills in such detail that revenues from present and proposed rates can be readily determined for each customer class.	Exhibit No 5 – Waiver requested due to emergency nature of rate increase.

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

Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 10 (6)(h)	Summary of determination of revenue requirements based on return on net investment rate base, return on capitalization, interest coverage, debt service coverage, or operating ratio, with supporting schedules.	Exhibit No. 4.
807 KAR 5:001 Section 10 (6)(i)	Reconciliation of rate base and capital used to determine revenue requirements.	N/A – Revenue Requirement reflects Debt Service Coverage.
807 KAR 5:001 Section 10 (6)(j):	Current chart of accounts if more detailed than the Uniform System of Accounts.	Not applicable
807 KAR 5:001 Section 10 (6)(k)	Independent auditor's annual opinion report, with any written communication from auditor, which indicates existence of material weakness in internal controls.	The 2007 Audit Report is attached as Exhibit 9.
807 KAR 5:001 Section 10 (6)(l):	The most recent FERC or FCC audit reports.	N/A to a Water District
807 KAR 5:001 Section 10 (6)m	The most recent FERC Form 1 (electric), FERC Form 2 (gas), or Automated Reporting Management Information System Report (telephone) and PSC Form T (telephone).	N/A to a Water District
807 KAR 5:001 Section 10 (6)(n)	Summary of latest depreciation study with schedules by major plant accounts, except that telecommunications utilities adopting PSC's average depreciation rates shall provide schedule identifying current and test period depreciation rates used by major plant accounts. If filed in another PSC case refer to that case's number and style.	Exhibit No. 6.
807 KAR 5:00 Section 10 (6)(o)	List of all commercial or in-house computer software, programs, and models used to develop schedules and work papers associated with the filing. Include each software, program, or model; what each was used for; its supplier; brief description and specifications for the computer hardware and the operating system required to run the program.	Word

Filing Requirement Index Historical Test Period Rate Case

Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 10 (6)(p)	Prospectuses of most recent stock or bond offerings.	N/A to a Water District
807 KAR 5:001 Section 10 (6)(q)	Annual report to shareholders, or members, and statistical supplements covering 2 years prior to application filing date.	N/A to a Water District
807 KAR 5:001 Section 10 (6)(r)	Monthly managerial reports providing financial results for 12 months in test period.	Applicant requests a waiver from this filing requirement as it does not produce monthly managerial reports on a routine basis, and their production at this time would result in additional expense.
807 KAR 5:001 Section 10 (6)(s)	SEC's annual report for most recent 2 years, Form 10-Ks and any Form 8-Ks issued within past 2 years, and Form 10-Qs issued during the past 6 quarters updated as current information becomes available.	N/A to a Water District
807 KAR 5:001 Section 10 (6)(t)	<p>If utility had any amounts charged or allocated to it by affiliate or general or home office, or paid any monies to affiliate or general or home office during test period or during previous 3 calendar years, file:</p> <ol style="list-style-type: none"> 1. Detailed description of method of calculation and amounts allocated or charged to utility by affiliate or general or home office for each charge allocation or payment; 2. Explanation of how allocator for the test period was determined; and 3. All facts relied upon, including other regulatory approval, to demonstrate that each amount charged, allocated or paid during test period was reasonable; 	N/A – There are no affiliate allocations.

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

Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 10 (6)(u)	If gas, electric or water utility, whose annual gross revenues exceed \$5,000,000, cost of service study based on methodology generally accepted in industry and based on current and reliable data from a single time period.	Not applicable.
807 KAR 5:001 Section 10 (6)(v)	<p>Local exchange carriers with fewer than 50,000 access lines need not file cost of service studies, except as specifically directed by PSC. Local exchange carriers with more than 50,000 access lines shall file:</p> <ol style="list-style-type: none"> 1. Jurisdictional separations study consistent with Part 36 of the FCC's rules and regulations; and 2. Service specific cost studies to support pricing of all services that generate annual revenue greater than \$1,000,000, except local exchange access: <ol style="list-style-type: none"> (a) Based on current and reliable data from a single time period; and (b) Using generally recognized fully allocated, embedded, or incremental cost principles. 	N/A to a Water District
807 KAR 5:001 Section 10 (7)(a)	Detailed income statement and balance sheet reflecting impact of all proposed adjustments	Exhibit No. 3.
807 KAR 5:001 Section 10 (7)(b)	Most recent capital construction budget containing at least period of time as proposed for any pro forma adjustment for plant additions.	NA – There are no pro forma adjustments for plant additions.

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

Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 10 (7)(c)	<p>For each proposed pro forma adjustment reflecting plant additions the following information:</p> <ol style="list-style-type: none"> 1. Starting date of the construction of each major component of plant; 2. Proposed in-service date; 3. Total estimated cost of construction at completion; 4. Amount contained in construction work in progress at end of test period; 5. Complete description of actual plant retirements and anticipated plant retirements related to the pro forma plant additions including the actual or anticipated date of retirement; 6. Original cost, cost of removal and salvage for each component of plant to be retired during the period of the proposed pro forma adjustment for plant additions; 7. Explanation of any differences in amounts contained in the capital construction budget and amounts of capital construction cost contained in the pro forma adjustment period; and 8. Impact on depreciation expense of all proposed pro 	NA – There are no pro forma adjustments for plant additions.

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

Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 10 (7)(e)	forma adjustments for plant additions and retirements; Number of customers to be added to the test period – end level of customers and the related revenue requirements impact for all pro forma adjustments with complete details and supporting work papers.	Exhibit No. 4.

Exhibit Index

<u>Exhibit Title</u>	<u>Number</u>
Proposed Tariff	1
Comparison of Proposed & Current Tariff	2
Pro Forma Financial Statements	3
Pro Forma Adjustment Descriptions/Revenue Requirements Determination	4
Billing Analysis	5
Analysis of Depreciation	6
Analysis of Average Bill Changes	7
Customer Notification	8
2007 CPA Audit Report	9

FOR _____
Community, Town or City

P.S.C. KY. NO. _____

_____ SHEET NO. _____

RATTLESNAKE RIDGE WATER DISTRICT
(Name of Utility)

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

_____ SHEET NO. _____

CONTENTS

Monthly Water Rates

5/8" X 3/4" Meter

First	1,000 gallons	\$ 14.06 minimum bill
Next	4,000 gallons	8.89 per 1,000 gallons
Next	5,000 gallons	7.65 per 1,000 gallons
Next	10,000 gallons	6.53 per 1,000 gallons
Next	20,000 gallons	4.50 per 1,000 gallons
Over	40,000 gallons	3.49 per 1,000 gallons

3/4" Meter

First	5,000 gallons	\$ 49.50 minimum bill
Next	5,000 gallons	7.65 per 1,000 gallons
Next	10,000 gallons	6.53 per 1,000 gallons
Next	20,000 gallons	4.50 per 1,000 gallons
Over	40,000 gallons	3.49 per 1,000 gallons

1" Meter

First	10,000 gallons	\$ 87.75 minimum bill
Next	10,000 gallons	6.53 per 1,000 gallons
Next	20,000 gallons	4.50 per 1,000 gallons
Over	40,000 gallons	3.49 per 1,000 gallons

1 1/2" Meter

First	30,000 gallons	\$ 196.88 minimum bill
Next	10,000 gallons	4.50 per 1,000 gallons
Over	40,000 gallons	3.49 per 1,000 gallons

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE _____
Month / Date / Year

ISSUED BY _____
(Signature of Officer)

TITLE _____

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

FOR _____
Community, Town or City

P.S.C. KY. NO. _____

_____ SHEET NO. _____

RATTLESNAKE RIDGE WATER DISTRICT
(Name of Utility)

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

_____ SHEET NO. _____

CONTENTS

2" Meter

First 50,000 gallons \$285.75 minimum bill
Over 50,000 gallons 3.49 per 1,000 gallons

3" Meter

First 100,000 gallons \$460.13 minimum bill
Over 100,000 gallons 3.49 per 1,000 gallons

4" Meter

First 200,000 gallons \$808.75 minimum bill
Over 200,000 gallons 3.49 per 1,000 gallons

6" Meter

First 500,000 gallons \$1855.13 minimum bill
Over 500,000 gallons 3.49 per 1,000 gallons

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE _____
Month / Date / Year

ISSUED BY _____
(Signature of Officer)

TITLE _____

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

FOR ENTIRE AREA SERVED
P.S.C. KY. NO. _____

_____ SHEET NO. _____

RATTLESNAKE RIDGE WATER DISTRICT
(Name of Utility)

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

_____ SHEET NO. _____

RULES AND REGULATIONS

5/8" Meter

First 1,000 gallons — \$12.50 minimum bill
Next 4,000 gallons — 7.90 per 1,000 gallons
Next 5,000 gallons — 6.80 per 1,000 gallons
Next 10,000 gallons — 5.80 per 1,000 gallons
Next 20,000 gallons — 4.00 per 1,000 gallons
Over 40,000 gallons — 3.10 per 1,000 gallons

3/4" Meter

First 5,000 gallons — \$44.00 minimum bill
Next 5,000 gallons — 6.80 per 1,000 gallons
Next 10,000 gallons — 5.80 per 1,000 gallons
Next 20,000 gallons — 4.00 per 1,000 gallons
Over 40,000 gallons — 3.10 per 1,000 gallons

1" Meter

First 10,000 gallons — \$78.00 minimum bill
Next 10,000 gallons — 5.80 per 1,000 gallons
Next 20,000 gallons — 4.00 per 1,000 gallons
Over 40,000 gallons — 3.10 per 1,000 gallons

5/8" Meter

First 1,000 gallons \$14.06 minimum bill
Next 4,000 gallons 8.89 per 1,000 gallons
Next 5,000 gallons 7.65 per 1,000 gallons
Next 10,000 gallons 6.53 per 1,000 gallons
Next 20,000 gallons 4.50 per 1,000 gallons
Next 40,000 gallons 3.49 per 1,000 gallons

3/4" Meter

First 5,000 gallons \$49.50 minimum bill
Next 5,000 gallons 7.65 per 1,000 gallons
Next 10,000 gallons 6.53 per 1,000 gallons
Next 20,000 gallons 4.50 per 1,000 gallons
Over 40,000 gallons 3.49 per 1,000 gallons

1" Meter

First 10,000 gallons \$87.75 minimum bill
Next 10,000 gallons 6.53 per 1,000 gallons
Next 20,000 gallons 4.50 per 1,000 gallons
Over 40,000 gallons 3.49 per 1,000 gallons

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE _____
Month / Date / Year

ISSUED BY _____
(Signature of Officer)

TITLE _____

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

FOR ENTIRE AREA SERVED
P.S.C. KY. NO. _____

_____ SHEET NO. _____

RATTLESNAKE RIDGE WATER DISTRICT
(Name of Utility)

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

_____ SHEET NO. _____

RULES AND REGULATIONS

1-1/2" Meter

First 30,000 gallons — \$175.00 minimum bill
Next 10,000 gallons — 4.00 per 1,000 gallons
Over 40,000 gallons — 3.10 per 1,000 gallons

2" Meter

First 50,000 gallons — \$254.00 minimum bill
Over 50,000 gallons — 3.10 per 1,000 gallons

3" Meter

First 100,000 gallons — \$409.00 minimum bill
Over 100,000 gallons — 3.10 per 1,000 gallons

4" Meter

First 200,000 gallons — \$719.00 minimum bill
Over 200,000 gallons — 3.10 per 1,000 gallons

6" Meter

First 500,000 gallons — \$1649.00 minimum bill
Over 500,000 gallons — 3.10 per 1,000 gallons

1 1/2" Meter

First 30,000 gallons \$196.88 minimum bill
Next 10,000 gallons 4.50 per 1,000 gallons
Over 40,000 gallons 3.49 per 1,000 gallons

2" Meter

First 50,000 gallons \$285.75 minimum bill
Over 50,000 gallons 3.49 per 1,000 gallons

3" Meter

First 100,000 gallons \$460.13 minimum bill
Over 100,000 gallons 3.49 per 1,000 gallons

4" Meter

First 200,000 gallons \$808.75 minimum bill
Over 200,000 gallons 3.49 per 1,000 gallons

6" Meter

First 500,000 gallons \$1855.13 minimum bill
Over 500,000 gallons 3.49 per 1,000 gallons

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE _____
Month / Date / Year

ISSUED BY _____
(Signature of Officer)

TITLE _____

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

Rattlesnake Ridge Water District Exhibit 3
Detailed Income Statement Reflecting Proposed Adjustments

	2007	Adjustments	Ref.	Adjusted
Water Sales Revenue	\$1,614,717	\$201,839	A	\$1,816,556
Other Op. Revenue	\$41,735			\$41,735
Water Sales Revenue	\$1,656,452	\$201,839		\$1,858,291
Employee Salaries	\$518,807			\$518,807
Officer Salaries	\$15,986			\$15,986
Pensions/Benefits	\$170,885			\$170,885
Purchased Water	\$3,893			\$3,893
Purchased Power	\$189,695			\$189,695
Chemicals	\$14,892			\$14,892
Materials/Supplies	\$211,279			\$211,279
Contractual Services-Acct	\$7,500			\$7,500
Contractual Services-Legal	\$1,702			\$1,702
Contractual Services-Other	\$120			\$120
Transportation Expense	\$28,798			\$28,798
Insurance -Other	\$49,946			\$49,946
Miscellaneous Expense	\$27,302			\$27,302
Total Water Utility Expense	\$1,240,805	0		\$1,240,805
Depreciation Expense	\$696,570			\$696,570
Amortization Expense	0			0
Taxes OT Income	\$50,604			\$50,604
Total Operating Expenses	\$1,987,979	0	A	\$1,987,979
<i>Total Operating Income</i>	<i>(\$331,527)</i>	<i>\$201,839</i>		<i>(\$129,688)</i>
Interest Income	\$4,031			\$4,031
Interest Expense	(\$303,828)			(\$303,828)
Extraordinary Deduction	(\$4,472)			(\$4,472)
<i>Net Income</i>	<i>(\$635,796)</i>	<i>\$201,839</i>		<i>(\$433,957)</i>

Debt Service Coverage (RD loans):

\$ 60,456 - 2007 Principal
 \$303,828 - 2007 Interest Expense
 \$364,284 - Total Principal and Interest
 X 1.2
 \$437,141 - DSC

\$ 1,987,979 - Unadjusted Operating Expenses
 \$ 437,141 - DSC
 \$ 2,425,120 - Revenue Requirement
 (\$ 1,656,452) - Unadjusted Revenues
 (\$ 4,031) - Unadjusted Interest Income
\$ 764,637 - Justified Increase Unadjusted (46.2% increase over 2007 revenues)
\$ 201,839 - Requested Increase (12.5% Increase over 2007 Revenues)

Reference Notes:

A. Due to the need for immediate rate relief to pay its debt payments, Rattlesnake Ridge requested Commission Staff assistance to file this application as soon as possible, and has made no proforma adjustments to revenues or expenses other than reflecting the proposed revenue increase for purposes of this exhibit.

RATTLESNAKE RIDGE WATER DISTRICT
STATEMENTS OF NET ASSETS
PROPRIETARY FUND
December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents - Unrestricted	\$ 121,827	\$ 46,434
Cash and Cash Equivalents - Restricted	256,494	190,193
Accounts Receivable - Customers	173,329	167,077
Less Allowance for Doubtful Accounts	(58,095)	(50,137)
Accounts Receivable - Grants	102,049	-
Inventory	7,111	7,111
Prepaid Expenses	12,101	8,746
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	614,816	369,424
PROPERTY, PLANT AND EQUIPMENT		
Utility Plant in Service	23,441,869	23,393,268
Buildings and Land	91,493	91,493
Other Depreciable Equipment	336,259	325,755
Construction in Progress	1,901,722	283,688
	<hr/>	<hr/>
	25,771,343	24,094,204
Less Accumulated Depreciation	(6,384,042)	(5,700,814)
	<hr/>	<hr/>
NET PROPERTY, PLANT AND EQUIPMENT	19,387,301	18,393,390
	<hr/>	<hr/>
TOTAL ASSETS	\$ 20,002,117	\$ 18,762,814
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 154,617	\$ 107,190
Accrued Taxes and Benefits	26,404	19,353
Accrued Interest	140,490	22,683
Accrued Wages and Sick Leave	16,661	27,864
Customer Deposits	16,600	7,800
Current Portion of Long-Term Debt	152,846	60,779
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	507,618	245,669
LONG-TERM LIABILITIES		
Notes Payable	229,990	253,938
Bonds Payable	6,108,300	6,211,200
	<hr/>	<hr/>
TOTAL LONG-TERM LIABILITIES	6,338,290	6,465,138
	<hr/>	<hr/>
TOTAL LIABILITIES	6,845,908	6,710,807
NET ASSETS		
Investment in Capital Assets, Net of Related Debt	12,896,165	11,867,473
Restricted Net Assets	256,494	190,193
Unrestricted Net Assets	3,550	(5,659)
	<hr/>	<hr/>
TOTAL NET ASSETS	13,156,209	12,052,007
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 20,002,117	\$ 18,762,814
	<hr/>	<hr/>

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

Rattlesnake Ridge Water District Exhibit 4

	2007	Adjustments	Ref.	Adjusted
Water Sales Revenue	\$1,614,717			\$1,614,717
Other Op. Revenue	\$41,735			\$41,735
Water Sales Revenue	\$1,656,452	0	A	\$1,656,452
Employee Salaries	\$518,807			\$518,807
Officer Salaries	\$15,986			\$15,986
Pensions/Benefits	\$170,885			\$170,885
Purchased Water	\$3,893			\$3,893
Purchased Power	\$189,695			\$189,695
Chemicals	\$14,892			\$14,892
Materials/Supplies	\$211,279			\$211,279
Contractual Services-Acct	\$7,500			\$7,500
Contractual Services-Legal	\$1,702			\$1,702
Contractual Services-Other	\$120			\$120
Transportation Expense	\$28,798			\$28,798
Insurance -Other	\$49,946			\$49,946
Miscellaneous Expense	\$27,302			\$27,302
Total Water Utility Expense	\$1,240,805	0		\$1,240,805
Depreciation Expense	\$696,570			\$696,570
Amortization Expense	0			0
Taxes OT Income	\$50,604			\$50,604
Total Operating Expenses	\$1,987,979	0	A	\$1,987,979
<i>Total Operating Income</i>	<i>(\$331,527)</i>			<i>(\$331,527)</i>
Interest Income	\$4,031			\$4,031
Interest Expense	\$303,828			\$303,828
Extraordinary Deductions	\$4,472			\$4,472
Net Income	(\$635,796)	0		(\$635,796)

Debt Service Coverage (RD loans):

\$ 60,456 - 2007 Principal
 \$303,828 - 2007 Interest Expense
 \$364,284 - Total Principal and Interest
 X 1.2
 \$437,141 - DSC

\$ 1,987,979 - Unadjusted Operating Expenses
 \$ 437,141 - DSC
 \$ 2,425,120 - Revenue Requirement
 (\$ 1,656,452) - Unadjusted Revenues
 (\$ 4,031) - Unadjusted Interest Income
\$ 764,637 - Justified Increase Unadjusted (46.2% increase over 2007 revenues)
\$ 201,839 - Requested Increase (12.5% Increase over 2007 Revenues)

Reference Notes:

A. Due to the need for immediate rate relief to pay its debt payments, Rattlesnake Ridge requested Commission Staff assistance to file this application as soon as possible, and has made no proforma adjustments to revenues or expenses.

Exhibit 5 - Billing Analysis

Rattlesnake Ridge Water District respectfully requests a waiver of the requirement to do a billing analysis. The grounds for this waiver are that Rattlesnake Ridge is seeking an emergency 12.5% rate increase in order to pay its debt payments, and the performance of a billing analysis in this particular instance would have delayed the filing of this rate case and potentially subjected Rattlesnake Ridge to the possibility of defaulting on its loans.

Rattlesnake Ridge Water District
Fixed Asset Listing
For the Year Ended December 31, 2007

<u>Code</u>	<u>Description</u>	<u>Date</u>	<u>Meth.</u>	<u>Life</u>	<u>Cost</u>	<u>Accumulated Depreciation 2005</u>	<u>Depreciation 2006</u>	<u>Accumulated Depreciation 2006</u>	<u>Depreciation 2007</u>	<u>Accumulated Depreciation 2007</u>
304	Tanks	1986	S/L0	40	302,600	242,080	7,565	249,645	7,565	257,210
304	Tanks	1989	S/L	40	82,571	49,432	2,064	51,496	2,064	53,561
304	Tanks	1994	S/L	20	63,822	38,293	3,191	41,484	3,191	44,675
304	Tanks-IV	1995	S/L	20	121,851	62,957	6,093	69,050	6,093	75,142
304	Tanks-V	1997	S/L	20	10,609	4,773	530	5,303	530	5,834
304	Tanks-V B	1997	S/L	20	129,677	58,355	6,484	64,839	6,484	71,323
304	Tanks-IV	1996	S/L	10	2,123	2,123	-	2,123	-	2,123
304	Tanks	2002	S/L	40	240,620	21,054	6,016	27,070	6,016	33,085
304	Tanks	2002	S/L	40	232,000	21,750	5,800	27,550	5,800	33,350
304	Tanks	2005	S/L	40	654,037	14,988	16,351	31,339	16,351	47,690
					1,839,910	515,805	54,094	569,899	54,094	623,992
311	Greg PS	12/1/1997	S/L	10	34,075	24,136	3,408	27,544	3,408	30,951
311	Pumps	1986	S/L	10	228,080	228,080	-	228,080	-	228,080
311	Pumps	1989	S/L	10	27,524	27,524	-	27,524	-	27,524
311	Pumps	1993	S/L	10	9,681	9,681	-	9,681	-	9,681
311	Pumps	1994	S/L	10	135,222	135,222	-	135,222	-	135,222
311	Pumps	1995	S/L	10	121,851	121,851	-	121,851	-	121,851
311	Pumps Replac.	1995	S/L	10	2,238	2,238	-	2,238	-	2,238
311	Pumps-V	1997	S/L	10	1,277	1,150	127	1,277	-	1,277
311	Pumps-V	1997	S/L	10	72,039	64,835	7,204	72,039	-	72,039
311	PS	4/1/1999	S/L	10	5,458	4,185	546	4,731	546	5,277
311	Pump Station	6/24/2002	S/L	10	20,874	7,306	2,087	9,393	2,087	11,481
311	Pump Station	9/30/2004	S/L	10	19,950	998	1,995	2,993	1,995	4,988
311	Pumps	1/27/2005	S/L	10	213,026	19,527	21,303	40,830	21,303	62,132
311	Pumps	2006	S/L	10	37,515	-	1,876	1,876	3,752	5,628
					928,810	646,733	38,545	685,278	33,090	718,368

Rattlesnake Ridge Water District
Fixed Asset Listing
For the Year Ended December 31, 2007

<u>Code</u>	<u>Description</u>	<u>Date</u>	<u>Meth.</u>	<u>Life</u>	<u>Cost</u>	<u>Accumulated Depreciation 2005</u>	<u>Depreciation 2006</u>	<u>Accumulated Depreciation 2006</u>	<u>Depreciation 2007</u>	<u>Accumulated Depreciation 2007</u>
331	Ext. Lines	1989	S/L	40	446,935	178,318	11,173	189,491	11,173	200.665
331	Lines	1994	S/L	40	980,818	294,245	24,520	318,765	24,520	343.286
331	Lines-III	1995	S/L	40	29,048	7,988	726	8,714	726	9.440
331	Lines-IV	1995	S/L	40	1,549,962	400,407	38,749	439,156	38,749	477.905
331	Lines-IV	1996	S/L	40	105,331	26,333	2,633	28,966	2,633	31.600
331	Lines-V	1997	S/L	40	56,832	12,787	1,421	14,208	1,421	15.629
331	Lines-VA	1997	S/L	40	1,062,677	239,102	26,567	265,669	26,567	292.236
331	Waer Lines	1986	S/L	40	2,405,320	1,202,660	60,133	1,262,793	60,133	1,322.926
331	Waer Lines	2002	S/L	40	3,137,872	274,564	78,447	353,011	78,447	431.458
331	Lines	2002	S/L	40	35,443	2,954	886	3,840	886	4.726
331	Lines	2002	S/L	40	465,086	43,601	11,627	55,228	11,627	66.855
331	Lines	2005	S/L	40	4,381,065	100,399	109,527	209,926	109,527	319.452
					14,656,389	2,783,358	366,410	3,149,768	366,410	3,516.177
334	Hert. Elem.	10/1/1999	S/L	40	1,568	248	39	287	39	326
334	Install	1991	S/L	40	16,233	5,885	406	6,291	406	6.697
334	Install	1992	S/L	40	17,150	5,788	429	6,217	429	6.646
334	Install	1993	S/L	40	22,097	6,905	552	7,457	552	8.010
334	Install	1994	S/L	40	32,012	9,203	800	10,003	800	10.804
334	Install	1995	S/L	40	48,132	12,634	1,203	13,837	1,203	15.041
334	Install	1996	S/L	40	44,860	10,655	1,122	11,777	1,122	12.898
334	Install	1997	S/L	40	39,822	8,463	996	9,459	996	10.454
334	Install	6/30/1998	S/L	40	31,885	5,978	797	6,775	797	7.572
334	Install	6/30/1999	S/L	40	34,425	5,598	861	6,459	861	7.319
334	Install	6/30/2000	S/L	40	41,630	5,724	1,041	6,765	1,041	7.806
334	Install Taps	6/30/2001	S/L	40	51,170	5,756	1,279	7,035	1,279	8.315
334	John's Run	12/1/2000	S/L	40	10,232	1,301	256	1,557	256	1.813
334	Install	6/30/2002	S/L	40	52,914	4,630	1,323	5,953	1,323	7.276
334	Install	1/27/2005	S/L	40	785,200	17,994	19,630	37,624	19,630	57.254
334	Install	2006	S/L	40	36,600	-	458	458	916	1,374
334	Install	2007	S/L	40	48,600	-	-	-	608	608
					1,314,530	106,762	31,191	137,953	32,257	170.211
Total Water System					18,739,639	4,052,658	490,240	4,542,898	485,850	5,028,748

Rattlesnake Ridge Water District
Fixed Asset Listing
For the Year Ended December 31, 2007

Code	Description	Date	Meth.	Life	Cost	Accumulated Depreciation 2005	Depreciation 2006	Accumulated Depreciation 2006	Depreciation 2007	Accumulated Depreciation 2007
304	Storage Building	9/1/1988	S/L	5	699	699	-	699	-	699
304	Trailer	3/8/1985	S/L	5	3,150	3,150	-	3,150	-	3,150
					3,849	3,849	-	3,849	-	3,849
310	Generator	#####	S/L	7	530	530	-	530	-	530
340	Cash Register	2/14/1996	S/L	5	1,744	1,744	-	1,744	-	1,744
340	Computer Equip.	9/24/1998	S/L	5	9,980	9,980	-	9,980	-	9,980
340	Computer Equip.	#####	S/L	5	9,905	9,905	-	9,905	-	9,905
340	Computer Equip.	5/17/1999	S/L	5	9,170	9,170	-	9,170	-	9,170
340	Computer Equip.	9/20/1999	S/L	5	1,590	1,590	-	1,590	-	1,590
340	Copier	1/11/1990	S/L	5	900	900	-	900	-	900
340	Furn. Fixture	2/2/1992	DDE	5	1,669	1,669	-	1,669	-	1,669
340	Safe	#####	S/L	7	1,609	1,609	-	1,609	-	1,609
340	Safe	7/12/2001	S/L	7	1,675	1,076	239	1,315	239	1,555
340	U. Building Heat	2/14/1995	S/L	7	440	440	-	440	-	440
340	Computer Equip.	4/3/2006	S/L	5	1,941	-	194	194	388	582
340	Computer Equip.	3/12/2007	S/L	5	3,644	-	-	-	729	729
					44,267	38,083	433	38,516	1,356	39,873
341	2000 S-10	#####	S/L	5	15,037	15,037	-	15,037	-	15,037
341	2001 Chevy	2/1/2001	S/L	5	25,069	23,816	1,253	25,069	-	25,069
341	1995 Pickup	3/31/1995	S/L	5	19,552	19,552	-	19,552	-	19,552
341	1996 Chevy PU	8/8/1996	S/L	5	15,298	15,298	-	15,298	-	15,298
341	1996 Ford PU	8/8/1996	S/L	5	20,092	20,092	-	20,092	-	20,092
341	1997 Blazer	2/10/1998	S/L	5	18,500	18,500	-	18,500	-	18,500
341	1997 Chevy PU	6/25/1997	S/L	5	20,125	20,125	-	20,125	-	20,125
341	TRK Tool Box	1/11/1993	S/L	5	700	700	-	700	-	700
341	***1997 Chevy PU	8/14/2003	S/L	5	20,015	9,340	4,003	13,343	-	13,343
	Sold Truck				(20,015)					(13,343)
341	2004 Ford PU	4/9/2004	S/L	5	21,158	7,406	4,232	11,638	4,232	15,869
341	Dump Truck	#####	S/L	5	22,000	367	4,400	4,767	4,400	9,167
341	2007 Chevy PU	1/31/2007	S/L	5	25,675	-	-	-	5,135	5,135
					203,206	150,233	13,888	164,121	13,767	164,544

Rattlesnake Ridge Water District
Fixed Asset Listing
For the Year Ended December 31, 2007

<u>Code</u>	<u>Description</u>	<u>Date</u>	<u>Meth.</u>	<u>Life</u>	<u>Cost</u>	Accumulated Depreciation <u>2005</u>	Depreciation <u>2006</u>	Accumulated Depreciation <u>2006</u>	Depreciation 2007	Accumulated Depreciation 2007
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Rattlesnake Ridge Water District
Fixed Asset Listing
For the Year Ended December 31, 2007

<u>Code</u>	<u>Description</u>	<u>Date</u>	<u>Meth.</u>	<u>Life</u>	<u>Cost</u>	<u>Accumulated Depreciation 2005</u>	<u>Depreciation 2006</u>	<u>Accumulated Depreciation 2006</u>	<u>Depreciation 2007</u>	<u>Accumulated Depreciation 2007</u>
345	Boring Machine	8/1/1988	S/L	5	2,751	2,751	-	2,751	-	2,751
345	Leak Detector	2/20/1998	S/L	7	1,776	1,776	-	1,776	-	1,776
345	Pressure Wash	3/25/1997	S/L	5	689	689	-	689	-	689
345	Trash Pump	3/20/1998	S/L	7	850	850	-	850	-	850
345	Boring Machine	4/10/2007	S/L	5	1,200	-	-	-	240	240
					7,266	6,066	-	6,066	240	6,306
348	Radio	4/1/1988	S/L	5	1,225	1,225	-	1,225	-	1,225
348	Radio	#####	S/L	5	1,655	1,655	-	1,655	-	1,655
348	Trk# 205 Radio	6/25/1997	S/L	5	1,532	1,532	-	1,532	-	1,532
348	Truck Radios	3/10/1994	S/L	7	1,160	1,160	-	1,160	-	1,160
					5,572	5,572	-	5,572	-	5,572
TOTAL OTHER ASSETS					264,690	204,333	14,321	218,654	15,363	220,674
341	1 985 C70 Truck	#####	S/L	5	14,767	14,767	-	14,767	-	14,767
345	Backhoe	8/2/2004	S/L	5	48,401	13,738	9,680	23,418	9,680	33,098
345	Trailer	8/2/2004	S/L	5	8,400	2,384	1,680	4,064	1,680	5,744
					56,801	16,122	11,360	27,482	11,360	38,842
TOTAL HEAVY EQUIPMENT					71,568	30,889	11,360	42,249	11,360	53,609
303	Land	1/2/1992			4,500					
304	Bal. Utility Bldg.	2/14/1995	S/L	31.5	1,088	375	35	410	35	444
304	Handicap Access	7/7/1998	S/L	31.5	1,770	421	56	477	56	533
304	Office Bldg.	1/24/1992	S/L	31.5	45,077	19,974	1,431	21,405	1,431	22,836
304	Pave Lot	8/24/1994	S/L	15	4,000	3,023	267	3,290	267	3,556
304	Pave Lot	6/7/1996	S/L	15	2,525	1,599	168	1,767	168	1,936
304	Utility Bldg.	11/1/1994	S/L	31.5	15,385	5,453	488	5,941	488	6,430
304	Wiring Cable	9/15/1995	S/L	31.5	2,841	924	90	1,014	90	1,104
304	Shed	6/15/2006	S/L	31.5	9,000	-	143	143	286	429
					81,686	31,769	2,678	34,447	2,821	37,268

Rattlesnake Ridge Water District
Fixed Asset Listing
For the Year Ended December 31, 2007

<u>Code</u>	<u>Description</u>	<u>Date</u>	<u>Meth.</u>	<u>Life</u>	<u>Cost</u>	<u>Accumulated Depreciation 2005</u>	<u>Depreciation 2006</u>	<u>Accumulated Depreciation 2006</u>	<u>Depreciation 2007</u>	<u>Accumulated Depreciation 2007</u>
340	A/C Furn. Util.	9/15/1995	S/L	7	3,687	3,687	-	3,687	-	3,687
340	Security System	12/8/1994	S/L	7	1,621	1,621	-	1,621	-	1,621
					5,308	5,308	-	5,308	-	5,308
TOTAL BUILDING AND LAND					91,494	37,077	2,678	39,755	2,821	42,576
304	Structures	4/1/2002	S/L	40	1,346,167	126,203	33,654	159,857	33,654	193,511
304	Structures	4/1/2002	S/L	40	805,788	75,543	20,145	95,688	20,145	115,832
304	Structures	1/1/2003	S/L	40	1,072	81	27	108	27	135
304	Structures	2/28/2003	S/L	40	4,425	314	111	425	111	535
					2,157,452	202,141	53,936	256,077	53,936	310,014
320	WTP Equipment	4/1/2002	S/L	20	2,288,544	429,102	114,427	543,529	114,427	657,956
320	WTP Equipment	5/4/2002	S/L	20	256,233	44,841	12,812	57,653	12,812	70,464
					2,544,777	473,943	127,239	601,182	127,239	728,421
TOTAL WATER TREATMENT PLANT					4,702,229	676,084	181,175	857,259	181,175	1,038,434

5/8" x 3/4" Meter

CURRENT RATES				PROPOSED RATES			
FIRST	1,000	\$12.50	Minimum Bill	FIRST	1,000	\$14.06	Minimum Bill
NEXT	4,000	7.90	per 1,000 gallons	NEXT	4,000	8.89	per 1,000 gallons
NEXT	5,000	6.80	per 1,000 gallons	NEXT	5,000	7.65	per 1,000 gallons
NEXT	10,000	5.80	per 1,000 gallons	NEXT	10,000	6.53	per 1,000 gallons
NEXT	20,000	4.00	per 1,000 gallons	NEXT	20,000	4.50	per 1,000 gallons
OVER	40,000	3.10	per 1,000 gallons	OVER	40,000	3.49	per 1,000 gallons

**COMPARISON OF RATES AT
DIFFERENT USAGE LEVELS**

	MONTHLY BILL AT		MONTHLY BILL AT	PERCENT INCREASE OVER CURRENT
MONTHLY USAGE	CURRENT RATE		PROPOSED RATE	
2,000	\$20.40		\$22.95	12.5%
5,000	44.10		49.62	12.5%
10,000	78.10		87.87	12.5%
20,000	136.10		153.17	12.5%
30,000	176.10		198.17	12.5%
50,000	247.10		278.07	12.5%
75,000	324.60		365.32	12.5%
100,000	495.10		557.27	12.5%
150,000	650.10		731.77	12.6%
200,000	805.10		906.27	12.6%
500,000	1735.10		1953.27	12.6%

Note: Average customer (5,000 gallons) bill will increase from \$44.10 to \$49.62 (12.5%)

3/4" Meter

CURRENT RATES				PROPOSED RATES			
FIRST	5,000	\$44.00	Minimum Bill	FIRST	5,000	\$49.50	Minimum Bill
NEXT	5,000	6.80	per 1,000 gallons	NEXT	5,000	7.65	per 1,000 gallons
NEXT	10,000	5.80	per 1,000 gallons	NEXT	10,000	6.53	per 1,000 gallons
NEXT	20,000	4.00	per 1,000 gallons	NEXT	20,000	4.50	per 1,000 gallons
OVER	40,000	3.10	per 1,000 gallons	OVER	40,000	3.49	per 1,000 gallons

**COMPARISON OF RATES AT
DIFFERENT USAGE LEVELS**

MONTHLY USAGE	MONTHLY BILL AT CURRENT RATE	MONTHLY BILL AT PROPOSED RATE	PERCENT INCREASE OVER CURRENT
5,000	44.00	49.50	12.5%
10,000	78.00	87.75	12.5%
20,000	136.00	153.05	12.5%
30,000	176.00	198.05	12.5%
50,000	247.00	277.95	12.5%
75,000	324.50	365.20	12.5%
100,000	402.00	452.45	12.5%
200,000	712.00	801.45	12.6%
500,000	1642.00	1848.45	12.6%

Note: Average customer (20,000 gallons) bill will increase from \$136.00 to \$153.05 (12.50%)

1" Meter

CURRENT RATES				PROPOSED RATES			
FIRST	10,000	\$78.00	Minimum Bill	FIRST	10,000	\$87.75	Minimum Bill
NEXT	10,000	5.80	per 1,000 gallons	NEXT	10,000	6.53	per 1,000 gallons
NEXT	20,000	4.00	per 1,000 gallons	NEXT	20,000	4.50	per 1,000 gallons
OVER	40,000	3.10	per 1,000 gallons	OVER	40,000	3.49	per 1,000 gallons
COMPARISON OF RATES AT DIFFERENT USAGE LEVELS							
	MONTHLY			MONTHLY	PERCENT		
	BILL AT			BILL AT	INCREASE		
MONTHLY	CURRENT			PROPOSED	OVER		
USAGE	RATE			RATE	CURRENT		
	20,000	136.00		153.05	12.5%		
	50,000	247.00		277.95	12.5%		
	75,000	324.50		365.20	12.5%		
	100,000	402.00		452.45	12.5%		
	150,000	557.00		626.95	12.6%		
	200,000	712.00		801.45	12.6%		
	500,000	1642.00		1848.45	12.6%		
Note: Average customer (50,000 gallons) bill will increase from \$247.00 to \$277.95 (12.5%)							

1 1/2 " Meter

CURRENT RATES				PROPOSED RATES			
FIRST	30,000	\$175.00	Minimum Bill	FIRST	30,000	\$196.88	Minimum Bill
NEXT	10,000	4.00	per 1,000 gallons	NEXT	10,000	4.50	per 1,000 gallons
OVER	40,000	3.10	per 1,000 gallons	OVER	40,000	3.49	per 1,000 gallons
COMPARISON OF RATES AT				DIFFERENT USAGE LEVELS			
		MONTHLY BILL AT				MONTHLY BILL AT	PERCENT INCREASE OVER CURRENT
MONTHLY USAGE		CURRENT RATE				PROPOSED RATE	
30,000		175.00				196.88	12.5%
50,000		246.00				276.78	12.5%
100,000		401.00				451.28	12.5%
200,000		711.00				800.28	12.6%
500,000		1641.00				1847.28	12.6%
Note: Average customer (50,000 gallons) bill will increase from \$246.00 to \$276.78 (12.5%)							

2" Meter

CURRENT RATES				PROPOSED RATES			
FIRST 50,000	\$254.00	Minimum Bill		FIRST 50,000	\$285.75	Minimum Bill	
OVER 50,000	3.10	per 1,000 gallons		OVER 50,000	3.49	per 1,000 gallons	
COMPARISON OF RATES AT DIFFERENT USAGE LEVELS							
	<u>MONTHLY BILL AT CURRENT RATE</u>			<u>MONTHLY BILL AT PROPOSED RATE</u>		<u>PERCENT INCREASE OVER CURRENT</u>	
50,000	254.00			285.75		12.5%	
100,000	409.00			460.25		12.5%	
300,000	1029.00			1158.25		12.6%	
Note: Average customer (100,000 gallons) bill will increase from \$409.00 to \$460.25 (12.5%)							

3" Meter

CURRENT RATES				PROPOSED RATES			
FIRST	100,000	\$409.00	Minimum Bill	FIRST	100,000	\$460.13	Minimum Bill
OVER	100,000	3.10	per 1,000 gallons	OVER	100,000	3.49	per 1,000 gallons
COMPARISON OF RATES AT DIFFERENT USAGE LEVELS							
		MONTHLY BILL AT			MONTHLY BILL AT		PERCENT INCREASE
MONTHLY USAGE		CURRENT RATE			PROPOSED RATE		OVER CURRENT
100,000		409.00			460.13		12.5%
200,000		719.00			809.13		12.5%
400,000		1339.00			1507.13		12.6%
500,000		1649.00			1856.13		12.6%
Note: Average customer (200,000 gallons) bill will increase from \$719.00 to \$809.13 (12.5%)							

NOTICE

Rattlesnake Ridge Water District has filed an application with the Public Service Commission to increase its rates for water service. The proposed rates for all meter sizes will be increased by 12.5%, therefore the average monthly bill will increase approximately 12.5%.

Monthly Rate:

5/8" X 3/4" : Current

First 1,000 Gallons	\$12.50
First 4,000 Gallons	7.90
First 5,000 Gallons	6.80
First 10,000 Gallons	5.80
First 20,000 Gallons	4.00
Over 40,000 Gallons	3.10

5/8" X 3/4": Proposed

First 1,000	\$14.06	Minimum Bill
First 4,000	8.89	per 1,000 gallons
First 5,000	7.65	per 1,000 gallons
First 10,000	6.53	per 1,000 gallons
First 20,000	4.50	per 1,000 gallons
Over 40,000	3.49	per 1,000 gallons

5/8" X 3/4"	MONTHLY BILL AT CURRENT	MONTHLY BILL AT PROPOSED	PERCENT INCREASE OVER CURRENT
<u>USAGE</u>	<u>RATE</u>	<u>RATE</u>	<u>RATE</u>
2,000	\$20.40	22.95	12.5%
5,000	44.10	49.62	12.5%
10,000	78.10	87.87	12.5%
20,000	136.10	153.17	12.5%
30,000	176.10	198.17	12.5%
50,000	247.10	278.07	12.5%
75,000	324.60	365.32	12.5%
100,000	495.10	557.27	12.5%
150,000	650.10	731.77	12.5%
200,000	805.10	906.27	12.5%
300,000	1735.10	1953.27	12.5%

The rates contained in this notice are the rates proposed by the Rattlesnake Ridge Water District. However, the Public Service Commission may order rates to be charged that are higher or lower than the rates proposed in this notice.

Any corporation, association, body politic, or person may request leave to intervene, by motion within thirty (30) days after notice of the proposed rate change is given. A motion to intervene shall be in writing, shall be submitted to the Executive Director, Public Service Commission, Post Office Box 615, Frankfort, KY 40602, and shall set forth the grounds for the motion, including the status and interest of the party movant. Copies of the application may be obtained at no charge from the District office at 3563 State Hwy 1661 iGrayson, KY 41143. Upon request from an intervenor, the District shall furnish to the intervenor a copy of the application and supporting documents.

**RATTLESNAKE RIDGE WATER DISTRICT
GRAYSON, KENTUCKY
AUDITED BASIC FINANCIAL STATEMENTS
For the Year Ended December 31, 2007 and 2006**

PENNY R. STANFIELD, CPA & CO., PLLC
2202 Old Main Street
Maysville, Kentucky 41056
(606) 759-0606

RATTLESNAKE RIDGE WATER DISTRICT
GRAYSON, KENTUCKY
December 31, 2007 and 2006

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Rattlesnake Ridge Water District
Grayson, Kentucky 41143

We have audited the accompanying financial statements of the business-type activities of Rattlesnake Ridge Water District as of and for the years ended December 31, 2007 and 2006, which comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

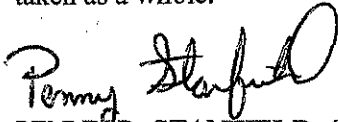
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Rattlesnake Ridge Water District as of December 31, 2007 and 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 19, 2008 on our consideration of the Rattlesnake Ridge Water District's internal control and over financial reporting on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of 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 assessing the results of our audit.

The Rattlesnake Ridge Water District has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rattlesnake Ridge Water District's basic financial statements. The accompanying supplemental information on page 14 is presented for purposes of additional analysis and is not a required part of the 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 also not a required part of the basic financial statements of Rattlesnake Ridge Water District. The schedule of expenditures of federal awards 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.



PENNY R. STANFIELD, CPA & CO., PLLC
Maysville, Kentucky

March 19, 2008

RATTLESNAKE RIDGE WATER DISTRICT
STATEMENTS OF NET ASSETS
PROPRIETARY FUND
December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents - Unrestricted	\$ 121,827	\$ 46,434
Cash and Cash Equivalents - Restricted	256,494	190,193
Accounts Receivable - Customers	173,329	167,077
Less Allowance for Doubtful Accounts	(58,095)	(50,137)
Accounts Receivable - Grants	102,049	-
Inventory	7,111	7,111
Prepaid Expenses	<u>12,101</u>	<u>8,746</u>
TOTAL CURRENT ASSETS	614,816	369,424
PROPERTY, PLANT AND EQUIPMENT		
Utility Plant in Service	23,441,869	23,393,268
Buildings and Land	91,493	91,493
Other Depreciable Equipment	336,259	325,755
Construction in Progress	<u>1,901,722</u>	<u>283,688</u>
	25,771,343	24,094,204
Less Accumulated Depreciation	<u>(6,384,042)</u>	<u>(5,700,814)</u>
NET PROPERTY, PLANT AND EQUIPMENT	<u>19,387,301</u>	<u>18,393,390</u>
TOTAL ASSETS	<u>\$ 20,002,117</u>	<u>\$ 18,762,814</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 154,617	\$ 107,190
Accrued Taxes and Benefits	26,404	19,353
Accrued Interest	140,490	22,683
Accrued Wages and Sick Leave	16,661	27,864
Customer Deposits	16,600	7,800
Current Portion of Long-Term Debt	<u>152,846</u>	<u>60,779</u>
TOTAL CURRENT LIABILITIES	507,618	245,669
LONG-TERM LIABILITIES		
Notes Payable	229,990	253,938
Bonds Payable	<u>6,108,300</u>	<u>6,211,200</u>
TOTAL LONG-TERM LIABILITIES	<u>6,338,290</u>	<u>6,465,138</u>
TOTAL LIABILITIES	6,845,908	6,710,807
NET ASSETS		
Investment in Capital Assets, Net of Related Debt	12,896,165	11,867,473
Restricted Net Assets	256,494	190,193
Unrestricted Net Assets	<u>3,550</u>	<u>(5,659)</u>
TOTAL NET ASSETS	<u>13,156,209</u>	<u>12,052,007</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 20,002,117</u>	<u>\$ 18,762,814</u>

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

RATTLESNAKE RIDGE WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
For the Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
OPERATING REVENUES		
Water Sales	\$ 1,614,717	\$ 1,491,647
Service Charges and Other Revenue	41,735	21,933
Total Operating Revenues	1,656,452	1,513,580
OPERATING EXPENSES		
Salaries & Wages	534,793	524,402
Employee Benefits	170,885	166,426
Purchased Water	3,893	2,199
Accounting and Legal	9,202	4,623
Billing	13,552	13,759
Materials & Supplies	172,495	149,383
Contracted Services	120	7,414
Utilities and Telephone	189,695	183,660
Insurance	49,946	54,848
Office Expense	38,784	37,172
Vehicle Expense	28,798	27,023
Tank Maintenance	-	8,715
Testing Expense	14,892	10,402
Depreciation	696,570	699,774
Miscellaneous Expense	13,750	7,960
Taxes Other Than Income	50,604	49,708
Total Operating Expenses	1,987,979	1,947,468
OPERATING LOSS	(331,527)	(433,888)
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	4,031	5,171
Interest Expense	(303,828)	(299,858)
Loss on Sale of Assets	(4,472)	-
Net Non-Operating Revenues (Expenses)	(304,269)	(294,687)
Income (Loss) Before Capital Contributions	(635,796)	(728,575)
Capital Grants	1,651,038	178,712
Customer Tap Fees	88,960	55,527
CHANGE IN NET ASSETS	1,104,202	(494,336)
NET ASSETS, BEGINNING OF YEAR	12,052,007	12,546,343
NET ASSETS, END OF YEAR	\$ 13,156,209	\$ 12,052,007

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

RATTLESNAKE RIDGE WATER DISTRICT
STATEMENTS OF CASH FLOWS
PROPRIETARY FUND
For The Years Ended December 31, 2007 and 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts From Customers	\$ 1,556,109	\$ 1,559,142
Payments to Suppliers	(486,407)	(418,700)
Payments to Employees	(756,282)	(740,536)
Net Cash Provided by Operating Activities	313,420	399,906
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	4,031	5,171
Net Cash Provided by Investing Activities	4,031	5,171
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Debt Proceeds	25,675	9,000
Principal Paid on Capital Debt	(60,456)	(132,139)
Purchases of Capital Assets	(1,697,154)	(288,701)
Proceeds from Sale of Assets	2,200	-
Contributed Capital-Tap Fees	88,960	55,527
Contributed Capital - Federal Grants	535,891	178,712
Contributed Capital - State Grants	1,115,147	-
Interest Paid on Capital Debt	(186,020)	(299,858)
Net Cash Used in Capital and Financing Activities	(175,757)	(477,459)
NET DECREASE IN CASH	141,694	(72,382)
Cash and Cash Equivalents - At Beginning of Year	236,627	309,009
CASH AND CASH EQUIVALENTS - AT END OF YEAR	\$ 378,321	\$ 236,627
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ (331,527)	\$ (433,888)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	696,570	699,774
Change in Assets and Liabilities:		
Accounts Receivable, Net	(100,343)	45,562
Prepaid Expense	(3,355)	(329)
Accounts Payable and Other Payables	43,275	87,237
Customer Deposits	8,800	1,550
Net Cash Provided by Operating Activities	\$ 313,420	\$ 399,906

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

RATTLESNAKE RIDGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Rattlesnake Ridge Water District (District) is a water utility which serves areas of Carter, Elliott, Lawrence and Morgan Counties. Its sales are primarily to residential customers. The District is a corporate body set forth in Kentucky Revised Statutes (KRS) 74.070 which was created November, 1961. The District began operations in 1983. The District is subject to the regulatory authority of the Kentucky Public Service Commission pursuant to KRS 278.040.

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

The Reporting Entity

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

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

Based on the foregoing criteria there are no other organizations included in these financial statements.

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

Enterprise Funds

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

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With the measurement focus, all assets

RATTLESNAKE RIDGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

and all liabilities associated with the operations are included on the balance sheet. Net assets (i.e., total assets net of total liabilities) are segmented into invested in capital assets, net of related debt, restricted and unrestricted components. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

Basis of Accounting

The records of the District are maintained and the budgetary process is based on the accrual basis of accounting.

Inventory

The cost of inventory is recorded at cost valued on the FIFO method.

Fixed Assets

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

<u>Class</u>	<u>Life</u>
Lines and tanks	40 years
Building	31.5 years
Pumps	10 years
Equipment	5-7 years

The District's capitalization policy is to capitalize expenditures costing more than \$500 with an estimated useful life greater than one year. All other fixed assets are expensed.

Power Costs

The cost of power purchases for pumping water is charged to expense as used.

Income Tax Status

The District is a political subdivision created under Kentucky Revised Statutes 74.012, and as such, is exempt from federal and state income taxes. Accordingly, the financial statements include no provision for income taxes.

Cash Flows

For purposes of the statement of cash flows, the District uses the direct method of reporting net cash flows from operating activities, and considers certificates of deposit with a maturity of six months or less to be cash equivalents.

RATTLESNAKE RIDGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

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 revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Net Assets

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

NOTE 2: RESTRICTED CASH AND CASH EQUIVALENT

The District's restricted cash is composed of the following:

Construction Accounts	\$ 46,440
Capital Improvement Account	12,432
Bond and Interest Sinking Fund	92,107
Depreciation Fund	33,240
	184,219
Certificate of Deposit- 1996 Debt Service Reserve	<u>72,275</u>
TOTAL	<u>\$256,494</u>

NOTE 3: CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's cash and cash equivalents consist of checking and savings accounts with local banks. The District does not have a deposit policy for custodial credit risk. As of December 31, 2007, \$284,116 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank	\$284,116
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RATTLESNAKE RIDGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

NOTE 4: FIXED ASSETS

Capital asset activity for the fiscal year ended December 31, 2007 was as follows:

<u>Business-Type Activities</u>	Balance Jan. 1, 2007	Additions	Deductions	Balance Dec. 31, 2007
Cost:				
Utility Plant	\$ 4,702,230	\$ -	\$ -	\$ 4,702,230
Water System	18,691,038	48,601	-	18,739,639
Buildings and Land	91,493	-	-	91,493
Equipment	71,568	-	-	71,568
Other Depreciable Assets	254,187	30,519	(20,015)	264,691
Construction in Progress	283,688	1,618,034	-	1,901,722
Totals at historical cost	<u>24,094,204</u>	<u>1,697,154</u>	<u>(20,015)</u>	<u>25,771,343</u>
Less accumulated depreciation:				
Plant in Service	5,400,157	667,026	-	6,067,183
Other Depreciable Assets	300,657	29,544	(13,342)	316,859
Total accumulated depreciation	<u>5,700,814</u>	<u>696,570</u>	<u>(13,342)</u>	<u>6,384,042</u>
Business-Type Activities Capital Assets - Net	<u>\$ 18,393,390</u>	<u>\$ 1,000,584</u>	<u>\$ (6,673)</u>	<u>\$ 19,387,301</u>

Capital asset activity for the fiscal year ended December 31, 2006 was as follows:

<u>Business-Type Activities</u>	Balance Jan. 1, 2006	Additions	Deductions	Balance Dec. 31, 2006
Cost:				
Utility Plant	\$ 4,702,230	\$ -	\$ -	\$ 4,702,230
Water System	18,616,923	74,115	-	18,691,038
Buildings and Land	82,493	9,000	-	91,493
Equipment	71,568	-	-	71,568
Other Depreciable Assets	252,246	1,941	-	254,187
Construction in Progress	80,043	241,160	37,515	283,688
Totals at historical cost	<u>23,805,503</u>	<u>326,216</u>	<u>37,515</u>	<u>24,094,204</u>
Less accumulated depreciation:				
Plant in Service	4,728,742	671,415	-	5,400,157
Other Depreciable Assets	272,298	28,359	-	300,657
Total accumulated depreciation	<u>5,001,040</u>	<u>699,774</u>	<u>-</u>	<u>5,700,814</u>
Business-Type Activities Capital Assets - Net	<u>\$ 18,804,463</u>	<u>\$ (373,558)</u>	<u>\$ 37,515</u>	<u>\$ 18,393,390</u>

RATTLESNAKE RIDGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007

NOTE 5: LONG-TERM DEBT

The following is a summary of revenue bonds payable for the year ended December 31, 2007. The revenues of the District are pledged as collateral for the following debt:

	<u>Rate</u>	<u>Original Issue</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
1989 Series	5.00%	\$ 195,000	1/1/28	\$ 148,000	\$ -	\$ -	\$ 148,000
1992 Series	5.00%	365,000	1/1/31	297,500	-	-	297,500
1994 Series A	4.50%	434,000	1/1/34	375,000	-	-	375,000
1994 Series B	4.50%	197,000	1/1/34	168,500	-	-	168,500
1995 Series A	4.50%	445,000	1/1/35	387,000	-	-	387,000
1995 Series B	4.50%	100,000	1/1/35	87,400	-	-	87,400
1996 Refunding	Various	865,000	1/1/25	730,000	-	20,000	710,000
2000 Series A	4.50%	900,000	1/1/40	858,000	-	-	858,000
2000 Series B	4.50%	425,000	1/1/40	405,000	-	-	405,000
2001 Series A	3.25%	900,000	1/1/41	848,000	-	-	848,000
2001 Series B	4.50%	60,000	1/1/41	57,300	-	-	57,300
2004 Series A	4.38%	1,340,000	1/1/44	1,326,000	-	-	1,326,000
2004 Series B	4.38%	549,000	1/1/44	543,500	-	-	543,500
				\$ 6,231,200	\$ -	\$ 20,000	\$ 6,211,200
Less Current Maturities							102,900
TOTAL							<u>\$ 6,108,300</u>

	<u>Principal</u>	<u>Interest</u>
2008	\$ 102,900	\$ 283,323
2009	105,500	278,319
2010	116,000	273,327
2011	118,800	267,808
2012	124,300	262,170
2013-2017	714,600	1,215,160
2018-2022	904,600	1,026,738
2023-2027	1,092,000	786,601
2028-2032	997,200	547,742
2033-2037	946,600	329,336
2038-2042	789,200	135,721
2043-2044	199,500	13,636
	<u>\$ 6,211,200</u>	<u>\$ 5,419,881</u>

RATTLESNAKE RIDGE WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
December 31, 2007

NOTE 5: LONG-TERM DEBT (Continued)

The following is a summary of Notes Payable for the year ended December 31, 2007:

	Outstanding December 31, 2006	Additions	Reductions	Outstanding December 31, 2007
Commercial Bank - Office 9%, Maturity Jan. 2007, Total \$42,928.	\$ 408	\$ -	\$ 408	\$ -
Commercial Bank - 2003 Ford 7.25%, Total \$11,209 dated 09/08/05, payable monthly \$536, maturity 03/09/08	4,396	-	4,396	-
Commercial Bank - 2007 Chevy 7.5%, Total \$25,675 dated 02/06/07, payable in monthly installments of \$514, maturity 01/05/09	-	25,675	3,639	22,036
Commercial Bank -2004 Ford 7.95%, Total \$11,829 dated 2/27/06, payable in monthly installments of \$536, maturity 3/9/08	7,630	-	6,047	1,583
Commercial Bank -Backhoe 7.95%, Total \$38,743 dated 10/20/06, payable in monthly installments of \$785, maturity 10/20/08	37,685	-	6,660	31,025
Commercial Bank -Dumptruck 8.5%, Total \$11,444 dated 8/15/07, payable in monthly installments of \$521, maturity 8/15/09	14,130	-	4,445	9,685
Commercial Bank -Shed 8.75%, Total \$9,036 dated 5/11/06, payable in monthly installments of \$412, maturity 5/15/08	6,569	-	4,554	2,015
KADD Lease 3%-5.3%, Total \$135,000 Dated 4/14/05, due in semi-annual installments, matures 5/1/25	130,000	-	5,000	125,000
Corp of Engineers 6.625%, Dated 5/21/84 Maturity: 30 years	93,899	-	5,310	88,592
TOTAL NOTES PAYABLE	294,717	25,675	35,655	279,936
Less Current Maturities				49,946
TOTAL				\$ 229,990

The following is a schedule of long-term debt maturities:

	Principal	Interest
2008	\$ 49,946	\$ 12,581
2009	32,219	8,073
2010	10,582	7,345
2011	10,582	6,839
2012	10,582	6,315
2013-2017	52,910	24,087
2018-2022	61,746	14,442
2023-2025	51,369	2,385
	\$ 279,936	\$ 82,067

RATTLESNAKE RIDGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

NOTE 6: RESERVES

The Rattlesnake Ridge Water District is required to comply with the bond agreements of all bond issues as follows:

A. SINKING FUND

On or before the 20th day of each month and after the required payment to the Operation and Maintenance Fund Account, the District is required to set aside an amount into a special account known as the "Rattlesnake Ridge Water District, Bond and Interest Sinking Fund". The amount to be so set aside and paid into the Sinking Fund each month shall be sums equal to the following amounts:

- (1) A sum equal to one-sixth of the interest becoming due on the next succeeding interest due date, with respect to all outstanding Bond Issues.
- (2) A sum equal to one-twelfth (1/12) of the principal of all such bonds maturing on the next succeeding January 1.

The required balance at December 31, 2007 was \$201,322. The District set aside \$92,107 at December 31, 2007 into the restricted account, resulting in the account being under-funded.

B. DEPRECIATION FUND

The District is required to deposit \$1,865 each month into the Depreciation Fund account as well as the proceeds from the sale of any equipment no longer usable or needed, fees or charges collected from potential customers to aid in the financing of the cost of extensions, additions and/or improvements to the project, plus the proceeds of any property damage insurance not immediately used to replace damaged or destroyed property. Monies in the Depreciation Fund shall be available and shall be withdrawn and used, upon appropriate certification to Rural Development, for the purpose of paying the cost of constructing replacements, extensions, additions and/or improvements to the project. The required balance at December 31, 2007 was \$616,980. The District had set aside \$33,240 at December 31, 2007 into a restricted account, and therefore the account is under-funded.

RATTLESNAKE RIDGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Concluded)
December 31, 2007 and 2006

NOTE 7: RETIREMENT PLAN

The District has a SEP plan, which provides retirement benefits for all full-time employees with one year of service. The District contributed \$27,748 during 2007, which is seven percent of the eligible employees gross salaries. Eligible employees also contributed \$18,836 during the year. The District's total payroll for the year was \$557,062, of which \$396,393 was covered by the plan.

NOTE 8: RISK MANAGEMENT

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

NOTE 9: CONSTRUCTION COMMITMENT

The District has commenced construction on a system improvements project, the Phase VIII A project. The project is funded by federal and state grants. The estimated costs and funding sources for the project will be the following:

AML Grant	\$ 1,050,000
CDBG Grant	1,000,000
IEDF	1,600,000
Local Funds and Tap Fees	<u>50,000</u>
	<u>\$ 3,700,000</u>

Cost of the Project is estimated as follows:

Engineering	\$ 365,000
Construction	2,950,000
Other Costs	140,000
Contingency	<u>245,000</u>
	<u>\$ 3,700,000</u>

SUPPLEMENTAL INFORMATION

**RATTLESNAKE RIDGE WATER DISTRICT
SUPPLEMENTAL INFORMATION REQUIRED BY RURAL DEVELOPMENT
December 31, 2007 and 2006**

Schedule of Insurance in Force

<u>Insurance Coverage</u>	<u>Amount of Coverage</u>	<u>Expiration Date of Policy</u>
General Liability	\$1,000,000	04-01-08
Property - Building & Contents	\$5,103,708 100% Co-Insurance	04-01-08
Fidelity Bond		
Office Manager, Clerk, Accountant	\$300,000 and \$25,000	04-01-08
Automobile	\$1,000,000	04-01-08
Encroachment Bond	\$712,730	

Aged Accounts Receivable

A detailed schedule of aged accounts receivable is prepared on a monthly basis. At December 31, 2007, accounts receivable were aged as follows:

	<u>Number Of Accounts</u>	<u>Amount</u>
Current	3,825	\$111,669
Over 60 Days	436	13,478
Over 90 Days	<u>519</u>	<u>48,182</u>
Total	<u>4,780</u>	<u>\$173,329</u>

<u>Commissioner</u>	<u>Term Expires</u>
Bill Gilbert, Chairman	05/31/2008
Larry Carroll, Secretary	02/13/2011
Ben Harmon, Treasurer	11/30/2009

RATTLESANKE RIDGE WATER DISTRICT
GRAYSON, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2007

<u>Federal Grant/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Cash/ Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>	<u>Expenditures</u>
Office of Surface Mining Reclamation and Enforcement Department of Interior Abandoned Mine Lands Reclamation (AMLR) Program	15.252	M-600001421	\$ 1,050,000	\$ 535,891
TOTAL FEDERAL AWARDS			<u>\$ 1,050,000</u>	<u>\$ 535,891</u>

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Rattlesnake Ridge Water 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.

PENNY R. STANFIELD, CPA & Co., PLLC

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**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
Rattlesnake Ridge Water District
Grayson, Kentucky 41143

We have audited the financial statements of the business-type activities Rattlesnake Ridge Water District as of and for the year ended December 31, 2007, and have issued our report thereon dated March 19, 2008. 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 Rattlesnake Ridge Water District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Rattlesnake Ridge Water District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Rattlesnake Ridge Water's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Rattlesnake Ridge Water District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Rattlesnake Ridge Water District's financial statements that is more than inconsequential will not be prevented or detected by the Rattlesnake Ridge Water District's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

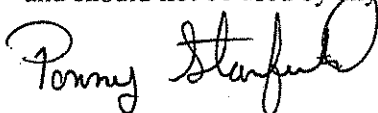
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rattlesnake Ridge Water District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2007-1.

We noted certain matters that we reported to management of Rattlesnake Ridge Water District in a separate letter dated March 19, 2008.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Rattlesnake Ridge Water District's response and, accordingly, we express no opinion on it.

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



PENNY R. STANFIELD, CPA & CO., PLLC
Maysville, Kentucky

March 19, 2008

PENNY R. STANFIELD, CPA & Co., PLLC
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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Commissioners
Rattlesnake Ridge Water District
Grayson, Kentucky 41143

Compliance

We have audited the compliance of Rattlesnake Ridge Water District, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. Rattlesnake Ridge Water 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 Rattlesnake Ridge Water District's management. Our responsibility is to express an opinion on Rattlesnake Ridge Water 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; 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 Rattlesnake Ridge Water 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 Rattlesnake Ridge Water District's compliance with those requirements.

In our opinion, Rattlesnake Ridge Water District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

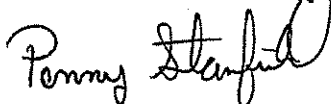
The management of Rattlesnake Ridge Water District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Rattlesnake Ridge Water District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Rattlesnake Ridge Water District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal controls.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



PENNY R. STANFIELD, CPA & CO, PLLC

March 19, 2008

**RATTLESNAKE RIDGE WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2007**

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Rattlesnake Ridge Water District.
2. No control deficiencies were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Rattlesnake Ridge Water District were disclosed during the audit.
4. No reportable conditions in internal control over major federal awards programs were disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for Rattlesnake Ridge Water District expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included:

<u>Program Title</u>	<u>CFDA No.</u>
Abandoned Mine Lands Reclamation Program	15.252

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The auditee did not qualify as a low-risk auditee.

FINDINGS-FINANCIAL STATEMENT AUDIT

2007-1 BOND RESERVE/SINKING FUND REQUIREMENTS

Condition: The bond agreements with Rural Development contain requirements for regularly setting aside money into separate cash accounts for depreciation reserves and the sinking fund. The District has established the separate accounts, however, the accounts have not been funded in the manner set forth by Rural Development.

Recommendation: The District must resume funding both the sinking fund and depreciation reserve on a monthly basis as required by bond covenants.

Response: The District will make an effort to be in compliance with the bond covenants.

**RATTLESNAKE RIDGE WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONCLUDED)
YEAR ENDED DECEMBER 31, 2007**

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

None

STATUS OF PRIOR YEAR FINDINGS

There were no prior year audit findings related to federal awards.