

OCT 30 2008

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KNOTT COUNTY WATER)	
AND SEWER DISTRICT FOR AUTHORITY TO)	
ISSUE A PROMISSORY NOTE IN THE)	CASE NO. 2008- <u>461</u>
APROXIMATE AMOUNT OF \$686,758 TO)	
WHITAKER BANK, INC. TO REFINANCE)	
EXISTING DEBT OBLIGATIONS)	

APPLICATION

Pursuant to KRS 278.300, Knott County Water and Sewer District ("Knott District") applies to the Public Service Commission for authorization to enter a loan agreement with and issue a promissory note to Whitaker Bank, Inc. for approximately \$686,758. In support of its application, Knott District states:

1. Knott District is a water district organized pursuant to KRS Chapter 74. A copy of the Knott County Fiscal Court Resolution of February 10, 1999 creating Knott District is set forth in Exhibit A. Knott District is not a private corporation organized pursuant to KRS Chapter 271C or Chapter 273 and therefore does not have any articles of incorporation.

2. Knott District's business and affairs are managed under the direction and oversight of Knott District's Board of Commissioners. The Board of Commissioners is a body corporate with the power to make contracts for the water district and do all acts necessary to carry on the work of the water district.

3. Knott District's mailing address is:

Knott County Water and Sewer District
P.O. Box 884
Hindman, Kentucky 41822

4. A general description of Knott District's water system property, together with a statement of the original cost, is contained in Knott District's Annual Reports to the Kentucky Public Service Commission for the calendar year ending December 31, 2007 ("Annual Report"). A copy of these reports are attached as Exhibits B and C.

5. Knott District has previously issued three notes to Whitaker Bank for a total of \$916,432.60. The purpose, amount, date, and remaining balance on these notes is set forth below:

Note No.	Date	Initial Amount	Remaining Balance	Interest Rate	Purpose
8411596370	07/06/2006	\$42,150.00	\$18,198.40	4.5%	Refinance Earlier Note
8411729818	04/04/2007	\$500,150.00	\$290,676.00	8.25%	Refinance Earlier Note
8411741818	07/27/2007	\$374,132.36	\$374,132.36	5.5%	Refinance Earlier Note

6. Knott District proposes to issue a promissory note to Whitaker Bank in the estimated principal amount of \$686,758 for the purpose of refunding the outstanding three promissory notes. The proposed note will be for a period of 5 years and have an estimated interest rate of 5.5 percent.

7. A schedule of the estimated principal and interest payments for the proposed note is set forth in Exhibit D. This schedule and the estimated interest rate are subject to change because of market conditions.

8. The proceeds of the proposed promissory note will provide Knott District with the funds necessary to refund the prior notes that Whitaker Bank currently holds and pay any processing fees related to the refinancing.

9. It is anticipated that the proposed refinancing of the existing notes will result in a significant savings to Knott District.

10. The amortization schedule of Knott District's current obligations, to the extent that such schedule exists, is set forth in Exhibits B and C.

11. Knott District represents that the issuance of the proposed promissory note and loan agreement is in the public interest, is intended to strengthen Knott District's financial condition by producing significant debt service savings, is a lawful object within Knott District's corporate purposes, is necessary and appropriate for and consistent with Knott District's proper performance of its service to the public, and will not impair Knott District's ability to perform that service.

12. The financial schedules and other information necessary for the financial exhibit that 807 KAR 5:001, Sections 6 and 11(2)(a), requires are set forth in Knott District's 2007 Annual Reports, which are attached as Exhibits B and C.

13. In accordance with 807 KAR 5:001, Section 6, the following information is provided:

- a. Knott District has no authorized stock.
- b. Knott District has no issued or outstanding stock.
- c. Knott District has not issued any preferred stock.
- d. Knott District has authorized or issued the following bonds as of the

date of this application:

Bond Holder	Date of Issuance	Face Value	Interest Rate	Remaining Balance	Date of Maturity	Security
Rural Development	12/19/2003	\$185,000	4.5%	\$185,000	12/18/2043	All Revenues
Rural Development	03/08/2007	\$100,000	4.125%	\$100,000	03/07/2047	All Revenues

e. In addition to the outstanding notes described above, Knott District issued a note to the Kentucky Infrastructure Authority on or about August 1, 2004 in the amount of \$558,321 with a maturity date of June 1, 2022. The interest rate on this loan varies between 2.250 and 4.625 percent. As of October 1, 2008, the current balance on this loan is \$547,000. Knott District also owes accrued interest of \$85,753.83 and service fees of \$4,032.64.

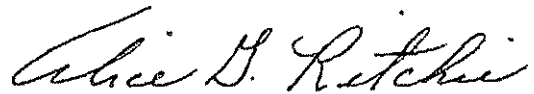
14. Knott District requests a deviation from the requirements of 807 KAR 5:001, Sections 6, which requires that the financial exhibit cover a 12-month period of operations ending no more than 90 days from the date on which an application is filed. There has been no material change in the financial condition or operation of Knott District since December 31, 2007. The financial exhibit filed with this Application is for the 12-month period ending December 31, 2007 and represents the most recently published information about the water district. Preparation of a financial exhibit for a more recent period would involve additional expense and would unduly delay efforts to refinance Knott District's outstanding notes.

15. The proposed issuance of indebtedness will not require an adjustment of Knott District's rates.

WHEREFORE, Knott District respectfully requests that the Commission:

1. Authorize the issuance of the promissory note and security agreement requested in the Application;
2. Grant Knott District a deviation, to the extent necessary, from 807 KAR 5:001, Section 6, to allow submission of Knott District's Annual Report for 2007 in lieu of more recent financial information; and
3. Review this Application without a formal hearing.

Respectfully,



Alice G. Ritchie
Chair
Knott County Water and Sewer District
P.O. Box 884
Hindman, Kentucky 41822

Timothy C. Bates

Tim Bates
Knott County Attorney
P. O. Box 470
59 W. Main St.
Hindman, KY 41822
(606) 785-5355

STATE OF KENTUCKY)
) SS
 COUNT OF KNOTT)

The affiant, Alice G. Ritchie, being first duly sworn, states: That she is the Chair of the Knott County Water and Sewer District, the Applicant in this case; that she has read the foregoing Application and understands its contents; that the same are true of her own knowledge and belief, except to matters which are stated to be based on information or belief, and that these matters she believes to be true and correct.

IN TESTIMONY WHEREOF, witness the signature of the undersigned on the ____ day of October, 2008.

Alice G. Ritchie
 Alice G. Ritchie, Chair
 Knott County Water and Sewer District

SUBSCRIBED, SWORN TO AND ACKNOWLEDGEED before me by Alice G. Ritchie, Chair, Knott County Water and Sewer District, on this the 30th day of October, 2008.

My Commission expires: 11/26/09

Russ J. Campbell
 NOTARY PUBLIC

Knott County Water & Sewer District
Exhibit A

2-10-99

**A RESOLUTION ESTABLISHING AND CREATING
A SPECIAL DISTRICT TO PROVIDE WATER AND SEWER
SERVICES TO THE RESIDENTS OF KNOTT COUNTY, KENTUCKY**

**BE IT RESOLVED BY THE KNOTT COUNTY FISCAL COURT
AS FOLLOWS:**

WHEREAS, the legislature of the Commonwealth of Kentucky has delegated responsibility to the local governmental units to adopt and implement ordinances and resolutions to take action promoting the health, safety and general welfare of the citizens of Knott County, Kentucky and,

WHEREAS, many rural areas of Knott County do not have adequate potable water and suitable sanitary sewer septic systems to meet the needs of the citizens and residents of those areas, and,

WHEREAS, the lack of such organized water and sewer systems has lead to extremely critical environmental problems such as pollution to the streams, rivers and aquifers, which further creates contaminated drinking water in Knott County, Kentucky,

NOW, THEREFORE, BE IT RESOLVED BY THE KNOTT COUNTY FISCAL COURT that there is hereby created a special district to be known as THE KNOTT COUNTY WATER AND SEWER DISTRICT, and shall be governed and operated under the rules and procedures established under KRS Chapter 74, relating to water districts and KRS Chapter 220 relating to sanitation districts.

That this special district is created for the purpose of providing county-wide water and sewer systems in order to provide safe and adequate potable water and a sanitary sewer system to adequately deal with the disposal thereof in those areas of the County lacking in such systems.

DATED this 10th day of February, 1999.

Noemie Newsome
KNOTT COUNTY JUDGE/EXECUTIVE

Ayes _____

NAYS: _____

Ray Bolan
Fannie Adams
Harold Ritchie
James Huff

The vote taken on said Resolution at the Regular Meeting of the Knott County Fiscal Court on February 10th, 1999, the results being as shown above.

ATTEST:
By: *[Signature]*
CLERK OF THE FISCAL COURT OF KNOTT COUNTY

Title Page

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

Districts/Associations

Annual Report of

Respondent

Knott County Water &
Sewer District
P. O. Box 884

Hindman

KY

41822

19400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Principal Payment and Interest Information

	Amount	Yes/No	PSC Case No.
Amount of Principal Payment During Calendar Year	\$0.00		
Is Principal Current?		Y	
Is Interest Current?		Y	
Has all long-term debt been approved by the Public Service Commission?		Y	

19400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Services Performed by Independent CPA

Yes/No

A/C/R

Are your financial statements examined by a Certified Public Accountant?

Enter Y for Yes or N for No

N

If yes, which service is performed?

Enter an X on each appropriate line

Audit

Compilation

Review

19400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Additional Requested Information

Name

Electronic Info

Name of Utility and Web Address

Contact Name and Email Address

19400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Additional Information Required

Case Num	Date	Explain
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19400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Major Water Projects

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

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

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

Projected Costs and Funding Sources/Amounts:

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

Location: (community, area or nearby roads)

History-Legal Name (Ref Page: 4)

1. Exact name of utility making this report.

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

Knott County Water & Sewer District

19400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

History-Location (Ref Page: 4)

name	Address	city	state	zip	Phone
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Give the location, including street and number, and TELEPHONE NUMBER of the principal office in KY.

principal office in KY	P. O. Box 884	Main Street	Hindman	KY	41822	6067855584
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Give name, title, address and TELEPHONE NUMBER of the officer

to whom correspondence concerning this report should be addressed.

Darrell Madden, CPA	P. O. Box 529	Hindman	KY	41822
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Location where books are located

19400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

History-Date Organized (Ref Page: 4)

	Date
Date of Organization	07/29/1970

19400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

History-Laws of Organization (Ref Page: 4)

List

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

N/A

Date and Authority for each consolidation and each merger:

N/A

19400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

History-Departments (Ref Page: 4)

List

State whether respondent is a water district or association

Corporation

Name all operating departments other than water

Sewage

19400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

History - Counties (Ref Page: 5)

Knott

19400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Contacts (Ref Page: 6)

	Title	Last Name	First Name	Bus. Addr.	Salary	Term Expires
Person to send correspondence:	CPA	Madden	Darrell	P. O. Box 529		
Person who prepared this report	same					
Officers and Managers						
	Chairperson	Ritchie	Alice	Hindman, KY 41822	\$0.00	09/30/2008
	Commissioner	Slone	Jerry	Pippa Passes, KY 41822	\$0.00	09/30/2008
	Commissioner	Childers	James	Hindman, KY 41822	\$0.00	09/30/2008
	Commissioner	Hamilton	Dale	Topmost, KY 41862	\$0.00	09/30/2008
	Commissioner	Allen	Deloris	Lotts Creek, KY	\$0.00	09/30/2008
	Office Manager	Campbell	Reva		\$27,860.00	

19400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

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

	Previous Year	Current Year
UTILITY PLANT		\$8,865,433.00
Utility Plant (101-104)	\$4,152,966.00	\$1,620,903.00
Less: Accumulated Depreciation and Amortization (108)	\$1,492,067.00	\$7,244,530.00
Net Plant	\$2,660,899.00	
Utility Plant Acquisition Adjustments (Net) (114-115)		\$7,244,530.00
Total Net Utility Plant	\$2,660,899.00	
OTHER PROPERTY AND INVESTMENTS		
Nonutility Property (121)		
Less: Accumulated Depreciation and Amortization (122)		
Utility Investments (124)		
CURRENT AND ACCRUED ASSETS		\$46,664.00
Cash (131)	\$10,192.00	\$80,800.00
Special Deposits (132)	\$2,404.00	\$5,873.00
Accounts Receivable, Less Accumulated Provision for Uncollectible Accounts (141-143)	\$15,978.00	
Plant Materials and Supplies (151)		\$525.00
Misc. Current and Accrued Assets (174)	\$300.00	\$133,862.00
Total Current and Accrued Assets	\$28,874.00	
DEFERRED DEBITS		
Misc. Deferred Debits (186)		
Total Deferred Debits	\$2,689,773.00	\$7,378,392.00
TOTAL ASSETS AND OTHER DEBITS		

19400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007
Balance Sheet - Equity Capital and Liabilities - 2002 (Ref Page: 8)

	Previous Year	Current Year
EQUITY CAPITAL		
Retained Earnings From Income before contributions (215.1)	(\$2,038,710.00)	(\$2,240,116.00)
Donated Capital (215.2)	\$3,353,794.00	\$8,271,306.00
Total Equity Capital	\$1,315,084.00	\$6,031,190.00
LONG-TERM DEBT		
Long-Term Debt (224)	\$1,334,011.00	\$1,334,011.00
Total Long Term Debt	\$1,334,011.00	\$1,334,011.00
CURRENT AND ACCRUED LIABILITIES		
Accounts Payable (231)	\$34,019.00	\$6,006.00
Notes Payable (232)		\$3,676.00
Customer Deposits (235)	\$3,676.00	\$3,509.00
Accrued Taxes (236)	\$2,983.00	
Accrued Interest (237)		
Misc. Current and Accrued Liabilities (242)		\$13,191.00
Total Current and Accrued Liabilities	\$40,678.00	
NONCURRENT LIABILITIES		
Advances for Construction (252)		
Other Deferred Credits (253)		
Miscellaneous Operating Reserves (265)		
Total Non-Current Liabilities		\$7,378,392.00
Total Equity Capital and Liabilities	\$2,689,773.00	

19400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Comparative Operating Statement (Ref Page: 9)

	Previous Year	Current Year
UTILITY OPERATING INCOME		\$214,495.00
Operating Revenues (400)	\$189,391.00	\$232,000.00
Operating Expenses (401)	\$204,591.00	\$124,769.00
Depreciation Expenses (403)	\$124,769.00	
Amortization of Utility Plant Acquisition Adjustment (406)		\$5,358.00
Amortization Expense (407)	\$7,717.00	\$362,127.00
Taxes Other Than Income (408)	\$337,077.00	(\$147,632.00)
Utility Operating Expenses	(\$147,686.00)	
Total Utility Operating Income		\$2,564.00
OTHER INCOME AND DEDUCTIONS	\$178.00	
Interest and Dividend Income (419)		
Allowance for funds Used During Constructions (420)		
Nonutility Income (421)		\$2,564.00
Miscellaneous Nonutility Expenses (426)	\$178.00	
Total Other Income and Deductions		
TAXES APPLICABLE TO OTHER INCOME		
Taxes Other Than Income (408)		
Total Taxes Applic. to Other Income		\$46,150.00
INTEREST EXPENSE	\$47,913.00	\$46,150.00
Interest Expense (427)	\$47,913.00	(\$191,218.00)
Total Interest Expense	(\$195,421.00)	
NET INCOME BEFORE CONTRIBUTIONS		

19400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Statement of Retained Earnings 2002 (Ref Page: 10)

Description	Total
Retained Earnings From Income Before Contributions (215.1)	(\$2,038,710.00)
Balance beginning of year	(\$201,406.00)
Balance transferred from Net Income Before Contributions ()	
Changes to account:	
Adjustments to Retained Earnings ()	
(requires Commission approval prior to use)	
Credits	
Debits	
Balance End of Year	(\$2,240,116.00)

19400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Statement of Retained Earnings (cont. 215.2) (Ref Page: 10)

Description	Tapping Fees	Grants	Other	Total
Donated Capital (215.2)				\$3,353,794.00
Balance Beginning of the Year	\$19,851.00	\$3,333,943.00	\$0.00	
Credits				\$4,917,512.00
Proceeds from capital contributions (432)	\$0.00	\$4,917,512.00	\$0.00	
Other Credits (explain)				
Debits (explain - requires Commission Approval)				
Balance End of Year	\$19,851.00	\$8,251,455.00	\$0.00	\$8,271,306.00

19400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Net Utility Plant (Accts. 101-105) (Ref Page: 11)

	Total
	\$3,423,820.00
Utility Plant in Service (101)	
Property Held for Future Use (103)	
Utility Plant Purchased or Sold (104)	\$5,113,096.00
Construction Work in Progress (105)	\$8,536,916.00
Total Utility Plant	

19400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Accumulated Depreciation (Acct. 108) (Ref Page: 11)

Description	Total
Balance First of Year	\$1,225,740.00
Credit during year	
Accruals Charged to Account 403	
Accruals Charged to Other Accounts (specify)	
(specify)	
Salvage Value Recovered on Plant Retired	
Other Credits	
(specify)	
Total Credits	\$124,769.00
Debits during year:	
Book Cost of Plant Retired	
Cost of Removal	
Other Debits	
(specify)	
Total Debits	
Balance at End of Year	\$1,350,509.00

19400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Water Utility Plant Accounts (Ref Page: 12)

	Prev Year (c)	Additions (d)	Retirement (e)	Current Yr(f)
Organization (301)				\$89,134.00
Franchises (302)		\$0.00	\$0.00	\$681,118.00
Land and Land Rights (303)	\$89,134.00	\$0.00	\$0.00	\$155,229.00
Structures and Improvements (304)	\$681,118.00	\$0.00	\$0.00	
Collecting and Impounding Reservoirs (305)	\$155,229.00			
Lakes, Rivers and Other Intakes (306)		\$0.00	\$0.00	\$129,377.00
Wells and Springs (307)	\$129,377.00			
Supply Mains (309)				\$39,415.00
Power Generation Equipment (310)		\$0.00	\$0.00	
Pumping Equipment (311)	\$39,415.00			
Water Treatment Equipment (320)				
Distribution Reservoirs and Standpipes (330)		\$0.00	\$0.00	\$2,136,809.00
Transmission and Distribution Mains (331)	\$2,136,809.00			
Services (333)		\$0.00	\$0.00	\$22,814.00
Meters and Meter Installations (334)	\$22,814.00	\$0.00	\$0.00	\$3,625.00
Hydrants (335)	\$3,625.00			
Backflow Prevention Devices (336)				
Other Plant and Misc. Equipment (339)				
Office Furniture and Equip. (340)				
Transportation Equipment (341)				
Tools, Shop and Garage Equip (343)			\$0.00	\$166,299.00
Power Operated Equipment (345)	\$166,299.00	\$0.00	\$0.00	\$3,423,820.00
Other Tangible Plant (348)	\$3,423,820.00	\$0.00	\$0.00	
Total Water Plant				

19400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007
Analysis of Accumulated Depreciation and Amortization by Primary Acct (Ref Page: 13)

	Balance Beg Yr(c)	Cr-Chg Dep Exp(d)	Other Credits (e)	Charges-Plant Ret(f)	Other Charges (g)	Balance End Yr (h)
Organization (301)						
Franchises (302)						
Land and Land Rights (303)				\$0.00	\$0.00	\$852,958.00
Structures and Improvements (304)	\$761,739.00	\$91,219.00				
Collecting and Impounding Reservoirs (305)						
Lake, River and Other Intakes (306)				\$0.00	\$0.00	\$71,911.00
Wells and Springs (307)	\$68,677.00	\$3,234.00				
Supply Mains (309)						
Power Generating Equipment (310)				\$0.00	\$0.00	\$32,588.00
Pumping Equipment (311)	\$31,667.00	\$921.00				
Water Treatment Equipment (320)						
Distributions Reservoirs and Standpipes (330)				\$0.00	\$0.00	\$333,298.00
Transmission and Distribution Mains (331)	\$303,903.00	\$29,395.00				
Services (333)				\$0.00	\$0.00	\$25,643.00
Meters and Meter Installations (334)	\$25,643.00	\$0.00				
Hydrants (335)	\$3,625.00	\$0.00		\$0.00	\$0.00	\$3,625.00
Backflow Prevention Devices (336)						
Other Plant and Miscellaneous Equipment (339)						

19400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Analysis of Accumulated Depreciation and Amortization by Primary Acct (Ref Page: 13)

	Balance Beg Yr(c)	Cr-Chg Dep Exp(d)	Other Credits (e)	Charges-Plant Ret(f)	Other Charges (g)	Balance End Yr (h)
Office Furniture and Equip. (340)						
Transportation Equipment (341)						
Tools, Shop and Garage Equip (343)						
Power Operated Equipment (345)						\$30,486.00
Other Tangible Plant (348)	\$30,486.00	\$0.00	\$0.00	\$0.00	\$0.00	\$30,486.00
Totals	\$1,225,740.00	\$124,769.00	\$0.00	\$0.00	\$0.00	\$1,350,509.00

19400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Utility Plant Acquisition Adjustments (Accts. 114-115) (Ref Page: 14)

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

19400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Investments and Special Funds (124) (Ref Page: 14)

Description (a)	Face or Par Value (b)	Year End Book Cost
Utility Investments (124)	\$0.00	\$0.00
N/A		
Total Utility Investments		

19400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007
Accounts and Notes Receivable - Net (Accts 141 and 143) (Ref Page: 15)

Description	Total
Accounts and Notes Receivable	\$5,873.00
Customer Accounts Receivable (141)	\$5,873.00
Total Accounts and Notes Receivable	
Accumulated Provision for Uncollectible Accounts (143)	
Balance First of Year	
Add:	
Provision for uncollectibles for current year	
Collections of account previously written off	
Other	
(specify)	
Total Additions	
Deduct accounts written off during year:	
Other	
(specify)	
Total Deductions	
Balance end of Year	\$5,873.00
Total Accounts and Notes Receivable - Net	

19400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Miscellaneous Deferred Debits (Acct. 186) (Ref Page: 15)

	Total
Miscellaneous Deferred Debits (186)	
Deferred Rate Case Expense ()	
Other Deferred Debits ()	
Total Miscellaneous Deferred Debits	

19400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Advances for Construction (Acct. 252) (Ref Page: 16)

	Total
Balance First of Year	
Add credits during year	
Deduct charges during year	
Balance end of year	

19400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Long Term Debt 224 (Ref Page: 16)

Description of Obligation (a)	Issue Date (b)	Mature Date (c)	Interest Expense for Year Rate (d)	Interest Expense for Year Amount(e)	Principal per Balance Sheet Date (f)
Notes Payable			6.5000	\$59,765.00	\$1,149,011.00
Total			0.0000	\$59,765.00	\$1,149,011.00

19400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Bonds - Account 224 (Ref Page: 17)

	Par Value of Actual Issue (1)	Cash Realized on Actual Issue (2)	Par Val of Amt. Held by or for Respondent (3)	Actually Outstanding at Close of Year (4)	Interest During Year Accrued (5)	Interest During Year Actually Paid (6)
	\$185,000.00	\$185,000.00	\$0.00	\$185,000.00	\$6,163.00	\$6,163.00
Total	\$185,000.00	\$185,000.00	\$0.00	\$185,000.00	\$6,163.00	\$6,163.00

19400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Schedule of Bond Maturities (Ref Page: 17)

Bond Numbers (7)	Maturity Date (8)	Interest Rate (9)	Principal Amt (10)	Amounts Paid (11)	Remaining Bonds Outstanding (12)
				\$0.00	\$185,000.00
	2005	4.5000		\$0.00	\$185,000.00
	2006	4.5000		\$0.00	\$185,000.00
	2007	4.5000		\$0.00	\$179,000.00
	2008	4.5000	\$6,000.00	\$0.00	\$0.00
	Thereafter	4.5000	\$179,000.00	\$0.00	\$734,000.00
Total			\$185,000.00	\$0.00	

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

19400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Notes Payable (Accts 232) (Ref Page: 18)

Description	Nominal Date of Issue	Date of Maturity	Int. Rate	Int. Payment	Principal Amt Per Bal Sheet
Account 232 - Notes Payable					
Total Account 232					

19400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007
 Taxes Accrued (Acct. 236) (Ref Page: 18)

	Total
	\$2,983.00
Balance First of Year	\$462.00
Accruals Charged: (408)	
Utility regulatory assessment fees ()	\$5,331.00
Property taxes ()	\$1,862.00
Payroll taxes (employer's portion) ()	\$7,855.00
Other taxes and licenses ()	
Total taxes accrued (408)	\$462.00
Taxes paid during year:	
Utility regulatory assessment fees ()	\$4,805.00
Property taxes ()	\$1,862.00
Payroll taxes (employer's portion) ()	\$7,129.00
Other taxes and licenses ()	\$3,509.00
Total Taxes Paid	
Balance end of year	

19400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Accrued Interest (Account 237) 2002 (Ref Page: 19)

Description of Debt (a)	Balance Beg of Year (b)	Interest Accrued(c)	Interest Paid (d)	Balance End of Year (e)
Long Term Debt:		\$46,150.00	\$46,150.00	\$0.00
Notes Payable:				
Customer Deposits:				
Other				
Total Acct. No 237		\$46,150.00	\$46,150.00	\$0.00

19400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007
Miscellaneous Current and Accrued Liabilities (Acct. 242) (Ref Page: 19)

Description	Balance End Year
Total Miscellaneous Current and Accrued Liabilities	

19400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Regulatory Commission Expense (Acct 665) (Ref Page: 20)

Description of Case (Docket No.) (a)	Total Incurred During Year (b)	Amt Transferred to Acct 186.1 (c)	Expensed During Year Acct (d)	Expensed During Year Amount (e)
Total				

19400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007
 Water Operating Revenue (Ref Page: 21)

	Beginning Year Customers	Year End Customers	Amount
Operating Revenues			
Unmetered Water Revenue (460)			\$214,495.00
Metered Water Revenue (461)		440	
Sales to Residential Customers (461.1)	427		
Sales to Commercial Customers (461.2)			
Sales to Industrial Customers (461.3)			
Sales to Public Authorities (461.4)			
Sales to Multiple Family Dwellings (461.5)			
Sales through Bulk Loading Stations (461.6)		440	
Total Metered Sales	427		
Fire Protection Revenue (462)			
Total Fire Protection Revenue			\$214,495.00
Sales to Irrigation Customers (465)			
Sales for Resale (466)		440	
Total Sales of Water	427		
Other Water Revenues			
Guaranteed Revenues (469)			
Other Water Revenues (474)			
Total Other Water Revenues			
Total Water Operating Revenues			\$214,495.00

19400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007
 Water Utility Expense Accounts (Ref Page: 22)

	Current Year (c)
	\$45,903.00
Salaries and Wages-Employees (601)	\$9,409.00
Salaries and Wages-Officers, Directors and Majority Stockholders (603)	\$52,427.00
Employee Pensions and Benefits (604)	\$21,480.00
Purchased Water (610)	
Purchased Power (615)	
Fuel for Power Production (616)	\$28,526.00
Chemicals (618)	
Materials and Supplies (620)	\$3,648.00
Contractual Services (630)	
Water Testing (635)	\$7,843.00
Rents (640)	\$4,854.00
Transportation Expenses (650)	
Insurance (655)	
Regulatory Commission Exp. (665)	\$57,910.00
Bad Debt (670)	
Miscellaneous Expenses (675)	\$232,000.00
Total	

19400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Pumping and Water Statistics - part one (Ref Page: 23)

	Water Purchased For Resale (Omit 000 s) (b)	Water Pumped from Wells (Omit 000 s) (c)	Total Water Pumped and Purchased (Omit 000 s) (d)	Water Sold To Customers (Omit 000 s) (e)
			6,035	1,867
January	2,342	3,693	5,302	2,270
February	2,227	3,075	4,723	1,865
March	1,935	2,788	5,112	3,307
April	2,308	2,804	4,125	2,359
May	1,406	2,719	4,588	3,320
June	2,195	2,393	3,407	2,634
July	1,027	2,380	5,414	3,410
August	2,269	3,145	4,453	3,198
September	1,305	3,148	4,808	2,912
October	1,781	3,027	4,342	1,460
November	1,892	2,450	4,284	2,997
December	1,557	2,727	56,593	31,599
Total for the year	22,244	34,349		

19400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Pumping and Water Statistics - part two (Ref Page: 23)

	Gallons	Date
Maximum Gallons pumped by all methods in any one day (Omit 000's)	167	10/23/2007
Minimum Gallons pumped by all methods in any one day (Omit 000's)	13	05/07/2007

19400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Pumping and Water Statistics - part three (Ref Page: 23)

List

If water is purchased indicate the following:

Vendor

Hindman Water & Sewer District

Point of Delivery

Mallie, HWY 900, HWY 550

If water is sold to other water utilities for redistribution,

list names of such utilities below:

19400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Sales For Resale (466) (Ref Page: 24)

Company	Gallons (Omit 000's)	Avg. Rate Per 1000 Gallons (Cents)	Amount
Total			

19400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007
 Water Statistics (Ref Page: 25)

	Gallons (Omit 000's)	Percent
1. Water Produced, Purchased and Distributed		
2. Water Produced	34,349	
3. Water Purchased	22,244	
4. Total Produced and Purchased	56,593	
6. Water Sales:		
7. Residential	31,599	
8. Commercial		
9. Industrial		
10. Bulk Loading Stations		
11. Resale		
12. Other Sales	31,599	
13. Total Water Sales		
15. Other Water Used		
16. Utility/water treatment plant	93	
17. Wastewater plant	65	
18. System flushing	3,798	
19. Fire department	1,885	
20. Other	4,884	
21. Total Other Water Used	10,725	
23. Water Loss:		
24. Tank Overflows	2,444	
25. Line Breaks		
26. Line Leaks	6,663	
27. Other	5,162	
28. Total Line Loss	14,269	
Note: Line 13 + Line 21 + Line 28 must equal Line 4		
32. Water Loss Percentage		

19400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Water Statistics (Ref Page: 25)

Gallons (Omit 000's)	Percent
	25.2134

33. Line 28 divided by Line 4

19400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Plant Statistics (Ref Page: 26)

Give the following information

Number of fire hydrants, by size	3 - 3"; 3 - 4"; 54 - 6"
Number of private fire hydrants, by size	None
If produced whether water supply is river, impounded streams, well, springs, artificial lake, or collector well	Well
If produced whether supply is by gravity, pumping or a combination	Combination
Type, capacity, and elevation of reservoirs at overflow and ground level	N/A
Miles of main by size and kind	3 miles - 12" ductile; 15 miles 8" ductile & PVC
Types of filters: gravity or pressure, number of units and total rated in capacity in gal. per min.	3.5 miles 6" PVC; 7.0 miles 4" PVC; 3.5 miles 3" PVC; 2.0 miles 2" PVC; 2 gravity anthracite sand for iron removal 100 GPM
Type of disinfectant, number of units and capacity in pounds per 24 hours	2 hypo chlorinators Rated at 24 gallons per day
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	2 - 20 HP 3 phase electric driven high service pumps
Quantity of fuel used: coal in lbs., gas in cu. ft., oil in gals., and electric in KWH	N/A
Give description and total cost of any sizable additions or retirements to plant and service outside the normal system of growth for the period covered by this report	None
Capacity of clear well	12,000
Peak month, in gallons of water sold	August - 3,409,240
Peak day, in gallons of water sold	August 25 - 136,000

19400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Plant Statistics - Part B (Ref Page: 26)

	Type
--	------

Choose one to indicate the type of Water Supply

Well

Plant Statistics - Part C (Ref Page: 26)

Type

Choose one to indicate the type of Water Supply Method

Combination

22219400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Title Page

Sewer Utilities Annual Report of Respondent	Name of Respondent	Addr Line 1	Addr Line 2	City	State	Zip
Knott County Water & Sewer District	Knott County Water & Sewer District	P. O. Box 884		Hindman	KY	41822

22219400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Principal Payment and Interest Information

	Amount	Yes/No
Amount of Principal Payment During Calendar Year	\$0.00	
Is Principal Current?		Y
Is Interest Current?		Y

22219400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Services Performed by Independent CPA

Yes/No

A/C/R

Are your financial statements examined by a Certified Public Accountant?

Enter Y for Yes or N for No

N

If yes, which service is performed?

Enter an X on each appropriate line

Audit

Compilation

Review

22219400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Additional Information Required

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

22219400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

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.)

Knott County Water & Sewer District

22219400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

General Information 2 - 3 (Ref Page: 1)

name	Address	city	state	Phone
Give the location, including street and number, and TELEPHONE NUMBER of the principal office in KY.	P. O. Box 884	Hindman	KY	6067855584
principal office in KY				
Name, title, address and telephone number with area code of the person to be contacted concerning this report	Darrell Madden, CPA	P. O. Box 529	Hindman	KY

22219400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

General Information 4 (Ref Page: 1)

List

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

22219400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

General Information 5. (Ref Page: 1)

Date

Date sewer utility began operations

22219400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

General Information 6. (Ref Page: 1)

City or Town	Community or Subdivision	County
		Knott

22219400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

General Information 7. (Ref Page: 1)

	Count
Number of Full-time employees	
Number of Part-time employees	

22219400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Principal Officers (Ref Page: 1)

Title	Last Name	First Name	Bus. Address	Salary or Fee
Chairperson	Ritchie	Alice	Hindman, KY 41822	\$0.00
Commissioner	Slone	Jerry	Pippa Passes, KY 41844	\$0.00
Commissioner	Childers	James	Hindman, KY 41822	\$0.00
Commissioner	Allen	Deloris	Lotts Creek, KY	\$0.00
Office Manager	Campbell	Reva		\$27,860.00

22219400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

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

	Balance First of Yr	Balance End of Yr
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 Cash Investments (132)		
Notes Receivable (141)		
Customer Accounts Receivable (142)		
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 (150)		
Prepayments (166)		
Other Current and Accrued Assets (170)		
Total Current and Accrued Assets		
DEFERRED DEBITS		
Unamortized Debt Expense (181)		

22219400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

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

	Balance First of Yr	Balance End of Yr
Extraordinary Property Losses (182)		
Other Deferred Debts (183)		
Total Deferred Debts		
TOTAL ASSETS AND OTHER DEBITS		

Note:
Combined Water and Sewer Report - See Water Report

22219400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007
Balance Sheet - Liabilities and Other Credits (Ref Page: 3)

Balance First of Yr.

Balance End of Yr.

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

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)
- Customer Deposits (235)
- Taxes Accrued (236)
- Interest Accrued (237)
- Other Current and Accrued Liabilities (238)

Total Current and Accrued Liabilities

DEFERRED CREDITS

- Advances for Construction (252)

22219400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

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

	Balance First of Yr.	Balance End of Yr.
Other Deferred Credits (253)		
Accum. Deferred Investment Tax Credits (255)		
Total Deferred Credits		
Operating Reserves (261-265)		
Contributions in Aid of Construction (271)		
ACUMULATED 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		

Note:
Combined Water and Sewer Report - See Water Report

22219400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007
 Summary of Utility Plant (Ref Page: 4)

	Amount
UTILITY PLANT	
In Service:	
Plant in Service Classified (from pg 5 line 40) (101)	\$328,517.00
Completed Construction Not Classified (102)	
Utility Plant in Process of Reclassification (103)	
Utility Plant Purchased or Sold (106)	
Total In Service	\$328,517.00
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)	\$328,517.00
Less:	
Accumulated Provision for Depreciation and Amort. of Utility Plant (to pg 2 line 6) (110)	\$270,394.00
Net Utility Plant (to pg 2 line 7)	\$58,123.00

22219400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007
 Accum. Prov. for Depreciation and Amortization of Utility Plant (Ref Page: 4)

Item	Amount
Balance Beginning of Year	\$266,327.00
Accruals for Year:	
Depreciation	\$4,067.00
Amortization	
Other Accounts (detail)	
Total Accruals for Year	\$4,067.00
Credit Adjustments (describe)	
Total Credits for Year	
Net Charges for Plant Retired:	
Book Cost of Plant Retired (same as pg 5 line 40)	
Add: Cost of Removal	
Less: Salvage	
Net Charges for Plant Retired	
Debit Adjustments (describe)	
Total Debit Adjustments for Year	
Balance End of Year	\$270,394.00

22219400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007
 Sewer Utility Plant In Service (Ref Page: 5)

	Depr Rate	Balance Beg of Year	Additions	Retirements	ReClass (Debit-Credit)	Balance End of Year
INTANGIBLE PLANT						
Organization (301)						
Franchises and Consents (302)						
Misc. Intangible Plant (303)						
Total Intangible Plant					\$0.00	\$451.00
LAND AND STRUCTURES						
Land and Land Rights (310)		\$451.00	\$0.00	\$0.00	\$0.00	\$30,261.00
Structures and Improvements (311)		\$30,261.00	\$0.00	\$0.00	\$0.00	\$30,712.00
Total Land and Structures		\$30,712.00	\$0.00	\$0.00	\$0.00	\$128,468.00
COLLECTION PLANT						
Collection Sewers - Force (352.1)		\$128,468.00	\$0.00	\$0.00	\$0.00	\$26,761.00
Collection Sewers - Gravity (352.2)						
Other Collection Plant Facilities (353)						
Services to Customers (354)		\$26,761.00	\$0.00	\$0.00	\$0.00	\$155,229.00
Flow Measuring Devices (355)		\$155,229.00	\$0.00	\$0.00	\$0.00	\$11,061.00
Total Collection Plant					\$0.00	\$11,061.00
PUMPING PLANT						
Receiving Wells and Pump Pits (362)		\$11,061.00	\$0.00	\$0.00	\$0.00	
Pumping Equipment - Electric (363A)						

22219400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007
 Sewer Utility Plant In Service (Ref Page: 5)

	Depr Rate	Balance Beg of Year	Additions	Retirements	ReClass (Debit-Credit)	Balance End of Year
Pumping Equipment-Diesel (363B)		\$0.00				\$11,061.00
Pumping Equipment - Other (363C)		\$11,061.00	\$0.00	\$0.00	\$0.00	
Total Pumping Plant (364)						
TREATMENT AND DISPOSAL PLANT						
Oxidation Lagoon (372)		\$54,756.00	\$0.00	\$0.00	\$0.00	\$54,756.00
Treatment and Disposal Equipment (373)						
Plant Sewers (374)						
Outfall Sewer Lines (375)		\$76,307.00	\$0.00	\$0.00	\$0.00	\$76,307.00
Other Treatment and Disposal Plant Equip. (376)						
Total Treatment and Disposal Plant (371)		\$131,063.00	\$0.00	\$0.00	\$0.00	\$131,063.00
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)						

22219400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Sewer Utility Plant In Service (Ref Page: 5)

	Depr Rate	Balance Beg of Year	Additions	Retirements	ReClass (Debit-Credit)	Balance End of Year
Other Tangible Property (393F)		\$452.00	\$0.00	\$0.00	\$0.00	\$452.00
Total General Plant		\$452.00	\$0.00	\$0.00	\$0.00	\$452.00
TOTAL SEWER PLANT IN SERVICE		\$328,517.00	\$0.00	\$0.00	\$0.00	\$328,517.00

22219400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Capital Stock (Ref Page: 6)

Class and Series (a)	No. of Shares Auth. (b)	Par Val per Share of Par	Stated Val Per Share of	Outstanding Shares (e)	Outstanding Amount (f)
Total					

22219400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Long-Term Debt (Ref Page: 6)

Class and Series	Orig. Issue Amt	Date of Issue (b)	Date of Maturity (c)	Outstanding Balance	Interest Rate (e)	Interest Amt (f)
------------------	-----------------	-------------------	----------------------	---------------------	-------------------	------------------

List each Original
Issue Amount Class
and Series of
Obligation

--	--	--	--	--	--	--

Total

Note:
Combined Water and Sewer Report - See Water Report

22219400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Notes Payable (Ref Page: 6)

Name of Payee (a)	Date Of Note (b)	Date of Maturity (c)	Interest Rate (d)	Balance End of Year (e)
-------------------	------------------	----------------------	-------------------	-------------------------

(Include Notes Payable to
Associated Companies Under
This Heading)

--	--	--	--	--

Total

22219400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Interest Accrued (Ref Page: 6)

Description of Obligation (a)	Int. Accr. Balance First of Yr	Int. Accr. During Yr (c)	Int. Paid During Yr (d)	Int. Accr. Balance End of Yr
Long Term Debt	\$0.00	\$19,778.00	\$19,778.00	\$0.00
Total	\$0.00	\$19,778.00	\$19,778.00	\$0.00

22219400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Other Current and Accrued Liabilities (Ref Page: 7)

Description	Amount
Total (must agree with pg 3 Acct 238)	

Note:
Combined Water and Sewer Report - See Water Report

22219400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

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

Item (a)	This Year (b)	Last Year (c)
UNAPPROPRIATED RETAINED EARNINGS (216)		
Balance Beginning of Year		
Balance Transferred From Income (435)		
Appropriations of Retained Earnings (436)		
Dividends Declared-Preferred Stock (437)		
Dividends Declared-Common Stock (438)		
Adjustments to Retained Earnings (439)		
Balance End of Year		

Note:
Combined Water and Sewer Report - See Water Report

22219400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007
 Statement of Income for the Year (Ref Page: 8)

Description	Number Customers (b)	Amount (c)
OPERATING REVENUES		
Flat Rate Revenues-General Customers:		
Residential Revenues (521.1)		
Commercial Revenues (521.2)		
Industrial Revenues (521.3)		
Revenues From Public Authorities (521.4)		
Total (521)	0	\$91,926.00
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)	0	\$91,926.00
Revenues From Public Authorities (523)		
Revenues From Other Systems (524)		
Miscellaneous Sewage Revenues (526)		
Total Sewage Service Revenues (521-526)	0	\$91,926.00
OTHER OPERATING REVENUES		
Customers Forfeited Discounts (532)		\$0.00
Miscellaneous Operating Revenues (536)		\$91,926.00
Total Other Operating Revenues		\$77,071.00
Total Operating Revenues		\$4,067.00
OPERATING EXPENSES		
Total Sewer Operation and Maint. Expenses (from pg 9)		\$2,297.00
Depreciation Expense (403)		
Amortization Expense (from pg 10) (404-407)		

22219400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

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

Description	Number Customers (b)	Amount (c)
Taxes Other Than Income taxes (from pg 10) (408.1)		\$0.00
Total Income Taxes-Utility Operations (from pg 10)		\$83,435.00
Total Sewage Operating Expenses		\$8,491.00
Net Operating Income		
OTHER INCOME		
Income from NonUtility Operations (417)		\$1,099.00
Interest and dividend Income (419)		
Miscellaneous Nonoperating Income (421)		
Other Accounts (Specify Acct. No & Title)		
Total Other Income		\$1,099.00
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)		\$19,778.00
Other Accounts (Specify Acct. No. and Title)		
Total Other Deductions		\$19,778.00
Net Income		(\$10,188.00)

22219400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Sewer Operation and Maintenance Expenses (Ref Page: 9)

	Amount (b)
OPERATION EXPENSES	
Supervision and Engineering (700):	
Owner/Manager-Management Fee (700-A)	
Other Expenses (700-B)	\$26,492.00
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	\$9,205.00
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)	\$35,697.00
Total Operation Expenses	
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)	\$12,226.00

22219400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Sewer Operation and Maintenance Expenses (Ref Page: 9)

	Amount (b)
Maintenance of Other Plant Facilities (715)	\$12,226.00
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	\$19,673.00
ADMINISTRATIVE AND GENERAL EXPENSES	
Administrative and General Salaries (920)	
Office Supplies and Other Expenses (921)	\$2,081.00
Outside Services Employed (923)	\$4,033.00
Insurance Expenses (924)	
Employee Pensions and Benefits (926)	\$3,361.00
Regulatory Commission Expense (928)	
Transportation Expenses (929)	
Miscellaneous General Expenses (930)	
Rents (931)	\$29,148.00
Maintenance of General Plant (932)	\$77,071.00
Total Administrative and General Expenses	
TOTAL SEWER OPERATION AND MAINTENANCE EXPENSES (to pg 8)	

22219400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Taxes Other Than Income Taxes (Ref Page: 10)

Item (a)	Amount (b)
Payroll Taxes	\$1,599.00
Property Taxes	\$139.00
Utility Regulatory Commission Assessment	
Other (specify)	\$559.00
Total (Same as Page 8 line 27 plus 44)	\$2,297.00

22219400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

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

	Amount (b)
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 8 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)	

22219400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Amortization Expense (Ref Page: 10)

	Amount (b)
Amortization of Limited - Term Utility Plant (404)	
Amortization of Other Utility Plant (405)	
Amortization of Utility Plant Acquisition Adjustments (406)	
Amortization of Property Losses (407)	
Amortization of Rate Case Expense	
Total Amortization Expense (to pg 8 line 26)	

22219400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

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

Description	Percentage
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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?

Original Cost

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

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

22219400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

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

Last Name	First Name	date
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By whom were the books of account audited?

What was the date of the last audit?

Public Service Commission

01/01/2006

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

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22219400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

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

Date of Construction of original Plant	6/29/1970
Type of treatment process	Aerobic Extended Aeration Process
Date and additional GPD Capacity of subsequent additions to plant	None
Population for which plant is designed including population equivalent of industrial waste load	N/A

22219400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007
 Sewer Plant Statistics - Treatment Plant Operating Statistics (Ref Page: 11)

	Total	Cost
Total gallons received during the year	58,748,000	
Total gallons received on maximum day	296,000	
Maximum G.P.D. Capacity of the sewage treatment plant	100,000	
Routine maintenance service fee		\$0.00
Cost per month		
Contract Expires		
Sludge hauling		\$0.00
Cost per load		
Average number of gallons per load		
Number of loads this year		

22219400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

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

Type	Num of Customers	Bi-Month or Month Billing	Number of bills
Residential			
Single Family	106	Monthly	106
Apartments/Condominiums	7	Monthly	7
Commercial			
Industrial			
Other			
College Buildings	19	Monthly	19
Total	132		132

22219400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Sewer Plant Statistics - Industrial Customers Served (Ref Page: 12)

Name	Type of Industry	Gallons	Pretreatment of Wastes
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22219400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

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

Location	Size of Motor	Type of Motor	Gals per Day
Sewer Treatment Plant	3HP	Electric	600,000

22219400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

Sewer Plant Statistics - Mains (Feet) (Ref Page: 12)

Kind of Pipe	Diameter	Num of Feet	additions	removed	Feet End of Year
Clay	8"	0	0	0	6,320
PVC	8"	0	0	0	1,920
Clay	6"	0	0	0	4,750
PVC	4"	0	0	0	5,550
PVC	3"	0	0	0	1,850

22219400 Knott County Water & Sewer District 01/01/2007 - 12/31/2007

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

	Count
Number of service laterals owned by the utility at end of year	132
Number of stubs as of end of year	10
Number of service laterals owned by others	0

AMORTIZATION SCHEDULE

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$686,758.00	08-19-2008	08-19-2013	8411898776			751	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item.
Any item above containing "****" has been omitted due to text length limitations.

Borrower: KNOTT COUNTY WATER AND SEWER, INC. (TIN: 61-0719881)
PO BOX 884 (90 JUSTICE CENTER DRIVE)
HINDMAN, KY 41822

Lender: Whitaker Bank, Inc.
Perry County Offices
1818 Highway 15 South
Hazard, KY 41701
(606) 438-3970

Disbursement Date: August 19, 2008
Interest Rate: 5.600

Repayment Schedule: Balloon
Calculation Method: 365/360 U.S. Rule

Payment Number	Payment Date	Payment Amount	Interest Paid	Principal Paid	Remaining Balance
1	09-19-2008	4,755.10	3,252.66	1,502.54	685,255.46
2	10-19-2008	4,755.10	3,140.75	1,614.35	683,641.11
3	11-19-2008	4,755.10	3,237.80	1,517.30	682,123.81
4	12-19-2008	4,755.10	3,126.40	1,628.70	680,495.11
2008 TOTALS:		19,020.40	12,757.51	6,262.69	
5	01-19-2009	4,755.10	3,222.90	1,532.20	678,962.91
6	02-19-2009	4,755.10	3,215.64	1,539.46	677,423.45
7	03-19-2009	4,755.10	2,897.87	1,857.23	675,566.22
8	04-19-2009	4,755.10	3,199.56	1,555.54	674,010.68
9	05-19-2009	4,755.10	3,089.22	1,665.88	672,344.80
10	06-19-2009	4,755.10	3,184.30	1,570.80	670,774.00
11	07-19-2009	4,755.10	3,074.38	1,680.72	669,093.28
12	08-19-2009	4,755.10	3,168.90	1,586.20	667,507.08
13	09-19-2009	4,755.10	3,161.89	1,593.71	665,913.37
14	10-19-2009	4,755.10	3,052.10	1,703.00	664,210.37
15	11-19-2009	4,755.10	3,145.77	1,609.33	662,601.04
16	12-19-2009	4,755.10	3,036.92	1,718.18	660,882.86
2009 TOTALS:		57,061.20	37,448.95	19,612.26	
17	01-19-2010	4,755.10	3,130.01	1,625.09	659,257.77
18	02-19-2010	4,755.10	3,122.92	1,632.78	657,624.99
19	03-19-2010	4,755.10	2,813.17	1,941.93	655,683.06
20	04-19-2010	4,755.10	3,105.89	1,649.71	654,033.35
21	05-19-2010	4,755.10	2,997.65	1,757.45	652,275.90
22	06-19-2010	4,755.10	3,089.25	1,665.85	650,610.05
23	07-19-2010	4,755.10	2,981.96	1,773.14	648,836.91
24	08-19-2010	4,755.10	3,072.96	1,682.14	647,154.77
25	09-19-2010	4,755.10	3,065.00	1,690.10	645,464.67
26	10-19-2010	4,755.10	2,958.38	1,796.72	643,667.95
27	11-19-2010	4,755.10	3,048.48	1,706.62	641,961.33
28	12-19-2010	4,755.10	2,942.32	1,812.78	640,148.55
2010 TOTALS:		57,061.20	38,326.89	20,734.31	
29	01-19-2011	4,755.10	3,031.81	1,723.29	638,425.26
30	02-19-2011	4,755.10	3,023.65	1,731.45	636,693.81
31	03-19-2011	4,755.10	2,723.63	2,031.47	634,662.34
32	04-19-2011	4,755.10	3,005.83	1,749.27	632,913.07
33	05-19-2011	4,755.10	2,990.85	1,854.25	631,058.82
34	06-19-2011	4,755.10	2,988.76	1,766.34	629,292.48
35	07-19-2011	4,755.10	2,884.26	1,870.84	627,421.64
36	08-19-2011	4,755.10	2,971.54	1,783.56	625,638.08
37	09-19-2011	4,755.10	2,963.09	1,792.01	623,846.07
38	10-19-2011	4,755.10	2,859.29	1,895.81	621,950.26
39	11-19-2011	4,755.10	2,945.83	1,809.47	620,140.79
40	12-19-2011	4,755.10	2,842.31	1,912.79	618,228.00
2011 TOTALS:		57,061.20	35,140.65	21,920.55	
41	01-19-2012	4,755.10	2,928.00	1,827.10	616,400.90
42	02-19-2012	4,755.10	2,919.34	1,835.76	614,565.14
43	03-19-2012	4,755.10	2,722.86	2,032.24	612,532.90
44	04-19-2012	4,755.10	2,901.02	1,854.08	610,678.82
45	05-19-2012	4,755.10	2,798.94	1,956.16	608,722.66
46	06-19-2012	4,755.10	2,882.68	1,872.12	606,850.54
47	07-19-2012	4,755.10	2,781.40	1,978.70	604,878.84
48	08-19-2012	4,755.10	2,864.78	1,890.34	602,986.50
49	09-19-2012	4,755.10	2,855.81	1,899.29	601,087.21
50	10-19-2012	4,755.10	2,754.88	2,000.12	599,087.09
51	11-19-2012	4,755.10	2,837.34	1,917.76	597,169.33
52	12-19-2012	4,755.10	2,737.03	2,018.07	595,151.26
2012 TOTALS:		57,061.20	33,984.46	23,076.74	
53	01-19-2013	4,755.10	2,818.70	1,936.40	593,214.86
54	02-19-2013	4,755.10	2,809.53	1,945.57	591,269.29
55	03-19-2013	4,755.10	2,529.32	2,225.78	589,043.51
56	04-19-2013	4,755.10	2,789.78	1,965.32	587,078.19
57	05-19-2013	4,755.10	2,690.78	2,064.32	585,013.87
58	06-19-2013	4,755.10	2,770.69	1,984.41	583,029.46
59	07-19-2013	4,755.10	2,672.22	2,082.88	580,946.58
60	08-19-2013	583,688.01	2,751.43	580,946.58	0.00
2013 TOTALS:		616,983.71	21,832.45	595,151.26	
TOTALS:		664,246.91	177,490.91	686,758.00	

NOTICE: This is an estimated loan amortization schedule. Actual amounts may vary if payments are made on different dates or in different amounts.