



Carrollton Utilities

P.O. Box 269
CARROLLTON, KENTUCKY 41008

PHONE: 502-732-7055
FAX: 502-732-7058

RECEIVED

DEC 15 2008

PUBLIC SERVICE
COMMISSION

December 12, 2008

Stephanie Stumbo
Public Service Commission
P O Box 615
Frankfort, KY 40602-0615

Dear Ms. Stumbo:

2008-517

I have enclosed a request to revise the fee for water meter connections for the West Carroll Water District. We originally issued this request (Case #2008-00451) Oct 22, 2008 and had it dismissed on Nov. 18, 2008 as we had discrepancies and found it needed more revision. I have enclosed a new request to increase this non-recurring fee effective upon approval.

807 KAR 5:011 Section 10(1)(b) A copy of the filing has been mailed to the Attorney General Dec. 12, 2008.

807 KAR 5:011 Section 10(1)(c) This change is being done at this time due to the fact no rate increases are scheduled or plan to be scheduled in the near future.

807 KAR 5:011 Section 10(1)(d) This increase will equally effect all customers on the West Carroll Water district water system that require a new water connection to the main.

807 KAR 5:011 Section 10(1)(e) An income statement and balance sheet for recent 12 month period is included.

807 KAR 5:011 Section 8,9(2) A copy of the public notice is attached. This notice was published Dec 10th and will continue to be published Dec 17th and 24th as required.

KRS 278.180 Effective date has been left blank and will be the date of approval by the Public Service Commission.

Sincerely,

Rita Westrick
Utility Billing Supervisor

Encl

Cc: Office of the Attorney General
the Capitol, Suite 118
700 Capitol Avenue
Frankfort, Kentucky 40601-3449

For: Carroll County – Carrollton, KY
P.S.C. No 1
Original Sheet No 1B
Replacing Sheet No 1B

WEST CARROLL WATER DISTRICT

RATES AND CHARGES

C. METER CONNECTION/TAP-ON CHARGES:

$\frac{3}{4}$ Inch	\$ 794.00	(I)
1 Inch	\$ 740.00	(D)

ALL LARGER METERS

ACTUAL COST

Note: Fee for service connections that are over 200' in length or require stream crossings, railroad crossings or other extra ordinary expense may be based on actual cost of installation with approval from the West Carroll Water Board.

DATE OF ISSUE: December 1, 2008

DATE EFFECTIVE:

ISSUED BY:

Victoria Edwards

TITLE: Chairperson

Issued by authority of an Order of the Public Service Commission of Kentucky in

Case No. _____ dated _____

AVERAGE METER SERVICE CONNECTION EXPENSE:

NAME OF UTILITY: WEST CARROLL WATER

DATE: 11/14/2008

The following is an itemization of expenses for providing a metered service connection.

A.	Meter Size:	3/4"		
B.	Materials Expense		Qty	Unit Cost Total
	1 Water Meter		1	\$ 42 \$ 42
	2 Meter Yoke		1	\$ 119 \$ 119
	3 Corp. Stop		1	\$ 23 \$ 23
	4 Stand vault, top w/lid&ring		1	\$ 93 \$ 93
	5 Misc Fittings		1	\$ 10 \$ 10
	6 Saddle		1	\$ 27 \$ 27
	Total			\$ 316
C.	Service Pipe Expense			
	Type of Pipe:	Copper	Size:	3/4"
	1 Short Side		6	4.52 \$ 27
	2 Long Side		81	4.52 \$ 366
	Average		44	\$ 197
D.	Installation Expense		Hours	Rate Total
	Labor			
	1 Short Side		2	\$15.00 \$30
	2 Long Side		10	\$15.00 \$150
	Average			\$90
	Equipment			
	1 Short Side		1	\$35.00 \$35
	2 Long Side		5	\$35.00 \$175
	Average			\$ 105
	Miscellaneous			
	1 Inspection			5
	2 Site Cleanup	Seed/Straw		8
	3 Other	PVC on outlet side		2
	Total			\$ 15
E.	Overhead Expense			
	1 Installation Expense	\$ 90		
	Overhead rate	64%		\$ 58
F.	Administrative Expense			
	1 Office expense for establishing a new acct			\$ 15
G.	Expense Summary			
	TOTAL OF ITEMS	B-F		
	Materials			\$ 315
	Service Pipe			\$ 197
	Installation Labor			\$90
	Installation Equipment			\$ 105
	Miscellaneous			\$ 15
	Overhead			\$ 58
	Administrative			\$ 15
	TOTAL CONNECTION EXPENSE			\$ 794
	Current rate	\$580	Increase of \$	214

STATE OF KENTUCKY)
SCT.
COUNTY OF CARROLL)

AFFIDAVIT OF PUBLICATION

I, Doris Miller, Bookkeeper of The News-Democrat, Carrollton, Carroll County, Kentucky, a newspaper of the general circulation, printed and published in Carrollton, Kentucky, do solemnly swear from my own personal knowledge and reference to said publication, the advertisement

Notice of Proposed Meter Connection
Rate change for West Carroll Water District
was inserted and did appear in the publication of the following dates:

12-10-08

Further the affiant sayeth not, this the 11th day of December, 2008.

Doris Miller

Subscribed and sworn to before me by
DORIS MILLER
this the 11th day of December, 2008.

My commission expires: 10/17/2009

Carla Kidwell

NOTARY PUBLIC, KY. STATE AT

LARGE

5 months
 Call
 754.
 Estate
 Rentals
RENT
 Edge Rd.
 BA: Utilities not
 included Pet restrictions
CALL
NEW 3 BED
ROOM 1/2 bath, \$990 a
 month, in East of LaGrange
 Call (502) 522-1084.

10 AC Monterey Area - 3BR 2 BA
 cabin, metal workshop, tobacco barn,
 large pond, semi-private. \$169,900
1 AC Walnut Valley Rd. - Pasture,
 mobiles welcome, easy access to
 factories, city water. \$19,900
 \$1,000 down
 Check our website for more properties.
www.in-state-land.com

Notice of Proposed Changes to Rates and Charges

Current	Proposed
\$590	\$724
\$140	No Change
Actual Cost	

The charges contained in this notice are the charges proposed by the West Carroll Water District under the Public Service Commission in the order charges to be charged that differ from the current charges. Such charges are in addition to charges for consumers other than residential consumers.

Any person, body politic or person may, by motion within thirty (30) days after the date of this notice, request a hearing, and the motion shall be submitted to the Public Service Commission, P.O. Box 815, Frankfort, Kentucky and shall be heard on the merits including the status and interest of the party.

Interested parties should file their application and related filings by contacting the water district at (502) 522-1084.

The water district has available for inspection at its office the proposed changes to its Rules and Regulations. This office is located at 225 6th Street, Carrollton, KY.

This notice is published pursuant to the Public Service Commission's rules.

Notice of Proposed Changes to Rates and Charges

Public Hearing

Notice of Proposed Changes to Rates and Charges

Public Hearing

WEST CARROLL WATER DISTRICT
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITORS' REPORTS

At December 31, 2007 and 2006

**WEST CARROLL WATER DISTRICT
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY INFORMATION
AND INDEPENDENT AUDITORS' REPORTS**

Years Ended December 31, 2007 and 2006

TABLE OF CONTENTS

Independent Auditors' Report	1
Management's Discussion and Analysis	2-4
Basic Financial Statements:	
Statement of Net Assets	5
Statement of Revenues, Expenses, and Changes in Fund Net Assets	6
Statement of Cash Flows	7-8
Notes to Basic Financial Statements	9-16
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>	17-18
Schedule of Findings and Responses	19

RAISOR, ZAPP & WOODS, P.S.C.

Certified Public Accountants

513 HIGHLAND AVENUE
P.O. BOX 354
CARROLLTON, KENTUCKY 41008
(502) 732-6655 FAX (502) 732-6161

To the Commissioners of the
West Carroll Water District
Carrollton, Kentucky 41008

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of West Carroll Water District as of and for the years ended December 31, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of West Carroll Water District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the West Carroll Water District as of December 31, 2007 and 2006, and the changes in financial position, and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 28, 2008, on our consideration of West Carroll Water District's internal control over financial reporting and 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 management's discussion and analysis on pages 2-4, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Raisor, Zapp & Woods, PSC

RAISOR, ZAPP & WOODS, PSC
Certified Public Accountants

March 28, 2008

**WEST CARROLL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2007**

Our discussion and analysis of the West Carroll Water District's financial performance provides an overview of the District's financial activities for the year ended December 31, 2007. Please read it in conjunction with the District's financial statements, which begin on page 5.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the District report information about the District's use of accounting methods which are similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.

The balance sheet includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to District creditors (liabilities). It also provides the basis for evaluating the capital of the District and assessing its liquidity and financial flexibility.

All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net assets. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its water rates and other fees.

The final required financial statement is its statement of cash flows. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the reported period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities, and the change in cash during the reporting period.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the District's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

FINANCIAL HIGHLIGHTS

The following are key financial highlights:

- Total assets at year-end were \$3,305,771 and exceeded liabilities in the amount of \$1,047,886 by \$2,257,885 (i.e. net assets). Of the total net assets, \$269,222 was unrestricted and available to support short-term operations. Total net assets decreased from year end 2006 to 2007 in the amount of \$92,996.
- Operating revenues increased approximately 5% during the year.
- Total operating expenses increased by \$48,827, due to increased water purchases and repair costs associated with water lines on the Kentucky River bridge.
- The District was in compliance with all debt covenants.
- The District began construction of a 100,000 gallon double ellipsoidal tank on Bells Ridge (estimated cost \$475,000). The construction was financed mainly with District Funds. The project was substantially complete at year end.

Balance Sheet, Statement of Net Assets

Utility Plant increased by \$304,115 in 2007 due to the Bells Ridge tank project. (See diagram below.)

Condensed Assets

	2007	2006	Difference
Utility Plant	\$ 2,857,386	\$ 2,553,271	\$ 304,115
Current Assets	298,366	642,268	(343,902)
Other Non-Current Assets	150,019	144,351	5,668
Total Net Assets	\$ 3,305,771	\$ 3,339,890	\$ (34,119)

**WEST CARROLL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2007**

At the end of December 31, 2007, the District had \$2,857,386 invested in capital assets (net of depreciation) including buildings, equipment, and water lines. (See table below.)

	<u>2007</u>	<u>2006</u>
Land & Land Rights	\$ 16,754	\$ 16,754
Organizational Fees	5,493	5,939
Distribution System	2,384,396	2,524,545
Machinery & Equipment	5,426	6,033
Construction-in-progress	<u>445,317</u>	<u>-</u>
Totals	<u>\$ 2,857,386</u>	<u>\$ 2,553,271</u>

This year's major transactions regarding fixed assets included:

- Construction of the Bells Ridge Tank (in process at year end).

A line of credit was established by the District during 2007 to provide interim financing for the District's tank project. The line of credit will be repaid when the District's certificates of deposit mature in the Spring of 2008. All bonds have been paid timely.

Condensed Liabilities

	<u>2007</u>	<u>2006</u>	<u>Difference</u>
Short Term Debt	<u>\$ 62,881</u>	<u>\$ -</u>	<u>\$ 62,881</u>
Long Term Debt	<u>\$ 902,000</u>	<u>\$ 928,500</u>	<u>\$ (26,500)</u>

Net Assets

At December 31, 2007, net assets decreased \$92,996, due to the District's loss before contributions of \$101,746 offset by tap-on fees of \$8,750 received.

	<u>2007</u>	<u>2006</u>	<u>Difference</u>
Invested in Capital Assets, Net of Related Debt	\$ 1,879,599	\$ 1,634,954	\$ 244,645
Restricted for Debt Service	109,064	102,555	6,509
Unrestricted	<u>269,222</u>	<u>613,372</u>	<u>(344,150)</u>
Total	<u>\$ 2,257,885</u>	<u>\$ 2,350,881</u>	<u>\$ (92,996)</u>

Income Statement

Operating Revenues increased approximately 5% for 2007 as its service area experienced drought conditions. Increases in depreciation and maintenance contract costs contributed to the overall increase in operating expenses. Additionally during 2007, repairs were made on lines spanning the Kentucky River. These repairs cost approximately \$29,000. The District has filed a claim against the contractor responsible for damages to the lines, but a settlement has not been reached. The reimbursement, if any, cannot be determined at this time. The increase in non-operating income (expense) is attributable to decreased interest income.

**WEST CARROLL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2007**

Condensed Statement of Revenues and Expenses

	<u>2007</u>	<u>2006</u>	<u>Difference</u>
Operating Revenues	\$ 434,109	\$ 411,676	\$ 22,433
Operating Expenses	511,898	463,071	(48,827)
Net Operating Revenue	\$ (77,789)	\$ (51,395)	\$ (26,394)
Non-Operating Income (Expense)	(23,957)	(22,250)	(1,707)
Net Income Before Contributions	\$ (101,746)	\$ (73,645)	\$ (28,101)
Capital Contributions	8,750	9,920	(1,170)
Net Income	\$ (92,996)	\$ (63,725)	\$ (29,271)
Net Assets Beginning of Year	2,350,881	2,414,606	(63,725)
Net Assets End of Year	<u>\$ 2,257,885</u>	<u>\$ 2,350,881</u>	<u>\$ (92,996)</u>

Statement of Cash Flows

Cash from Operating Activities decreased in 2007 due to increased maintenance costs. Cash from capital and related financing activities in 2007 reflect investment in the Bell's Ridge tank project and debt service transactions. The increase in cash from investing activities also reflects the District's use of its certificates of deposit to finance the Bell's Ridge tank project.

Condensed Statement of Cash Flows

	<u>2007</u>	<u>2006</u>	<u>Difference</u>
Cash from Operating Activities (Net)	\$ 69,804	\$ 100,283	\$ (30,479)
Cash from Capital & Related Financing Activities	(427,070)	(31,331)	(395,739)
Cash from Investing Activities	361,723	(64,289)	426,012
Change in Cash	\$ 4,457	\$ 4,663	\$ (206)
Cash Balance, Beginning of Year	177,582	172,919	4,663
Cash Balance, End of Year	<u>\$ 182,039</u>	<u>\$ 177,582</u>	<u>\$ 4,457</u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's office at 225 Sixth Street, Carrollton, KY 41008.

Vickie Edwards
Chairperson

WEST CARROLL WATER DISTRICT
STATEMENT OF NET ASSETS
December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Current Assets:		
Cash, Including Time Deposits	\$ 245,636	\$ 585,524
Accounts Receivable (Net)	45,563	43,806
Interest Receivable	49	5,926
Other Receivables	-	13
Inventory	3,955	3,803
Prepaid Expense	3,163	3,196
Total Current Assets	<u>\$ 298,366</u>	<u>\$ 642,268</u>
Noncurrent Assets:		
Restricted Assets:		
Cash, Including Time Deposits	\$ 139,913	\$ 133,903
Interest Receivable	191	265
Bond Issuance Costs (Net)	9,915	10,183
Capital Assets (Net)	2,857,386	2,553,271
Total Noncurrent Assets	<u>\$3,007,405</u>	<u>\$2,697,622</u>
Total Assets	<u>\$3,305,771</u>	<u>\$3,339,890</u>
LIABILITIES		
Current Liabilities:		
Note Payable	\$ 62,881	\$ -
Accounts Payable	26,356	26,721
Accrued Interest	348	-
Utility Tax Payable	2,034	1,960
Sales Tax Payable	281	215
Accounts Payable - Construction	10,324	-
Retainage Payable - Construction	12,497	-
Current Liabilities Payable from Restricted Assets:		
Accrued Interest Payable - Customer Deposits	125	117
Accrued Interest Payable - Long-Term Debt	20,340	20,971
Revenue Bonds Payable	27,000	26,500
Total Current Liabilities	<u>\$ 162,186</u>	<u>\$ 76,484</u>
Noncurrent Liabilities:		
Revenue Bonds Payable	\$ 875,000	\$ 902,000
Noncurrent Liabilities Payable from Restricted Assets:		
Customer Deposits Payable	10,700	10,525
Total Noncurrent Liabilities	<u>\$ 885,700</u>	<u>\$ 912,525</u>
Total Liabilities	<u>\$1,047,886</u>	<u>\$ 989,009</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$1,879,599	\$1,634,954
Restricted for Debt Service	109,064	102,555
Unrestricted	269,222	613,372
Total Net Assets	<u>\$2,257,885</u>	<u>\$2,350,881</u>

WEST CARROLL WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Years Ended December 31, 2007 and 2006

	2007	2006
Operating Revenues:		
Charges for Services:		
Water Charges (Net of Estimated Bad Debts)	\$ 417,607	\$ 387,160
Service Charges	10,612	10,459
Total Charges for Services	\$ 428,219	\$ 397,619
Other Charges and Miscellaneous:		
Reconnect and Disconnect Charges	\$ 3,556	\$ 3,330
Miscellaneous	2,334	10,727
Total Other Charges and Miscellaneous	\$ 5,890	\$ 14,057
Total Operating Revenues	\$ 434,109	\$ 411,676
 Operating Expenses:		
Commissioner Fees	\$ 9,000	\$ 9,000
Contractual Service - Sampling	2,964	3,204
Insurance	6,839	6,230
Maintenance Agreement	156,043	146,061
Maintenance of Distribution System	39,072	25,179
Office Supplies and Administrative Expense	1,584	4,070
Other Interest Expense	125	117
Payroll Taxes	689	689
Professional Services	10,619	4,340
Purchased Water	125,846	107,154
Regulatory Fees	709	689
Telephone	2,303	2,220
Utilities - Pumping	6,599	4,634
Depreciation Expense	149,506	149,484
Total Operating Expenses	\$ 511,898	\$ 463,071
 Net Operating Income	\$ (77,789)	\$ (51,395)
 Nonoperating Revenue (Expense):		
Investment Income	\$ 17,437	\$ 22,116
Interest Expense	(40,680)	(41,942)
Amortization Expense	(714)	(714)
Loss on Asset Disposition	-	(1,710)
Total Nonoperating Revenues (Expense)	\$ (23,957)	\$ (22,250)
 Net Income (Loss) Before Contributions	\$ (101,746)	\$ (73,645)
Capital Contributions	8,750	9,920
 Net Income (Loss)	\$ (92,996)	\$ (63,725)
 Net Assets--Beginning of Year	2,350,881	2,414,606
 Net Assets--End of Year	\$2,257,885	\$2,350,881

WEST CARROLL WATER DISTRICT
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2007 and 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 432,680	\$ 411,072
Payments to Suppliers	(165,402)	(129,525)
Other Receipts (Payments)	(197,474)	(181,264)
Net Cash Provided (Used) by Operating Activities	\$ 69,804	\$ 100,283
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Contributions	\$ 8,750	\$ 64,800
Purchases of Capital Assets	(430,898)	(32,679)
Principal Paid on Capital Debt	(26,500)	(21,000)
Interest Paid on Capital Debt	(41,303)	(42,452)
Short Term Debt Proceeds	62,881	-
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (427,070)	\$ (31,331)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	\$ (6,656)	\$ (81,555)
Investments Cashied	344,991	-
Interest on Investments	23,388	17,266
Net Cash Provided (Used) by Investing Activities	\$ 361,723	\$ (64,289)
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 4,457	\$ 4,663
Balances-Beginning of the Year	177,582	172,919
Balances-End of the Year	\$ 182,039	\$ 177,582

	Balances Per December 31, 2007 Statement of Net Assets	Balances Per December 31, 2007 Statement of Cash Flows
Cash	\$ 70,636	\$ 70,636
Time Deposits	175,000	-
Restricted Cash	111,403	111,403
Restricted Time Deposits	28,510	-
Total Cash and Cash Equivalents, End of Year	\$ 385,549	\$ 182,039
	Balances Per December 31, 2006 Statement of Net Assets	Balances Per December 31, 2006 Statement of Cash Flows
Cash	\$ 71,879	\$ 71,879
Time Deposits	513,645	-
Restricted Cash	105,703	105,703
Restricted Time Deposits	28,200	-
Total Cash and Cash Equivalents, End of Year	\$ 719,427	\$ 177,582

See accompanying notes to the basic financial statements.

**WEST CARROLL WATER DISTRICT
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2007 and 2006**

	2007	2006
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (77,789)	\$ (51,395)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Cash Flows Reported in Other Categories:		
Depreciation Expense	149,506	149,484
Change in Assets and Liabilities:		
Receivables, Net	(1,744)	(44)
Inventories	(152)	(111)
Prepaid Expenses	33	(642)
Accounts and Other Payables	(365)	3,561
Accrued Expenses	140	(12)
Customer Meter Deposits Escrow Payable	175	(558)
Net Cash Provided by Operating Activities	\$ 69,804	\$ 100,283

SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

The District incurred \$22,821 of capital expenditures included in accounts payable-construction and retainage payable at December 31, 2007.

The District had not incurred any such expenditures at December 31, 2006.

**WEST CARROLL WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2007 and 2006**

NOTE 1 – DESCRIPTION OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

The West Carroll Water District is a rural water company serving approximately 990 customers in Carroll, Trimble and Henry Counties, Kentucky, and is regulated by the Public Service Commission of the Commonwealth of Kentucky. The water company was formed under the laws of the above-mentioned counties through their Fiscal Courts and began operations in July, 1960.

In evaluating how to define West Carroll Water District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic -- but not the only -- criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units.

A summary of the District's significant accounting policies follows:

Basis of presentation and accounting: As stated in Kentucky Revised Statutes (KRS) 278.012, "any water association formed for the purpose of furnishing water services to the general public pursuant to KRS Chapter 273 is deemed to be and shall be a public utility and shall be subject to the jurisdiction of the Public Service Commission." In KRS 278.220, it is outlined that the Public Service Commission may establish a system of accounts to be kept by the utilities subject to its jurisdiction, and may prescribe the manner in which such accounts shall be kept. The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

All activities of the District are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (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 this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net assets. Net assets (i.e., total assets net of total liabilities) are segregated into invested in capital assets, net of related debt; restricted; and unrestricted components.

Revenues and expenses: Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities. The District adheres to the use restrictions established by bond agreements when expenses are incurred for which both restricted and unrestricted net assets are available. The District has no policy defining which resources (restricted or unrestricted) to use first.

Property and equipment: Property and equipment purchased or constructed is stated at cost. Interest related to costs, and major improvements, renewals and replacements is capitalized as a cost of the project. Costs associated with hook-up fees are capitalized as meters, installations, and services. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. The range of estimated useful lives by type of asset is as follows:

WEST CARROLL WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2007 and 2006

NOTE 1 – DESCRIPTION OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Distribution System	10-50 years
- Wells	25 years
- Machinery & Equipment	5-20 years

Inventory: Inventories are stated at latest cost.

Income Taxes: The West Carroll Water District is not subject to income taxes.

Bond Issuance Costs: Such costs are amortized over the life of the respective bond issue using the straight line method.

Contributed capital: Under the Governmental Accounting Standards Board's (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the District recognizes capital contributions as revenues, instead of contributed capital. Grants totaling \$1,220 were received by the District for the year ended December 31, 2006. No grant funds were received in the year ended December 31, 2007. Also, tap-on fees of \$8,750 and \$8,700 were received by the District for the years ended December 31, 2007 and 2006.

Net assets: Net assets comprise the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net assets are classified in the following three components: invested in capital assets, net of related debt; restricted; and unrestricted net assets. Invested in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted net assets consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Unrestricted net assets consist of all other net assets not included in the above categories.

Estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Statement of Cash Flows: For the purpose of the Statement of Cash Flows, West Carroll Water District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

NOTE 2 – DEBT RESTRICTIONS AND COVENANTS

The Bond and Interest Sinking Account was established with the original RECD bond issue, and is to be continued to be maintained as long as any of the 1975, 1981, 1994 or 2006 issues are outstanding. Under the bond resolution which established this account, it was provided that a minimum balance be maintained in this account as security to the bondholders. In order to attain the minimum balance, a monthly transfer must be made as follows:

$$\begin{array}{r} \text{+} \quad \text{one sixth (1/6) of the next semiannual interest payment} \\ \text{=} \quad \text{+} \quad \text{one twelfth (1/12) of next annual principal payment} \\ \text{=} \quad \text{monthly transfer} \end{array}$$

Transfers sufficient to meet the total obligation outstanding on all issues were made timely during the years ended December 31, 2007 and 2006.

Under the bond resolution of the original 1975 bonds, a Depreciation Account was to be established to provide funds for extraordinary repairs and extensions to the system, and to make up any deficiency in the Bond and Interest Sinking Fund Account. Under the provisions of the 2005 Bond Resolution, it was determined that the monthly transfer required to be made to the Depreciation Account would be a minimum of \$435 each month until a balance of \$73,200 (increased from \$52,200) is accumulated. When the required balance of \$73,200 is attained, the monthly transfers may be discontinued, but are subject to resumption if the depreciation account is depleted below the required balance. The Depreciation Account is to be maintained as long as any of the bonds are outstanding.

**WEST CARROLL WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2007 and 2006**

NOTE 2 – DEBT RESTRICTIONS AND COVENANTS (Continued)

Sufficient funds were transferred during the years ended December 31, 2007 and 2006.

NOTE 3 – CASH AND INVESTMENTS

KRS 66.480 authorizes the District to invest in obligations of the United States and its agencies and instrumentalities including repurchase agreements, through sources including national and state banks chartered in Kentucky, obligations and contracts for future delivery backed by the full faith of the United States or its Agency, certificates of deposit and interest bearing accounts in institutions insured by the Federal Depository Insurance Corporation and other investments described therein provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds. The District may also invest in mutual funds meeting the requirements of the statute.

West Carroll Water District's policies regarding deposits of cash are discussed above. The table presented below is designed to disclose the level of custody credit risk assumed by the District based upon how its deposits were insured or secured with collateral at December 31, 2007 and 2006. The categories of credit risk are defined as follows:

Category 1 – Insured by FDIC Insurance or collateralized with a depository surety bond or securities held by the District (public trust) or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District's name; or collateralized with no written or approved collateral agreement.

December 31, 2007

<u>Type of Deposits</u>	<u>Total Bank Balance</u>	<u>Custody Credit Risk Category</u>			<u>Total Carrying Value</u>
		<u>1</u>	<u>2</u>	<u>3</u>	
Time/Savings Deposits	\$ 392,815	\$ 258,605	\$ 134,210	\$ -	\$ 385,499
Total Deposits	\$ 392,815	\$ 258,605	\$ 134,210	\$ -	\$ 385,499

December 31, 2006

<u>Type of Deposits</u>	<u>Total Bank Balance</u>	<u>Custody Credit Risk Category</u>			<u>Total Carrying Value</u>
		<u>1</u>	<u>2</u>	<u>3</u>	
Time/Savings Deposits	\$ 720,338	\$ 450,151	\$ 205,278	\$ 64,909	\$ 719,377
Total Deposits	\$ 720,338	\$ 450,151	\$ 205,278	\$ 64,909	\$ 719,377

Reconciliation to Statement of Net Assets:

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Unrestricted Cash, Including Time Deposits	\$ 245,636	\$ 585,524
Restricted Cash, Including Time Deposits	139,913	133,903
Less Cash on Hand	(50)	(50)
	<u>\$ 385,499</u>	<u>\$ 719,377</u>

WEST CARROLL WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2007 and 2006

NOTE 4 – RESTRICTED ASSETS

Restricted cash and investments consist of the following:

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Bond and Interest Sinking Account	\$ 50,094	\$ 50,152
Depreciation Account	79,119	73,109
Customer Deposits	<u>10,700</u>	<u>10,642</u>
Total	<u>\$ 139,913</u>	<u>\$ 133,903</u>

Restricted receivables consist of the following:

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Interest Receivable	\$ 191	\$ 265
Total	<u>\$ 191</u>	<u>\$ 265</u>

NOTE 5 – CUSTOMER ACCOUNTS RECEIVABLE

Customer Accounts Receivable has been netted with an Allowance for Bad Debts of \$4,809 and \$5,382 at December 31, 2007 and 2006, respectively. The amount provided for bad debts represents the portion of the total amounts for which collection is unlikely, based on historical collection data.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2007 and 2006, was as follows:

	<u>Balance at January 1, 2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at December 31, 2007</u>
Land & Land Rights	\$ 16,754	\$ -	\$ -	\$ 16,754
Organizational Fees	17,854	-	-	17,854
Distribution System	3,903,967	8,750	-	3,912,717
Machinery & Equipment	12,482	-	-	12,482
Construction in Process	-	445,317	-	445,317
Totals at Historical Cost	<u>\$ 3,951,057</u>	<u>\$ 454,067</u>	<u>\$ -</u>	<u>\$ 4,405,124</u>
Less: Accumulated Depreciation				
Organizational Fees	\$ (11,915)	\$ (446)	\$ -	\$ (12,361)
Distribution System	(1,379,422)	(148,899)	-	(1,528,321)
Machinery & Equipment	(6,449)	(607)	-	(7,056)
Total Accumulated Depreciation	<u>\$ (1,397,786)</u>	<u>\$ (149,952)</u>	<u>\$ -</u>	<u>\$ (1,547,738)</u>
Capital Assets, Net	<u>\$ 2,553,271</u>	<u>\$ 304,115</u>	<u>\$ -</u>	<u>\$ 2,857,386</u>

WEST CARROLL WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2007 and 2006

NOTE 6 – CAPITAL ASSETS (Continued)

	Balance at January 1, 2006	Additions	Disposals	Balance at December 31, 2006
Land & Land Rights	\$ 11,627	\$ 5,127	\$ -	\$ 16,754
Organizational Fees	17,854	-	-	17,854
Distribution System	3,851,577	52,390	-	3,903,967
Wells	4,487	-	(4,487)	-
Machinery & Equipment	16,712	-	(4,230)	12,482
Construction in Process	37,224	4,066	(41,290)	-
Totals at Historical Cost	<u>\$ 3,939,481</u>	<u>\$ 61,583</u>	<u>\$ (50,007)</u>	<u>\$ 3,951,057</u>
Less: Accumulated Depreciation				
Organizational Fees	\$ (11,469)	\$ (446)	\$ -	\$ (11,915)
Distribution System	(1,230,545)	(148,877)	-	(1,379,422)
Wells	(2,776)	-	2,776	-
Machinery & Equipment	(10,072)	(607)	4,230	(6,449)
Total Accumulated Depreciation	<u>\$ (1,254,862)</u>	<u>\$ (149,930)</u>	<u>\$ 7,006</u>	<u>\$ (1,397,786)</u>
Capital Assets, Net	<u>\$ 2,684,619</u>	<u>\$ (88,347)</u>	<u>\$ (43,001)</u>	<u>\$ 2,553,271</u>

Included under the District's Plant Assets were \$39,295 and \$11,250 of fully depreciated assets, at December 31, 2007 and 2006, respectively.

Amortization expense on organizational fees and depreciation expense aggregated \$149,952 and \$149,930 in 2007 and 2006, respectively.

NOTE 7 – CUSTOMER DEPOSITS/ESCROW

Customer deposits are collected upon installation of water service. This amount is to be refunded to the customer upon discontinuation of service (after the customer's bill has been paid in full). Records were maintained which detailed the accrued interest on each customer's deposit based on a one and a half percent (1.5%) annual rate. Accrued interest is paid when the deposit is refunded or credited to the customer's account annually. At December 31, 2007, and 2006, accrued interest on customer deposits was \$125 and \$117, respectively.

NOTE 8 – SHORT-TERM DEBT

The District, in financing the construction of a new tank on Bells Ridge, has procured an unsecured line of credit through First National Bank of Carrollton. Interest is payable at the rate of 5% per annum. It is anticipated that this debt will be fully repaid in the Spring of 2008, when District certificates of deposit mature.

Short-term debt activity for the year ended June 30, 2007, was as follows:

	Balance at January 1, 2007	Additions	Retirements	Balance at December 31, 2007
Line of Credit	<u>\$ -</u>	<u>\$ 62,881</u>	<u>\$ -</u>	<u>\$ 62,881</u>

WEST CARROLL WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2007 and 2006

NOTE 9 – LONG-TERM DEBT

As of December 31, 2007 and 2006, the long-term debt payable consisted of the following:

Bonds Payable:

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
RECD Revenue Bonds of 1975 Series A, original issue amount of \$343,000, secured by water revenues. Interest is charged at the rate of 5.0% per annum. Final maturity is January 1, 2015.	\$ 133,000	\$ 146,000
RECD Revenue Bonds of 1981 Series B, original issue amount of \$114,000, secured by water revenues. Interest is charged at the rate of 5.0% per annum. Final maturity is January 1, 2021.	67,500	70,500
RECD Revenue Bonds of 1994, original issue amount of \$395,000, secured by water revenues. Interest is charged at the rate of 4.5% per annum. Final maturity is January 1, 2033.	336,500	343,000
RECD Revenue Bonds of 2005, original issue amount of \$369,000, secured by water revenues. Interest is charged at the rate of 4.25% per annum. Final maturity is January 1, 2044.	365,000	369,000
Total Bonds Payable	\$ 902,000	\$ 928,500
Current Portion	\$ 27,000	\$ 26,500
Noncurrent Portion	875,000	902,000
Total Bonds Payable	\$ 902,000	\$ 928,500

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the years ended December 31, 2007 and 2006.

December 31, 2007

	<u>Balance at January 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at December 31, 2007</u>	<u>Current Portion</u>
Bonds Payable	\$ 928,500	\$ -	\$ 26,500	\$ 902,000	\$ 27,000

December 31, 2006

	<u>Balance at January 1, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at December 31, 2006</u>	<u>Current Portion</u>
Bonds Payable	\$ 949,500	\$ -	\$ 21,000	\$ 928,500	\$ 26,500

The annual requirements for all bonds payable outstanding at December 31, 2007 are as follows:

WEST CARROLL WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2007 and 2006

NOTE 9 – LONG-TERM DEBT (Continued)

<u>Principal Due January 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 27,000	\$ 39,393	\$ 66,393
2009	28,500	38,033	66,533
2010	29,000	36,648	65,648
2011	32,000	35,118	67,118
2012	34,000	33,495	67,495
2013-2017	157,000	142,863	299,863
2018-2022	116,500	114,410	230,910
2023-2027	118,000	88,805	206,805
2028-2032	151,000	58,635	209,635
2033-2037	88,000	31,705	119,705
2038-2042	83,000	15,428	98,428
2043-2044	38,000	808	38,808
	<u>\$ 902,000</u>	<u>\$ 635,341</u>	<u>\$ 1,537,341</u>

The annual requirements for all bonds payable outstanding at December 31, 2006 are as follows:

<u>Principal Due January 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 26,500	\$ 40,680	\$ 67,180
2008	27,000	39,393	66,393
2009	28,500	38,033	66,533
2010	29,000	36,648	65,648
2011	32,000	35,118	67,118
2012-2016	169,500	150,278	319,778
2017-2021	118,000	119,690	237,690
2022-2026	112,500	94,010	206,510
2027-2031	143,000	65,295	208,295
2032-2036	106,500	35,498	141,998
2037-2041	80,000	18,955	98,955
2042-2044	56,000	2,423	58,423
	<u>\$ 928,500</u>	<u>\$ 676,021</u>	<u>\$ 1,604,521</u>

NOTE 10 – INTEREST EXPENSE

Interest expense incurred for the years ended December 31, 2007 and 2006 was \$41,153 and \$42,059, respectively. Of this amount, interest of \$348 was capitalized in 2007. No interest was capitalized in 2006.

NOTE 11 – FUND EQUITY-RESTRICTED NET ASSETS

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Restricted for Debt Service:		
RECD Revenue Bonds of 1975, 1981, 1994, and 2005		
Cash	\$ 129,213	\$ 123,261
Add: Accrued Interest Receivable	191	265
Less: Accrued Interest Payable	(20,340)	(20,971)
Total Restricted for Debt Service	<u>\$ 109,064</u>	<u>\$ 102,555</u>

NOTE 12 – BAD DEBT EXPENSE

Water revenue charges have been netted with an estimated bad debt expense of \$2,322 and \$3,646 at December 31, 2007 and 2006, respectively.

WEST CARROLL WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2007 and 2006

NOTE 13 – INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risks is covered through the contributions, premiums and assessments to the Kentucky Association of All Lines Fund (KALF).

NOTE 14 – ECONOMIC DEPENDENCY

The Water District purchases 100% of the water it sells from the following entities: Carrollton Utilities, the Henry County Water District, the Trimble County Water District, and the City of Milton Water and Sewer Utility.

NOTE 15 – OPERATION AND MAINTENANCE CONTRACT

Effective April 1, 1998, the District entered into an agreement with Carrollton Utilities under which Carrollton Utilities agreed to provide the operation and maintenance of the District's facilities, customer billing services, accounting functions, and related services. Effective July 1, 2006 and 2007, this contract was renegotiated and the monthly fee for these services was increased to \$12,657 and \$13,622 per month, respectively.

NOTE 16 – CONSTRUCTION PROJECTS

In September, 2005, the District signed an agreement with Quest Engineers for services regarding the construction of a storage tank on Bells Ridge. A contract was awarded to Caldwell Tanks, Inc. for \$422,625. The total estimated cost of the project is \$475,000. The project was substantially complete at year end.

NOTE 17 – CONTINGENCIES

The District has filed a claim together with the City of Prestonville against Bridges R Us Painting Company, Inc. in regard to damages to the District's water lines. The District incurred approximately \$29,000 in costs associated with the repair of damages to these lines. The outcome of this claim is unknown at this time.

To the Commissioners of the
West Carroll Water District
Carrollton, KY 41008

**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**

We have audited the financial statements of West Carroll Water District, as of and for the year ended December 31, 2007, and have issued our report thereon dated March 28, 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 West Carroll 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 West Carroll Water District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the West Carroll Water District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 West Carroll 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 the West Carroll Water District's financial statements that is more than inconsequential will not be prevented or detected by the West Carroll Water District's internal control. We consider Item 07-1 described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant 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 West Carroll Water District's internal control.

Our consideration of the 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 the internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above is not a material weakness.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether West Carroll Water District's 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

West Carroll Water District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit West Carroll Water District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, USDA Rural Development Service, and the Public Service Commission and is not intended to be and should not be used by anyone other than these specified parties.

Raisor, Zapp & Woods, PSC

RAISOR, ZAPP, & WOODS P.S.C
Certified Public Accountants

March 28, 2008

**WEST CARROLL WATER DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2007**

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the West Carroll Water District.
2. One significant deficiency was disclosed during the audit of the financial statements and is reported in the 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. The significant deficiency was not reported as a material weakness.
3. No instances of noncompliance material to the financial statements of West Carroll Water District, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCY

07-1 REVIEW AND CHECKING PROCEDURES

CONDITION:

Instances were observed where construction costs were overpaid.

CRITERIA

Internal controls should be in place to ensure that invoices are checked for accuracy and reviewed in relation to previous periodic billings and total contract provisions.

CAUSE

Inexperience with the periodic invoicing of construction contracts allowed overpayments to be made in regard to cumulative costs incurred.

EFFECT:

Construction costs were overpaid.

RECOMMENDATION:

Invoices for construction draws and other unusual transactions should be reviewed in relation to previous draws and the approved contract.

RESPONSE:

Effort will be made to review construction invoices more effectively.

COMPLIANCE

NONE