

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

APR 09 2009

PUBLIC SERVICE
COMMISSION

)
) CASE NO. 2009-00148
)

IN THE MATTER OF:

THE APPLICATION OF THE HENDRON
WATER DISTRICT FOR APPROVAL OF
INCREASED RATES FOR WATER SERVICE

STATEMENT AND NOTICE

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

1. Hendron is a non-profit water district that has been engaged in the distribution and sale of water. It currently provides water service to approximately 2,634 customers in McCracken and Graves Counties in Kentucky. Hendron is organized under KRS Chapter 74. Hendron's principal office, place of business, and mailing address is 4410 A.T. Massa Drive, Paducah, Kentucky 42003.
2. The proposed increase in the rates and charges is necessary for Hendron to meet its operating expenses, to maintain financial viability, and to continue to provide adequate service.
3. As authorized by KRS 278.192 (1), and for the purpose of justifying the reasonableness of the proposed general increase in rates, Hendron has utilized an historical test period consisting of the twelve (12) consecutive calendar months ending December 31, 2007.

4. Hendron's annual reports are on file with the Public Service Commission as required by 807 KAR 5:006, Section 3(1).
5. Hendron hereby gives notice to the Public Service Commission of the adjustment of its rates to those rates set forth in Exhibit No. 1 in the filing requirements. The proposed rates will result in increased annual revenues of \$85,518, which is an increase of 10.78 percent over 2007 operating revenues of \$793,220. Hendron believes the financial information attached to this application justifies a revenue increase of 15.08 percent; however, to reduce the burden upon its customers, Hendron is instead requesting a smaller revenue increase of 10.78 percent.
6. The proposed tariffs (Exhibit No. 1) are shown in comparative form on the same sheets, side by side, and those comparative sheets are identified as Exhibit No. 2 in the filing requirements.
7. Hendron has complied with 807 KAR 5:011, Section 9, (2) and 807 KAR 5:001, Section 10, (3) and (4), by direct mailing to its customers a copy of the Notice identified as Exhibit No. 8 in the filing requirements on April 3, 2009.
8. A copy of this filing has been mailed to the Utility Intervention and Rate Division of the Attorney General's office of the Commonwealth of Kentucky.
9. As required by 807 KAR 5:001, Section 10, (4), (f), Hendron will post a copy of its Customer Notice (Exhibit No. 8) at its place of business on April 3, 2009 and it will remain posted until the Public Service Commission has determined Hendron's rates.

10. The list of the documents filed in support of Hendron's application for approval of the proposed adjustment of rates or the explanation for their absence is contained in the Filing Requirement Index.
11. Hendron has attempted in good faith to comply with the Commission's rate case filing requirements, and believes it has provided sufficient information to allow the processing of this case to begin. In addition, it has been several years since Hendron has had a general rate increase, and its unrestricted cash reserves are low. Therefore, and for these reasons, Hendron respectfully requests a waiver of any filing requirements deemed to be unmet, and requests Commission Staff assistance to the extent necessary to expedite the processing of this case.

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

Dated at Paducah, Kentucky this 4/8/09.

HENDRON WATER DISTRICT

By Don Peck
Chairman

LAW FIRM OR ATTORNEY

By Stephen E. Smith, Jr.

M&L

MCMURRY & LIVINGSTON, PLLC

STEPHEN E. SMITH, JR.
ATTORNEY-AT-LAW

333 BROADWAY, 7TH FLOOR • PO Box 1700 • PADUCAH, KY 42002

(270) 443-6511 • FAX (270) 443-6548

sonny@ml-lawfirm.com

LAWYERSFORYOURLIFE.COM

COMMONWEALTH OF KENTUCKY)
)SS
COUNTY OF McCRACKEN)

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

IN TESTIMONY WHEREOF, witness the signature of the undersigned on this 4/8/09.

Don Peck

DON PECK, Chairman
Hendron Water District

Subscribed and sworn to before me by Don Peck, Chairman of the Hendron Water District, on this 8th April, 2009.

My Commission Expires April 30, 2012

Linda M. Cissell

Notary Public
In and for said County and State

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

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

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

Filing Requirements	Filing Requirement Description	Location or Absence Reason
Section 10(1)(b)(9)	807 KAR 5:001, Section 10 with copy.	Exhibit No. 8.
807 KAR 5:001 Section 10(2)	If gross annual revenues exceed \$1,000,000, written notice of intent filed at least 4 weeks prior to application. Notice shall state whether application will be supported by historical or fully forecasted test period.	N/A – Applicant's gross revenues do not exceed \$1,000,000.
807 KAR 5:001 Section 10 (6)(a)	Complete description and quantified explanation for proposed adjustments with support for changes in price or activity levels, and other factors affecting the adjustment.	Exhibit No. 4.
807 KAR 5:001 Section 10 (6)(b) & (c)	If gross annual revenues exceed \$1,000,000, prepared testimony of each witness who will support the application. If less than \$1,000,000, prepared testimony of each witness who will support application or statement that utility does not plan to submit prepared testimony.	Waiver requested - Applicant does not intend to submit prepared testimony.
807 KAR 5:001 Section 10 (6)(d)	Estimate of effect that new rate(s) will have on revenues including, at minimum, total revenues resulting from increase or decrease and percentage of increase or decrease.	Application – Page No. 2.
807 KAR 5:001 Section 10 (6)(e)	If electric, gas, water or sewer utility effect upon the average bill for each customer classification to which change will apply.	See Exhibit 8. Also, the application and exhibits reflect a 10.78% across-the-board increase.
807 KAR 5:001 Section 10 (6)(f)	If local exchange company, effect upon the average bill for 807 each customer class for change in basic local service.	N/A – Applicant is a Water District.
807 KAR 5:001 Section 10 (6)(g)	Analysis of customers' bills in such detail that revenues from present and proposed rates can be readily determined for each customer class.	Exhibit No 5.

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

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

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

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

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

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

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

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

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

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

Exhibit Index

Exhibit Number and Title

1. Proposed Tariff
2. Comparison of Proposed & Current Tariff
3. Pro Forma Financial Statements
4. Pro Forma Adjustments/Revenue Requirements
5. Billing Analysis (Waiver Requested)
6. Analysis of Depreciation
7. Cost of Service Study (Not Applicable under \$5 million)
8. Customer Notification
9. 2007 Audit Report



FOR _____
Community, Town or City

P.S.C. KY. NO. _____

_____ SHEET NO. _____

HENDRON WATER DISTRICT
(Name of Utility)

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

_____ SHEET NO. _____

CONTENTS

Monthly Water Rates

Schedule No. 1

Applicable within the service area of the Hendron Water District, described as project #APW-KL-140CL (PFL-KY-90), a map of which is on file in the utility office.

5/8" X 3/4" Meter

First	2,000 gallons	\$8.93 Minimum Bill
Next	3,000 gallons	4.36 Per 1,000 Gallons
Next	5,000 gallons	3.97 Per 1,000 Gallons
Next	10,000 gallons	3.47 Per 1,000 Gallons
Next	30,000 gallons	3.36 Per 1,000 Gallons
Next	50,000 gallons	3.14 Per 1,000 Gallons
All over	100,000 gallons	3.03 Per 1,000 Gallons

3/4" Meter

First	3,500 gallons	\$15.47 Minimum Bill
Next	1,500 gallons	4.36 Per 1,000 Gallons
Next	5,000 gallons	3.97 Per 1,000 Gallons
Next	10,000 gallons	3.47 Per 1,000 Gallons
Next	30,000 gallons	3.36 Per 1,000 Gallons
Next	50,000 gallons	3.14 Per 1,000 Gallons
All over	100,000 gallons	3.03 Per 1,000 Gallons

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(Signature of Officer)

TITLE _____

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FOR _____
Community, Town or City

P.S.C. KY. NO. _____

_____ SHEET NO. _____

HENDRON WATER DISTRICT
(Name of Utility)

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

_____ SHEET NO. _____

CONTENTS

1" Meter

First	5,000 gallons	\$21.99 Minimum Bill
Next	5,000 gallons	3.97 Per 1,000 Gallons
Next	10,000 gallons	3.47 Per 1,000 Gallons
Next	30,000 gallons	3.36 Per 1,000 Gallons
Next	50,000 gallons	3.14 Per 1,000 Gallons
All over	100,000 gallons	3.03 Per 1,000 Gallons

1 1/2" Meter

First	10,000 gallons	\$41.82 Minimum Bill
Next	10,000 gallons	3.47 Per 1,000 Gallons
Next	30,000 gallons	3.36 Per 1,000 Gallons
Next	50,000 gallons	3.14 Per 1,000 Gallons
All over	100,000 gallons	3.03 Per 1,000 Gallons

2" Meter

First	20,000 gallons	\$76.50 Minimum Bill
Next	30,000 gallons	3.36 Per 1,000 Gallons
Next	50,000 gallons	3.14 Per 1,000 Gallons
All over	100,000 gallons	3.03 Per 1,000 Gallons

4" Meter

First	50,000 gallons	\$177.20 Minimum Bill
Next	50,000 gallons	3.14 Per 1,000 Gallons
All over	100,000 gallons	3.03 Per 1,000 Gallons

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(Signature of Officer)

TITLE _____

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
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FOR _____
Community, Town or City

P.S.C. KY. NO. _____

_____ SHEET NO. _____

HENDRON WATER DISTRICT
(Name of Utility)

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

_____ SHEET NO. _____

RATES AND CHARGES

Schedule No. 2

Applicable within the service area of the Hendron Water District, described as project #PFL-KL-206, a map of which is on file in the utility office.

5/8" X 3/4" Meter

First	2,000 gallons	\$11.93 Minimum Bill
Next	3,000 gallons	4.36 Per 1,000 Gallons
Next	5,000 gallons	3.97 Per 1,000 Gallons
Next	10,000 gallons	3.47 Per 1,000 Gallons
Next	30,000 gallons	3.36 Per 1,000 Gallons
Next	50,000 gallons	3.14 Per 1,000 Gallons
All over	100,000 gallons	3.03 Per 1,000 Gallons

3/4" Meter

First	3,500 gallons	\$18.47 Minimum Bill
Next	1,500 gallons	4.36 Per 1,000 Gallons
Next	5,000 gallons	3.97 Per 1,000 Gallons
Next	10,000 gallons	3.47 Per 1,000 Gallons
Next	30,000 gallons	3.36 Per 1,000 Gallons
Next	50,000 gallons	3.14 Per 1,000 Gallons
All over	100,000 gallons	3.03 Per 1,000 Gallons

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Community, Town or City

P.S.C. KY. NO. _____

_____ SHEET NO. _____

HENDRON WATER DISTRICT
(Name of Utility)

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

_____ SHEET NO. _____

RULES AND REGULATIONS

1" Meter

First	5,000 gallons	\$24.99 Minimum Bill
Next	5,000 gallons	3.97 Per 1,000 Gallons
Next	10,000 gallons	3.47 Per 1,000 Gallons
Next	30,000 gallons	3.36 Per 1,000 Gallons
Next	50,000 gallons	3.14 Per 1,000 Gallons
All over	100,000 gallons	3.03 Per 1,000 Gallons

1 1/2" Meter

First	10,000 gallons	\$44.82 Minimum Bill
Next	10,000 gallons	3.47 Per 1,000 Gallons
Next	30,000 gallons	3.36 Per 1,000 Gallons
Next	50,000 gallons	3.14 Per 1,000 Gallons
All over	100,000 gallons	3.03 Per 1,000 Gallons

2" Meter

First	20,000 gallons	\$79.50 Minimum Bill
Next	30,000 gallons	3.36 Per 1,000 Gallons
Next	50,000 gallons	3.14 Per 1,000 Gallons
All over	100,000 gallons	3.03 Per 1,000 Gallons

4" Meter

First	50,000 gallons	\$180.20 Minimum Bill
Next	50,000 gallons	3.14 Per 1,000 Gallons
All over	100,000 gallons	3.03 Per 1,000 Gallons

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FOR _____
Community, Town or City

P.S.C. KY. NO. _____

_____ SHEET NO. _____

HENDRON WATER DISTRICT
(Name of Utility)

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

_____ SHEET NO. _____

CONTENTS

Monthly Rates-Schedule No. 1

Monthly Rates-Schedule No. 1

5/8" X 3/4" Meter

First 2,000 gallons — \$8.06 Minimum Bill
Next 3,000 gallons — 3.93 Per 1,000 Gallons
Next 5,000 gallons — 3.58 Per 1,000 Gallons
Next 10,000 gallons — 3.13 Per 1,000 Gallons
Next 30,000 gallons — 3.03 Per 1,000 Gallons
Next 50,000 gallons — 2.83 Per 1,000 Gallons
All over 100,000 gallons 2.73 Per 1,000 Gallons

5/8" X 3/4" Meter

First 2,000 gallons \$8.93 Minimum Bill
Next 3,000 gallons 4.36 Per 1,000 Gallons
Next 5,000 gallons 3.97 Per 1,000 Gallons
Next 10,000 gallons 3.47 Per 1,000 Gallons
Next 30,000 gallons 3.36 Per 1,000 Gallons
Next 50,000 gallons 3.14 Per 1,000 Gallons
All over 100,000 gallons 3.03 Per 1,000 Gallons

3/4" Meter

First 3,500 gallons — \$13.96 Minimum Bill
Next 1,500 gallons — 3.93 Per 1,000 Gallons
Next 5,000 gallons — 3.58 Per 1,000 Gallons
Next 10,000 gallons — 3.13 Per 1,000 Gallons
Next 30,000 gallons — 3.03 Per 1,000 Gallons
Next 50,000 gallons — 2.83 Per 1,000 Gallons
All over 100,000 gallons 2.73 Per 1,000 Gallons

3/4" Meter

First 3,500 gallons \$15.47 Minimum Bill
Next 1,500 gallons 4.36 Per 1,000 Gallons
Next 5,000 gallons 3.97 Per 1,000 Gallons
Next 10,000 gallons 3.47 Per 1,000 Gallons
Next 30,000 gallons 3.36 Per 1,000 Gallons
Next 50,000 gallons 3.14 Per 1,000 Gallons
All over 100,000 gallons 3.03 Per 1,000 Gallons

1" Meter

First 5,000 gallons — \$19.85 Minimum Bill
Next 5,000 gallons — 3.58 Per 1,000 Gallons
Next 10,000 gallons — 3.13 Per 1,000 Gallons
Next 30,000 gallons — 3.03 Per 1,000 Gallons
Next 50,000 gallons — 2.83 Per 1,000 Gallons
All over 100,000 gallons 2.73 Per 1,000 Gallons

1" Meter

First 5,000 gallons \$21.99 Minimum Bill
Next 5,000 gallons 3.97 Per 1,000 Gallons
Next 10,000 gallons 3.47 Per 1,000 Gallons
Next 30,000 gallons 3.36 Per 1,000 Gallons
Next 50,000 gallons 3.14 Per 1,000 Gallons
All over 100,000 gallons 3.03 Per 1,000 Gallons

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HENDRON WATER DISTRICT
(Name of Utility)

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

_____ SHEET NO. _____

CONTENTS

1 1/2" Meter

~~First 10,000 gallons — \$37.75 Minimum Bill~~
~~Next 10,000 gallons — 3.13 Per 1,000 Gallons~~
~~Next 30,000 gallons — 3.03 Per 1,000 Gallons~~
~~Next 50,000 gallons — 2.83 Per 1,000 Gallons~~
~~All over 100,000 gallons — 2.73 Per 1,000 Gallons~~

1 1/2" Meter

First 10,000 gallons \$41.82 Minimum Bill
Next 10,000 gallons 3.47 Per 1,000 Gallons
Next 30,000 gallons 3.36 Per 1,000 Gallons
Next 50,000 gallons 3.14 Per 1,000 Gallons
All over 100,000 gallons 3.03 Per 1,000 Gallons

2" Meter

~~First 20,000 gallons — \$69.05 Minimum Bill~~
~~Next 30,000 gallons — 3.03 Per 1,000 Gallons~~
~~Next 50,000 gallons — 2.83 Per 1,000 Gallons~~
~~All over 100,000 gallons — 2.73 Per 1,000 Gallons~~

2" Meter

First 20,000 gallons \$76.50 Minimum Bill
Next 30,000 gallons 3.36 Per 1,000 Gallons
Next 50,000 gallons 3.14 Per 1,000 Gallons
All over 100,000 gallons 3.03 Per 1,000 Gallons

4" Meter

~~First 50,000 gallons — \$159.95 Minimum Bill~~
~~Next 50,000 gallons — 2.83 Per 1,000 Gallons~~
~~All over 100,000 gallons — 2.73 Per 1,000 Gallons~~

4" Meter

First 50,000 gallons \$177.20 Minimum Bill
Next 50,000 gallons 3.14 Per 1,000 Gallons
All over 100,000 gallons 3.03 Per 1,000 Gallons

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_____ SHEET NO. _____

HENDRON WATER DISTRICT
(Name of Utility)

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

_____ SHEET NO. _____

RATES AND CHARGES

Monthly Rates-Schedule No. 2

Monthly Rates-Schedule No. 2

5/8" X 3/4" Meter

First 2,000 gallons — \$11.06 Minimum Bill
Next 3,000 gallons — 3.93 Per 1,000 Gallons
Next 5,000 gallons — 3.58 Per 1,000 Gallons
Next 10,000 gallons — 3.13 Per 1,000 Gallons
Next 30,000 gallons — 3.03 Per 1,000 Gallons
Next 50,000 gallons — 2.83 Per 1,000 Gallons
All over 100,000 gallons 2.73 Per 1,000 Gallons

5/8" X 3/4" Meter

First 2,000 gallons \$11.93 Minimum Bill
Next 3,000 gallons 4.36 Per 1,000 Gallons
Next 5,000 gallons 3.97 Per 1,000 Gallons
Next 10,000 gallons 3.47 Per 1,000 Gallons
Next 30,000 gallons 3.36 Per 1,000 Gallons
Next 50,000 gallons 3.14 Per 1,000 Gallons
All over 100,000 gallons 3.03 Per 1,000 Gallons

3/4" Meter

First 3,500 gallons — \$16.96 Minimum Bill
Next 1,500 gallons — 3.93 Per 1,000 Gallons
Next 5,000 gallons — 3.58 Per 1,000 Gallons
Next 10,000 gallons — 3.13 Per 1,000 Gallons
Next 30,000 gallons — 3.03 Per 1,000 Gallons
Next 50,000 gallons — 2.83 Per 1,000 Gallons
All over 100,000 gallons 2.73 Per 1,000 Gallons

3/4" Meter

First 3,500 gallons \$18.47 Minimum Bill
Next 1,500 gallons 4.36 Per 1,000 Gallons
Next 5,000 gallons 3.97 Per 1,000 Gallons
Next 10,000 gallons 3.47 Per 1,000 Gallons
Next 30,000 gallons 3.36 Per 1,000 Gallons
Next 50,000 gallons 3.14 Per 1,000 Gallons
All over 100,000 gallons 3.03 Per 1,000 Gallons

1" Meter

First 5,000 gallons — \$22.85 Minimum Bill
Next 5,000 gallons — 3.58 Per 1,000 Gallons
Next 10,000 gallons — 3.13 Per 1,000 Gallons
Next 30,000 gallons — 3.03 Per 1,000 Gallons
Next 50,000 gallons — 2.83 Per 1,000 Gallons
All over 100,000 gallons 2.73 Per 1,000 Gallons

1" Meter

First 5,000 gallons \$24.99 Minimum Bill
Next 5,000 gallons 3.97 Per 1,000 Gallons
Next 10,000 gallons 3.47 Per 1,000 Gallons
Next 30,000 gallons 3.36 Per 1,000 Gallons
Next 50,000 gallons 3.14 Per 1,000 Gallons
All over 100,000 gallons 3.03 Per 1,000 Gallons

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE _____
Month / Date / Year

ISSUED BY _____
(Signature of Officer)

TITLE _____

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

FOR _____
Community, Town or City

P.S.C. KY. NO. _____

_____ SHEET NO. _____

HENDRON WATER DISTRICT
(Name of Utility)

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

_____ SHEET NO. _____

RATES AND CHARGES

1 1/2" Meter

~~First 10,000 gallons — \$40.75 Minimum Bill~~
~~Next 10,000 gallons — 3.13 Per 1,000 Gallons~~
~~Next 30,000 gallons — 3.03 Per 1,000 Gallons~~
~~Next 50,000 gallons — 2.83 Per 1,000 Gallons~~
~~All over 100,000 gallons — 2.73 Per 1,000 Gallons~~

1 1/2" Meter

First 10,000 gallons \$44.82 Minimum Bill
Next 10,000 gallons 3.47 Per 1,000 Gallons
Next 30,000 gallons 3.36 Per 1,000 Gallons
Next 50,000 gallons 3.14 Per 1,000 Gallons
All over 100,000 gallons 3.03 Per 1,000 Gallons

2" Meter

~~First 20,000 gallons — \$72.05 Minimum Bill~~
~~Next 30,000 gallons — 3.03 Per 1,000 Gallons~~
~~Next 50,000 gallons — 2.83 Per 1,000 Gallons~~
~~All over 100,000 gallons — 2.73 Per 1,000 Gallons~~

2" Meter

First 20,000 gallons \$79.50 Minimum Bill
Next 30,000 gallons 3.36 Per 1,000 Gallons
Next 50,000 gallons 3.14 Per 1,000 Gallons
All over 100,000 gallons 3.03 Per 1,000 Gallons

4" Meter

~~First 50,000 gallons — \$162.95 Minimum Bill~~
~~Next 50,000 gallons — 2.83 Per 1,000 Gallons~~
~~All over 100,000 gallons — 2.73 Per 1,000 Gallons~~

4" Meter

First 50,000 gallons \$180.20 Minimum Bill
Next 50,000 gallons 3.14 Per 1,000 Gallons
All over 100,000 gallons 3.03 Per 1,000 Gallons

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE _____
Month / Date / Year

ISSUED BY _____
(Signature of Officer)

TITLE _____

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

Hendron Water District Exhibit 3
Income Statement Showing Impact of Proposed Increase

	2007	Adjustments	Adjusted
Water Sales Revenue	\$775,690	\$85,518	\$861,208
Other Op. Revenue	\$17,530	0	\$17,530
Water Operating Revenue	\$793,220	\$85,518	\$878,738
Employee Salaries	\$170,057	\$3,015	\$173,072
Officer Salaries	\$7,200	0	\$7,200
Pensions/Benefits	\$39,961	0	\$39,961
Purchased Water	\$324,845	\$6,751	\$331,596
Purchased Power	\$31,849	\$3,760	\$35,609
Chemicals	\$2,563	0	\$2,563
Materials/Supplies	\$46,819	0	\$46,819
Contract Services-Eng.	\$7,318	0	\$7,318
Contract Services-Acct.	\$7,410	\$520	\$7,930
Contract Services-Legal	\$534	0	\$534
Contract Services-Testing	\$2,764	0	\$2,764
Contract Services-Other	\$15,342	0	\$15,342
Transportation Expenses	\$20,348	0	\$20,348
Insurance-Genl. Liability	\$1,000	0	\$1,000
Insurance-Workers Comp.	\$5,495	0	\$5,495
Insurance-Vehicle	\$15,999	0	\$15,999
Bad Debt	\$1,724	0	\$1,724
Miscellaneous Exp.	\$10,529	(\$688)	\$9,841
<i>Tot. Water Util. Exp.</i>	<i>\$711,757</i>	<i>\$13,358</i>	<i>\$725,115</i>
Depreciation Expense	\$63,361	\$4,886	\$68,247
Amortization Expense	\$282	\$998	\$1,280
Taxes OT Income	\$14,641	(\$850)	\$13,791
Total Op. Expenses	\$790,041	\$18,392	\$808,433
<i>Total Operating Income</i>	<i>\$3,179</i>	<i>\$67,126</i>	<i>\$70,305</i>
Interest Income	\$2,498	(\$2,023)	\$475
Nonutility Income	\$11,445	(\$11,445)	0
Interest Expense	\$20,971	(\$7,367)	\$13,604
Net Income	(\$3,849)	\$61,025	\$57,176

HENDRON WATER DISTRICT
BALANCE SHEETS
DECEMBER 31

ASSETS

	<u>2007</u>	<u>2006</u>
Current Assets		
Cash - Revenue Fund	\$ 12,440	\$ 8,305
Operation and Maintenance Fund	8,294	885
Cash - Highway 45 project	27,421	20,574
Change Fund	260	260
Restricted Funds - unrestricted portion	-	38,457
Customers' accounts receivable	77,263	69,462
Unbilled water sales	13,700	18,714
Inventory	12,354	12,354
Prepaid expense	11,601	13,330
Accrued interest receivable	509	45
Total current assets	163,842	182,386
Restricted Funds		
Bond and Interest Sinking Fund:		
Cash in bank	68,422	90,113
Certificate of deposit	9,684	38,148
Depreciation fund - certificate of deposit	30,000	30,000
Deposit fund	9,912	9,239
Less unrestricted portion	-	(38,457)
Deferred costs - Sewer Project 1978	3,220	3,220
Deferred costs - Well Project	84,888	84,888
Total restricted funds	206,126	217,151
Utility Plant and Equipment		
Water plant and equipment in service	3,892,356	3,726,665
Construction in progress	11,001	53,727
Less accumulated depreciation	(2,115,237)	(2,042,447)
Net book value of plant and equipment	1,788,120	1,737,945
Other Assets		
Unamortized cost of bond sales	1,827	2,108
Total other assets	1,827	2,108
TOTAL ASSETS	<u>\$ 2,159,915</u>	<u>\$ 2,139,590</u>

LIABILITIES AND DISTRICT EQUITY

	<u>2007</u>	<u>2006</u>
Current Liabilities		
Notes payable	\$ 85,225	\$ 30,000
Accounts payable	52,444	57,720
Sales tax payable	177	245
Utility tax payable	1,413	2,844
Meter deposits	8,475	8,035
Employee income tax withholdings payable	5,996	6,839
Accrued interest on notes payable	2,248	686
Total current liabilities	<u>155,978</u>	<u>106,369</u>
Long Term Debt		
Water district - revenue bonds	127,000	164,000
Notes payable	165,000	195,000
Total long-term debt	<u>292,000</u>	<u>359,000</u>
Liabilities and Restricted Funds		
Bond and interest sinking fund		
Accrued interest on bonds payable	3,864	4,706
Revenue bonds due within one year	37,000	37,000
Total liabilities of restricted funds	<u>40,864</u>	<u>41,706</u>
Contribution in Aid of Construction		
Customer construction contribution	<u>50,993</u>	<u>81,783</u>
Water District Equity		
Balance, December 31	<u>1,620,080</u>	<u>1,550,732</u>
TOTAL LIABILITIES AND DISTRICT EQUITY	<u>\$ 2,159,915</u>	<u>\$ 2,139,590</u>



Hendron Water District Exhibit 4

	2007	Adjustments	Ref.	Adjusted
Water Sales Revenue	\$775,690	0		\$775,690
Other Op. Revenue	\$17,530	0		\$17,530
Water Operating Revenue	\$793,220	0		\$793,220
Employee Salaries	\$170,057	\$3,015	A	\$173,072
Officer Salaries	\$7,200	0		\$7,200
Pensions/Benefits	\$39,961	0		\$39,961
Purchased Water	\$324,845	\$6,751	B	\$331,596
Purchased Power	\$31,849	\$3,760	C	\$35,609
Chemicals	\$2,563	0		\$2,563
Materials/Supplies	\$46,819	0		\$46,819
Contract Services-Eng.	\$7,318	0		\$7,318
Contract Services-Acct.	\$7,410	\$520	D	\$7,930
Contract Services-Legal	\$534	0		\$534
Contract Services-Testing	\$2,764	0		\$2,764
Contract Services-Other	\$15,342	0		\$15,342
Transportation Expenses	\$20,348	0		\$20,348
Insurance-Genl. Liability	\$1,000	0		\$1,000
Insurance-Workers Comp.	\$5,495	0		\$5,495
Insurance-Vehicle	\$15,999	0		\$15,999
Bad Debt	\$1,724	0		\$1,724
Miscellaneous Exp.	\$10,529	(\$688)	E	\$9,841
<i>Tot. Water Util. Exp.</i>	<i>\$711,757</i>	<i>\$13,358</i>		<i>\$725,115</i>
Depreciation Expense	\$63,361	\$4,886	F	\$68,247
Amortization Expense	\$282	\$998	G	\$1,280
Taxes OT Income	\$14,641	(\$850)	H	\$13,791
Total Op. Expenses	\$790,041	\$18,392		\$808,433
<i>Total Operating Income</i>	<i>\$3,179</i>	<i>(\$18,392)</i>		<i>(\$15,213)</i>
Interest Income	\$2,498	(\$2,023)	I	\$475
Nonutility Income	\$11,445	(\$11,445)	J	0
Interest Expense	\$20,971	(\$7,367)	K	\$13,604
Net Income	(\$3,849)	(\$24,493)		(\$28,342)

Revenue Requirement Calculation

- \$ 808,433 - Proforma Operating Expenses
- \$ 104,429 - Debt Service Coverage (1.2 x \$87,024 Debt Service)
- \$ **912,862** - Revenue Requirement
- (\$ 793,220) - Test Year Revenues
- \$ 119,642 - Justified Increase (15.08% increase over 2007 operating revenues)
- \$ **85,518** - Requested 10.78% Increase to Fund 50% of Depreciation Expense

Debt Service Calculation:

Year	Revenue Bond P&I	KIA Loan Payments	Annual Total
2009	\$45,697	\$43,232	\$88,929
2010	\$45,493	\$41,596	\$87,089
2011	\$45,182	\$39,872	\$85,054
Total			\$261,072
		3-year average	\$87,024

Reference Notes:

A. Employee Salaries and Wages Expense was based upon pro forma salaries and wages of \$173,072, calculated as follows:

Employee Title	Pro forma Wages
1. Field Worker (\$15.58/hr.)	\$32,406.40
2. Field Worker (\$15.07/hr.)	\$31,345.60
3. Field Worker (\$13.78/hr.)	\$28,662.40
4. Field Worker (\$11.46/hr.)	\$23,836.80
5. Office Worker (\$13.01/hr.)	\$27,060.80
6. Office Worker (\$9.35/hr.)	\$19,448.00
Subtotal	\$162,760.00
Part-Time Help	\$721.50
Overtime*	\$9,590.69
Total Pro Forma	\$173,072.19
<i>*Overtime was estimated by the following calculations: -2008 total gross pay for full time employees of \$164,367.94 consisted of regular pay of \$155,221.46 and overtime pay of \$9,146.48. -Comparing the pro forma regular pay of \$162,760 to the 2008 pro forma pay of \$155,221.46 yields a ratio of 1.0485663. -Applying the ratio of 1.0485663 to the 2008 overtime pay of \$9,146.48 yields a pro forma overtime pay of \$9,590.69.</i>	

B. Purchased Water Expense was adjusted to \$331,596 to reflect the current purchased water rate of \$1.50 per thousand gallons multiplied by test year purchases of 221,064,000 gallons.

C. Purchased Power Expense was adjusted by \$3,760 to reflect increased utility costs.

D. Contractual Services – Accounting was adjusted by \$520 to reflect the current CPA fees of \$7,930 for the annual audit and PSC reporting.

E. Miscellaneous Expense was reduced by \$688 to remove a charge for an employee Christmas dinner for ratemaking purposes.

F. Depreciation Expense was increased by \$4,885.64 to include a full year's depreciation expense on 2007 plant additions. For 2007, depreciation expense for 6 months had been applied to these additions, so the normalization adjustment equals another 6 months of depreciation, or \$4,885.64, as follows:

Plant Account	Amount	Deprec. Rate	Annual Expense	2007 Expense (6 months)
Distribution System Additions	\$92,184	2%	\$1,843.68	\$921.84
Water Tank Upgrade	\$74,426	10%	\$7,442.60	\$3,721.30
Other Equipment	\$2,170	20%	\$434.00	\$217.00
Telephone Equipment	\$255	20%	\$51.00	\$25.50
Totals	\$169,035		\$9,771.28	\$4,885.64

G. Amortization Expense was adjusted by \$998 to allow for a three-year recovery of rate case expenses of \$2,995.

H. Taxes Other Than Income Expense was adjusted to include FICA taxes of \$13,791 based upon pro forma salaries of \$180,272 for the employees and Commissioners, times the tax rate of 7.65%.

I. Interest Income was reduced by \$2,023 to remove interest income on restricted cash, which was approximately 81% of total cash.

J. Nonutility Income was removed as it should not be included for purposes of this rate request.

K. Interest Expense was adjusted for purposes of this table to reflect pro forma 2009 interest expense on long-term debt.

**Hendron Water District
Exhibit 5 – Waiver Requested**

-807 KAR 5:001 Section 10 (6)(g) requires an “analysis of customer bills in such detail that revenues from present and proposed rates can be readily determined for each customer class.”

-Hendron’s 2007 PSC Annual Report shows the following revenues for residential, commercial, and multi-family dwelling customers:

Category	2007 Revenues	2007 Year-End Customers
Residential Sales	\$691,106	2,480
Commercial Sales	\$36,104	54
Multiple-Dwelling Sales	\$48,480	100
Total Metered Sales	\$775,690	2,634
Forfeited Discounts	\$17,530	
Total Operating Revenues	\$793,220	

-Hendron has experienced very little growth in recent years, and its revenues are not subject to a great deal of fluctuation, especially as relates to large users.

-Hendron is proposing an across-the-board 10.78% increase, with the only exception being that some Schedule 2 customers, who pay a \$3.00 rate differential, would experience a smaller percentage increase to preserve this differential. (Also please note that some customers experience a slightly different increase than 10.78% due to rounding effects.) Taking the above 2007 revenues by customer class and increasing them by 10.78% results in the following revenues from proposed rates:

Category	2007 Revenues	Projected Revenues
Residential Sales	\$691,106	\$765,607
Commercial Sales	\$36,104	\$39,996
Multiple-Dwelling Sales	\$48,480	\$53,706
Total Metered Sales	\$775,690	\$859,309
Forfeited Discounts	\$17,530	\$17,530
Total Operating Revenues	\$793,220	\$876,839

-Hendron is aware that Commission Staff routinely performs billing analyses. To the extent that such an analysis is required in this case, Hendron requests a waiver to allow the processing of this case to proceed expeditiously due to our limited cash reserves, and requests Commission Staff assistance if a detailed billing analysis is required to be done in this case.



SUPPLEMENTARY INFORMATION

	Rate	Assets			Balance 12/31/07
		Balance 12/31/06	Additions	Dispositions	
Utility Plant and Equipment				\$ 3,344	475,038
Distribution system	2.00 %	\$ 478,382	\$ -	-	1,706,622
Additions to distribution system	2.00	1,614,438	92,184	-	100,002
Booster pumping station	3.00	100,002	-	-	58,967
50,000 gallon water tank	2.00	58,967	-	-	91,164
100,000 gallon water tank	2.00	91,164	-	-	142,121
100,000 gallon water tank	2.00	142,121	-	-	419,214
300,000 gallon water tank	2.00	419,214	-	-	74,426
Water tank upgrade	10.00	-	74,426	-	29,413
Office building	3.00	29,413	-	-	51,310
Building addition	3.00	51,310	-	-	25,607
Storage building - Pump Station #1	3.00	25,607	-	-	62,739
Office building - Lions Club building	3.00	62,739	-	-	1,037
Awning	10.00	1,037	-	-	745
Landscaping	10.00	745	-	-	6,606
Parking lot	10.00	6,606	-	-	27,995
Office furniture and equipment	10.00	27,995	-	-	42,502
Other fully depreciated equipment	10.00	42,502	-	-	13,161
Other equipment	20.00	10,991	2,170	-	53,050
1987 Case Backhoe	12.50	33,050	-	-	10,004
1987 Dodge Dakota	20.00	10,004	-	-	1,583
Automatic watering system	20.00	1,583	-	-	3,514
Alarm system	20.00	3,514	-	-	40,775
Telephone and communication equipment	20.00	40,520	255	-	5,296
Taping machine	20.00	5,296	-	-	4,911
Boring machine	20.00	4,911	-	-	57,605
Trencher	20.00	57,605	-	-	535
Utility trailer 6x10	12.50	535	-	-	1,787
John Deere tractor and attachments	12.50	1,787	-	-	1,755
Signs	10.00	1,755	-	-	46,454
Computer system and equipment	20.00	46,454	-	-	11,155
Computer system - Billing & Acct.	20.00	11,155	-	-	8,975
Handheld computer meter reading equip	20.00	8,975	-	-	1,348
Lap top computer	20.00	1,348	-	-	1,060
Security system	20.00	1,060	-	-	134,294
Telemetry system	20.00	134,294	-	-	3,819
Meter test branch	10.00	3,819	-	-	2,685
Leak detector and pipe locator	10.00	2,685	-	-	1,600
Generator	10.00	1,600	-	-	1,593
Compressors - 2	10.00	1,593	-	-	7,896
Water pump	10.00	7,896	-	-	2,167
Copier	10.00	2,167	-	-	23,767
1996 Dodge Ram	20.00	23,767	-	-	18,887
John Deere tractor - 4300	12.50	18,887	-	-	47,997
Backhoe loader	12.50	47,997	-	-	14,766
Land and rights-of-way	20.00	14,766	-	-	22,250
2001 Ford pickup	20.00	22,250	-	-	11,432
1994 Chevy S-10	20.00	11,432	-	-	26,907
1997 Dodge pickup	20.00	26,907	-	-	13,820
1998 Dodge Dakota	20.00	13,820	-	-	
TOTALS		\$ 3,726,665	\$ 169,035	\$ 3,344	\$ 3,892,356

TOTALS

Capitalized depreciation

DEPRECIATION EXPENSE

The original system was placed in service in August 1965. Additions to the system are stated at cost. Depreciation has been based on the estimated life of the various assets. Depreciation for six months was applied to all additions.

Balance 12/31/06	Accumulated Depreciation		Balance 12/31/07
	Depreciation 2007	Disposition 2007	
\$ 395,428	\$ 9,568	\$ 3,344	\$ 401,652
603,364	35,054	-	638,418
55,155	3,000	-	58,155
36,778	1,180	-	37,958
53,044	1,823	-	54,867
83,457	2,843	-	86,300
113,540	6,845	-	120,385
-	3,721	-	3,721
29,413	-	-	29,413
14,510	1,539	-	16,049
4,202	768	-	4,970
34,226	1,882	-	36,108
570	104	-	674
745	-	-	745
6,606	-	-	6,606
27,520	475	-	27,995
42,502	-	-	42,502
1,954	920	-	2,874
33,050	-	-	33,050
10,004	-	-	10,004
1,583	-	-	1,583
3,514	-	-	3,514
37,765	2,755	-	40,520
5,296	-	-	5,296
4,911	-	-	4,911
57,605	-	-	57,605
368	67	-	435
1,519	223	-	1,742
1,755	-	-	1,755
46,454	-	-	46,454
11,155	-	-	11,155
8,975	-	-	8,975
1,348	-	-	1,348
1,060	-	-	1,060
134,294	-	-	134,294
3,819	-	-	3,819
2,685	-	-	2,685
1,600	-	-	1,600
1,593	-	-	1,593
6,676	789	-	7,465
885	217	-	1,102
23,767	-	-	23,767
15,346	2,361	-	17,707
47,997	-	-	47,997
-	-	-	-
22,250	-	-	22,250
11,432	-	-	11,432
26,907	-	-	26,907
13,820	-	-	13,820
<u>\$ 2,042,447</u>	<u>76,134</u>	<u>\$ 3,344</u>	<u>\$ 2,115,237</u>
	<u>(12,773)</u>		
	<u>\$ 63,361</u>		



Hendron Cost of Service Study

-807 KAR 5:001 Section 10 (6)(u) requires a cost of service study for gas, electric or water utilities whose annual gross revenues exceed \$5,000,000. Hendron Water District's gross annual revenues do not exceed this threshold.

-In addition, Hendron is proposing an across-the-board 10.78% increase, with the only exception being that some Schedule 2 customers, who pay a \$3.00 rate differential, would experience a smaller percentage increase to preserve this differential. (Also please note that some customers experience a slightly larger increase than 10.78% due to rounding effects.)

-Hendron is aware that Commission Staff often performs cost-of-service studies. To the extent that such a study is required in this case, Hendron requests a waiver to allow the processing of this case to proceed expeditiously due to our limited cash reserves, and requests Commission Staff assistance if a cost of service study is required to be done in this case.

This condensed 3-page copy was mailed to our customers

NOTICE

Hendron Water District has filed an application with the Public Service Commission to increase its rates for water service. Hendron has not requested a rate increase due to its inflated operation costs since 1992. Most recent rate increases were due to increases to Hendron by its water provider. Hendron believes it can justify a rate increase of 15.08%. However, to reduce the burden upon its customers, Hendron is instead requesting a smaller rate increase of 10.78%. The proposed effective date of the change is May 15, 2009.

Monthly Rates For Schedule 1 - 5/8" X 3/4" Meter:

CURRENT RATE		PROPOSED RATE	
First 2,000 gals	\$8.06 Minimum Bill	First 2,000 gals	\$8.93 Minimum Bill
Next 3,000 gals	3.93 Per 1,000 Gals	Next 3,000 gals	4.36 Per 1,000 Gals
Next 5,000 gals	3.58 Per 1,000 Gals	Next 5,000 gals	3.97 Per 1,000 Gals
Next 10,000 gals	3.13 Per 1,000 Gals	Next 10,000 gals	3.47 Per 1,000 Gals
Next 30,000 gals	3.03 Per 1,000 Gals	Next 30,000 gals	3.36 Per 1,000 Gals
Next 50,000 gals	2.83 Per 1,000 Gals	Next 50,000 gals	3.14 Per 1,000 Gals
All over 100,000 gals	2.73 Per 1,000 Gals	All over 100,000 gals	3.03 Per 1,000 Gals

Monthly Rates For Schedule 1 - 3/4" Meter:

CURRENT RATE		PROPOSED RATE	
First 3,500 gals	\$13.96 Minimum Bill	First 3,500 gals	\$15.47 Minimum Bill
Next 1,500 gals	3.93 Per 1,000 Gals	Next 1,500 gals	4.36 Per 1,000 Gals
Next 5,000 gals	3.58 Per 1,000 Gals	Next 5,000 gals	3.97 Per 1,000 Gals
Next 10,000 gals	3.13 Per 1,000 Gals	Next 10,000 gals	3.47 Per 1,000 Gals
Next 30,000 gals	3.03 Per 1,000 Gals	Next 30,000 gals	3.36 Per 1,000 Gals
Next 50,000 gals	2.83 Per 1,000 Gals	Next 50,000 gals	3.14 Per 1,000 Gals
All over 100,000 gals	2.73 Per 1,000 Gals	All over 100,000 gals	3.03 Per 1,000 Gals

MONTHLY USAGE	MONTHLY BILL AT CURRENT RATE	MONTHLY BILL AT PROPOSED RATE	PERCENT INCREASE OVER CURRENT
2,000	\$8.06	\$8.93	10.8%
5,000	\$19.85	\$22.01	10.9%
10,000	\$37.75	\$41.86	10.9%
20,000	\$69.05	\$76.56	10.9%
30,000	\$99.35	\$110.16	10.9%
50,000	\$159.95	\$177.36	10.9%
75,000	\$230.70	\$255.86	10.9%
100,000	\$301.45	\$334.36	10.9%
150,000	\$437.95	\$485.86	10.9%

MONTHLY USAGE	MONTHLY BILL AT CURRENT RATE	MONTHLY BILL AT PROPOSED RATE	PERCENT INCREASE OVER CURRENT
2,000	\$13.96	\$15.47	10.8%
5,000	\$19.86	\$22.01	10.8%
10,000	\$37.76	\$41.86	10.9%
20,000	\$69.06	\$76.56	10.9%
30,000	\$99.36	\$110.16	10.9%
50,000	\$159.96	\$177.36	10.9%
75,000	\$230.71	\$255.86	10.9%
100,000	\$301.46	\$334.36	10.9%
150,000	\$437.96	\$485.86	10.9%

Monthly Rates For Schedule 1 - 1" Meter:

CURRENT RATE		PROPOSED RATE	
First 5,000 gals	\$19.85 Minimum Bill	First 5,000 gals	\$21.99 Minimum Bill
Next 5,000 gals	3.58 Per 1,000 Gals	Next 5,000 gals	3.97 Per 1,000 Gals
Next 10,000 gals	3.13 Per 1,000 Gals	Next 10,000 gals	3.47 Per 1,000 Gals
Next 30,000 gals	3.03 Per 1,000 Gals	Next 30,000 gals	3.36 Per 1,000 Gals
Next 50,000 gals	2.83 Per 1,000 Gals	Next 50,000 gals	3.14 Per 1,000 Gals
All over 100,000 gals	2.73 Per 1,000 Gals	All over 100,000 gals	3.03 Per 1,000 Gals

Monthly Rates For Schedule 1 - 1 1/2" Meter:

CURRENT RATE		PROPOSED RATE	
First 10,000 gals	\$37.75 Minimum Bill	First 10,000 gals	\$41.82 Minimum Bill
Next 10,000 gals	3.13 Per 1,000 Gals	Next 10,000 gals	3.47 Per 1,000 Gals
Next 30,000 gals	3.03 Per 1,000 Gals	Next 30,000 gals	3.36 Per 1,000 Gals
Next 50,000 gals	2.83 Per 1,000 Gals	Next 50,000 gals	3.14 Per 1,000 Gals
All over 100,000 gals	2.73 Per 1,000 Gals	All over 100,000 gals	3.03 Per 1,000 Gals

MONTHLY USAGE	MONTHLY BILL AT CURRENT RATE	MONTHLY BILL AT PROPOSED RATE	PERCENT INCREASE OVER CURRENT
5,000	\$19.85	\$21.99	10.8%
10,000	\$37.75	\$41.84	10.8%
20,000	\$69.05	\$76.54	10.8%
30,000	\$99.35	\$110.14	10.9%
50,000	\$159.95	\$177.34	10.9%
75,000	\$230.70	\$255.84	10.9%
100,000	\$301.45	\$334.34	10.9%
150,000	\$437.95	\$485.84	10.9%

MONTHLY USAGE	MONTHLY BILL AT CURRENT RATE	MONTHLY BILL AT PROPOSED RATE	PERCENT INCREASE OVER CURRENT
10,000	\$37.75	\$41.82	10.8%
20,000	\$69.05	\$76.52	10.8%
30,000	\$99.35	\$110.12	10.8%
50,000	\$159.95	\$177.32	10.9%
75,000	\$230.70	\$255.82	10.9%
100,000	\$301.45	\$334.32	10.9%
150,000	\$437.95	\$485.82	10.9%

Monthly Rates For Schedule 1 - 2" Meter:

CURRENT RATE		PROPOSED RATE	
First 20,000 gals	\$69.05 Minimum Bill	First 20,000 gals	\$76.50 Minimum Bill
Next 30,000 gals	3.03 Per 1,000 Gals	Next 30,000 gals	3.36 Per 1,000 Gals
Next 50,000 gals	2.83 Per 1,000 Gals	Next 50,000 gals	3.14 Per 1,000 Gals
All over 100,000 gals	2.73 Per 1,000 Gals	All over 100,000 gals	3.03 Per 1,000 Gals

MONTHLY USAGE	MONTHLY BILL AT CURRENT RATE	MONTHLY BILL AT PROPOSED RATE	PERCENT INCREASE OVER CURRENT
20,000	\$69.05	\$76.50	10.8%
30,000	\$99.35	\$110.10	10.8%
50,000	\$159.95	\$177.30	10.8%
100,000	\$301.45	\$334.30	10.9%

Monthly Rates For Schedule 1 - 4" Meter:

CURRENT RATE		PROPOSED RATE	
First 50,000 gals	\$159.95 Minimum Bill	First 50,000 gals	\$177.20 Minimum Bill
Next 50,000 gals	2.83 Per 1,000 Gals	Next 50,000 gals	3.14 Per 1,000 Gals
All over 100,000 gals	2.73 Per 1,000 Gals	All over 100,000 gals	3.03 Per 1,000 Gals

MONTHLY USAGE	MONTHLY BILL AT CURRENT RATE	MONTHLY BILL AT PROPOSED RATE	PERCENT INCREASE OVER CURRENT
50,000	\$159.95	\$177.20	10.8%
75,000	\$230.70	\$255.70	10.8%
100,000	\$301.45	\$334.20	10.9%
200,000	\$574.45	\$637.20	10.9%
300,000	\$847.45	\$940.20	10.9%

Monthly Rates For Schedule 2 - 5/8" X 3/4" Meter:

CURRENT RATE		PROPOSED RATE	
First 2,000 gals	\$11.06 Minimum Bill	First 2,000 gals	\$11.93 Minimum Bill
Next 3,000 gals	3.93 Per 1,000 Gals	Next 3,000 gals	4.36 Per 1,000 Gals
Next 5,000 gals	3.58 Per 1,000 Gals	Next 5,000 gals	3.97 Per 1,000 Gals
Next 10,000 gals	3.13 Per 1,000 Gals	Next 10,000 gals	3.47 Per 1,000 Gals
Next 30,000 gals	3.03 Per 1,000 Gals	Next 30,000 gals	3.36 Per 1,000 Gals
Next 50,000 gals	2.83 Per 1,000 Gals	Next 50,000 gals	3.14 Per 1,000 Gals
All over 100,000 gals	2.73 Per 1,000 Gals	All over 100,000 gals	3.03 Per 1,000 Gals

MONTHLY USAGE	MONTHLY BILL AT CURRENT RATE	MONTHLY BILL AT PROPOSED RATE	PERCENT INCREASE OVER CURRENT
2,000	\$11.06	\$11.93	7.9%
5,000	\$22.85	\$25.01	9.5%
10,000	\$40.75	\$44.86	10.1%
20,000	\$72.05	\$79.56	10.4%
30,000	\$102.35	\$113.16	10.6%
50,000	\$162.95	\$180.36	10.7%
75,000	\$233.70	\$258.86	10.8%
100,000	\$304.45	\$337.36	10.8%
150,000	\$440.95	\$488.86	10.8%

Monthly Rates For Schedule 2 - 3/4" Meter:

CURRENT RATE		PROPOSED RATE	
First 3,500 gals	\$16.96 Minimum Bill	First 2,000 gals	\$18.47 Minimum Bill
Next 1,500 gals	3.93 Per 1,000 Gals	Next 1,500 gals	4.36 Per 1,000 Gals
Next 5,000 gals	3.58 Per 1,000 Gals	Next 5,000 gals	3.97 Per 1,000 Gals
Next 10,000 gals	3.13 Per 1,000 Gals	Next 10,000 gals	3.47 Per 1,000 Gals
Next 30,000 gals	3.03 Per 1,000 Gals	Next 30,000 gals	3.36 Per 1,000 Gals
Next 50,000 gals	2.83 Per 1,000 Gals	Next 50,000 gals	3.14 Per 1,000 Gals
All over 100,000 gals	2.73 Per 1,000 Gals	All over 100,000 gals	3.03 Per 1,000 Gals

MONTHLY USAGE	MONTHLY BILL AT CURRENT RATE	MONTHLY BILL AT PROPOSED RATE	PERCENT INCREASE OVER CURRENT
2,000	\$16.96	\$18.47	8.9%
5,000	\$22.86	\$25.01	9.4%
10,000	\$40.76	\$44.86	10.1%
20,000	\$72.06	\$79.56	10.4%
30,000	\$102.36	\$113.16	10.6%
50,000	\$162.96	\$180.36	10.7%
75,000	\$233.71	\$258.86	10.8%
100,000	\$304.46	\$337.36	10.8%
150,000	\$440.96	\$488.86	10.9%

Monthly Rates For Schedule 2 - 1" Meter:

CURRENT RATE		PROPOSED RATE	
First 5,000 gals	\$22.85 Minimum Bill	First 5,000 gals	\$24.99 Minimum Bill
Next 5,000 gals	3.58 Per 1,000 Gals	Next 5,000 gals	3.97 Per 1,000 Gals
Next 10,000 gals	3.13 Per 1,000 Gals	Next 10,000 gals	3.47 Per 1,000 Gals
Next 30,000 gals	3.03 Per 1,000 Gals	Next 30,000 gals	3.36 Per 1,000 Gals
Next 50,000 gals	2.83 Per 1,000 Gals	Next 50,000 gals	3.14 Per 1,000 Gals
All over 100,000 gals	2.73 Per 1,000 Gals	All over 100,000 gals	3.03 Per 1,000 Gals

MONTHLY USAGE	MONTHLY BILL AT CURRENT RATE	MONTHLY BILL AT PROPOSED RATE	PERCENT INCREASE OVER CURRENT
5,000	\$22.85	\$24.99	9.4%
10,000	\$40.75	\$44.84	10.0%
20,000	\$72.05	\$79.54	10.4%
30,000	\$102.35	\$113.14	10.5%
50,000	\$162.95	\$180.34	10.7%
75,000	\$233.70	\$258.84	10.8%
100,000	\$304.45	\$337.34	10.8%
150,000	\$440.95	\$488.84	10.9%

Monthly Rates For Schedule 2 - 1 1/2" Meter:

CURRENT RATE		PROPOSED RATE	
First 10,000 gals	\$40.75 Minimum Bill	First 10,000 gals	\$44.82 Minimum Bill
Next 10,000 gals	3.13 Per 1,000 Gals	Next 10,000 gals	3.47 Per 1,000 Gals
Next 30,000 gals	3.03 Per 1,000 Gals	Next 30,000 gals	3.36 Per 1,000 Gals
Next 50,000 gals	2.83 Per 1,000 Gals	Next 50,000 gals	3.14 Per 1,000 Gals
All over 100,000 gals	2.73 Per 1,000 Gals	All over 100,000 gals	3.03 Per 1,000 Gals

MONTHLY USAGE	MONTHLY BILL AT CURRENT RATE	MONTHLY BILL AT PROPOSED RATE	PERCENT INCREASE OVER CURRENT
10,000	\$40.75	\$44.82	10.0%
20,000	\$72.05	\$79.52	10.4%
30,000	\$102.35	\$113.12	10.5%
50,000	\$162.95	\$180.32	10.7%
75,000	\$233.70	\$258.82	10.7%
100,000	\$304.45	\$337.32	10.8%
150,000	\$440.95	\$488.82	10.9%

Monthly Rates For Schedule 2 - 2" Meter:

CURRENT RATE		PROPOSED RATE	
First 20,000 gals	\$72.05 Minimum Bill	First 20,000 gals	\$79.50 Minimum Bill
Next 30,000 gals	3.03 Per 1,000 Gals	Next 30,000 gals	3.36 Per 1,000 Gals
Next 50,000 gals	2.83 Per 1,000 Gals	Next 50,000 gals	3.14 Per 1,000 Gals
All over 100,000 gals	2.73 Per 1,000 Gals	All over 100,000 gals	3.03 Per 1,000 Gals

MONTHLY USAGE	MONTHLY BILL AT CURRENT RATE	MONTHLY BILL AT PROPOSED RATE	PERCENT INCREASE OVER CURRENT
20,000	\$72.05	\$79.50	10.3%
30,000	\$102.35	\$113.10	10.5%
50,000	\$162.95	\$180.30	10.6%
100,000	\$304.45	\$337.30	10.8%

Monthly Rates For Schedule 2 - 4" Meter:

CURRENT RATE		PROPOSED RATE	
First 50,000 gals	\$162.95 Minimum Bill	First 50,000 gals	\$180.20 Minimum Bill
Next 50,000 gals	2.83 Per 1,000 Gals	Next 50,000 gals	3.14 Per 1,000 Gals
All over 100,000 gals	2.73 Per 1,000 Gals	All over 100,000 gals	3.03 Per 1,000 Gals

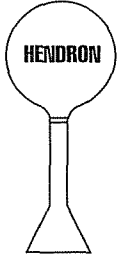
MONTHLY USAGE	MONTHLY BILL AT CURRENT RATE	MONTHLY BILL AT PROPOSED RATE	PERCENT INCREASE OVER CURRENT
50,000	\$162.95	\$180.20	10.6%
75,000	\$233.70	\$258.70	10.7%
100,000	\$304.45	\$337.20	10.8%
200,000	\$577.45	\$640.20	10.9%
300,000	\$850.45	\$943.20	10.9%

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Hendron WATER DISTRICT

4410 A.T. Massa Drive
Paducah, KY 42003



PRESORTED
FIRST-CLASS MAIL
U.S. POSTAGE PAID
PADUCAH, KY 42003
Permit No. 29

NOTICE

Hendron Water District has filed an application with the Public Service Commission to increase its rates for water service. Hendron has not requested a rate increase due to its inflated operation costs since 1992. Most recent rate increases were due to increases to Hendron by its water provider. Hendron believes it can justify a rate increase of 15.08%. However, to reduce the burden upon its customers, Hendron is instead requesting a smaller rate increase of 10.78%. The proposed effective date of the change is May 15, 2009.

Monthly Rates For Schedule 1 - 5/8" X 3/4" Meter:

<u>Current</u>		<u>Proposed</u>	<u>Rate</u>
First 2,000 gallons	\$8.06 Minimum Bill	First 2,000 gallons	\$8.93 Minimum Bill
Next 3,000 gallons	3.93 Per 1,000 Gallons	Next 3,000 gallons	4.36 Per 1,000 Gallons
Next 5,000 gallons	3.58 Per 1,000 Gallons	Next 5,000 gallons	3.97 Per 1,000 Gallons
Next 10,000 gallons	3.13 Per 1,000 Gallons	Next 10,000 gallons	3.47 Per 1,000 Gallons
Next 30,000 gallons	3.03 Per 1,000 Gallons	Next 30,000 gallons	3.36 Per 1,000 Gallons
Next 50,000 gallons	2.83 Per 1,000 Gallons	Next 50,000 gallons	3.14 Per 1,000 Gallons
All over 100,000 gallons	2.73 Per 1,000 Gallons	All over 100,000 gallons	3.03 Per 1,000 Gallons

<u>MONTHLY USAGE</u>	<u>MONTHLY BILL AT CURRENT RATE</u>	<u>MONTHLY BILL AT PROPOSED RATE</u>	<u>PERCENT INCREASE OVER CURRENT</u>
2,000	\$8.06	\$8.93	10.8%
5,000	\$19.85	\$22.01	10.9%
10,000	\$37.75	\$41.86	10.9%
20,000	\$69.05	\$76.56	10.9%
30,000	\$99.35	\$110.16	10.9%
50,000	\$159.95	\$177.36	10.9%
75,000	\$230.70	\$255.86	10.9%
100,000	\$301.45	\$334.36	10.9%
150,000	\$437.95	\$485.86	10.9%

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Monthly Rates For Schedule 1 - 3/4" Meter:

<u>Current</u>		<u>Proposed</u>	<u>Rate</u>
First 3,500 gallons	\$13.96 Minimum Bill	First 3,500 gallons	\$15.47 Minimum Bill
Next 1,500 gallons	3.93 Per 1,000 Gallons	Next 1,500 gallons	4.36 Per 1,000 Gallons
Next 5,000 gallons	3.58 Per 1,000 Gallons	Next 5,000 gallons	3.97 Per 1,000 Gallons
Next 10,000 gallons	3.13 Per 1,000 Gallons	Next 10,000 gallons	3.47 Per 1,000 Gallons
Next 30,000 gallons	3.03 Per 1,000 Gallons	Next 30,000 gallons	3.36 Per 1,000 Gallons
Next 50,000 gallons	2.83 Per 1,000 Gallons	Next 50,000 gallons	3.14 Per 1,000 Gallons
All over 100,000 gallons	2.73 Per 1,000 Gallons	All over 100,000 gallons	3.03 Per 1,000 Gallons

<u>MONTHLY USAGE</u>	<u>MONTHLY BILL AT CURRENT RATE</u>	<u>MONTHLY BILL AT PROPOSED RATE</u>	<u>PERCENT INCREASE OVER CURRENT</u>
2,000	\$13.96	\$15.47	10.8%
5,000	\$19.86	\$22.01	10.8%
10,000	\$37.76	\$41.86	10.9%
20,000	\$69.06	\$76.56	10.9%
30,000	\$99.36	\$110.16	10.9%
50,000	\$159.96	\$177.36	10.9%
75,000	\$230.71	\$255.86	10.9%
100,000	\$301.46	\$334.36	10.9%
150,000	\$437.96	\$485.86	10.9%

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Monthly Rates For Schedule 1 - 1" Meter:

<u>Current</u>		<u>Proposed</u>	<u>Rate</u>
First 5,000 gallons	\$19.85 Minimum Bill	First 5,000 gallons	\$21.99 Minimum Bill
Next 5,000 gallons	3.58 Per 1,000 Gallons	Next 5,000 gallons	3.97 Per 1,000 Gallons
Next 10,000 gallons	3.13 Per 1,000 Gallons	Next 10,000 gallons	3.47 Per 1,000 Gallons
Next 30,000 gallons	3.03 Per 1,000 Gallons	Next 30,000 gallons	3.36 Per 1,000 Gallons
Next 50,000 gallons	2.83 Per 1,000 Gallons	Next 50,000 gallons	3.14 Per 1,000 Gallons
All over 100,000 gallons	2.73 Per 1,000 Gallons	All over 100,000 gallons	3.03 Per 1,000 Gallons

<u>MONTHLY USAGE</u>	<u>MONTHLY BILL AT CURRENT RATE</u>	<u>MONTHLY BILL AT PROPOSED RATE</u>	<u>PERCENT INCREASE OVER CURRENT</u>
5,000	\$19.85	\$21.99	10.8%
10,000	\$37.75	\$41.84	10.8%
20,000	\$69.05	\$76.54	10.8%
30,000	\$99.35	\$110.14	10.9%
50,000	\$159.95	\$177.34	10.9%
75,000	\$230.70	\$255.84	10.9%
100,000	\$301.45	\$334.34	10.9%
150,000	\$437.95	\$485.84	10.9%

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Monthly Rates For Schedule 1 – 1 1/2" Meter:

<u>Current</u>		<u>Proposed</u>		<u>Rate</u>
First 10,000 gallons	\$37.75 Minimum Bill	First 10,000 gallons	\$41.82 Minimum Bill	
Next 10,000 gallons	3.13 Per 1,000 Gallons	Next 10,000 gallons	3.47 Per 1,000 Gallons	
Next 30,000 gallons	3.03 Per 1,000 Gallons	Next 30,000 gallons	3.36 Per 1,000 Gallons	
Next 50,000 gallons	2.83 Per 1,000 Gallons	Next 50,000 gallons	3.14 Per 1,000 Gallons	
All over 100,000 gallons	2.73 Per 1,000 Gallons	All over 100,000 gallons	3.03 Per 1,000 Gallons	

<u>MONTHLY USAGE</u>	<u>MONTHLY BILL AT CURRENT RATE</u>	<u>MONTHLY BILL AT PROPOSED RATE</u>	<u>PERCENT INCREASE OVER CURRENT</u>
10,000	\$37.75	\$41.82	10.8%
20,000	\$69.05	\$76.52	10.8%
30,000	\$99.35	\$110.12	10.8%
50,000	\$159.95	\$177.32	10.9%
75,000	\$230.70	\$255.82	10.9%
100,000	\$301.45	\$334.32	10.9%
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Monthly Rates For Schedule 1 – 2" Meter:

<u>Current</u>		<u>Proposed</u>		<u>Rate</u>
First 20,000 gallons	\$69.05 Minimum Bill	First 20,000 gallons	\$76.50 Minimum Bill	
Next 30,000 gallons	3.03 Per 1,000 Gallons	Next 30,000 gallons	3.36 Per 1,000 Gallons	
Next 50,000 gallons	2.83 Per 1,000 Gallons	Next 50,000 gallons	3.14 Per 1,000 Gallons	
All over 100,000 gallons	2.73 Per 1,000 Gallons	All over 100,000 gallons	3.03 Per 1,000 Gallons	

<u>MONTHLY USAGE</u>	<u>MONTHLY BILL AT CURRENT RATE</u>	<u>MONTHLY BILL AT PROPOSED RATE</u>	<u>PERCENT INCREASE OVER CURRENT</u>
20,000	\$69.05	\$76.50	10.8%
30,000	\$99.35	\$110.10	10.8%
50,000	\$159.95	\$177.30	10.8%
100,000	\$301.45	\$334.30	10.9%

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Monthly Rates For Schedule 1 – 4" Meter:

<u>Current</u>	<u>Proposed</u>	<u>Rate</u>
First 50,000 gallons \$159.95 Minimum Bill	First 50,000 gallons \$177.20 Minimum Bill	
Next 50,000 gallons 2.83 Per 1,000 Gallons	Next 50,000 gallons 3.14 Per 1,000 Gallons	
All over 100,000 gallons 2.73 Per 1,000 Gallons	All over 100,000 gallons 3.03 Per 1,000 Gallons	

<u>MONTHLY USAGE</u>	<u>MONTHLY BILL AT CURRENT RATE</u>	<u>MONTHLY BILL AT PROPOSED RATE</u>	<u>PERCENT INCREASE OVER CURRENT</u>
50,000	\$159.95	\$177.20	10.8%
75,000	\$230.70	\$255.70	10.8%
100,000	\$301.45	\$334.20	10.9%
200,000	\$574.45	\$637.20	10.9%
300,000	\$847.45	\$940.20	10.9%

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Any corporation, association, body politic, or person may request leave to intervene, by motion within thirty (30) days after notice of the proposed rate change is given. A motion to intervene shall be in writing, shall be submitted to the Executive Director, Public Service Commission, Post Office Box 615, Frankfort, KY 40602, and shall set forth the grounds for the motion, including the status and interest of the party movant. Copies of the application may be obtained at no charge from the utility office at Hendron Water District, 4410 A.T. Massa Drive, Paducah, KY 42003. Upon request from an intervenor, the utility shall furnish to the intervenor a copy of the application and supporting documents.

Hendron Water District

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Monthly Rates For Schedule 2 - 5/8" X 3/4" Meter:

<u>Current</u>		<u>Proposed</u>	<u>Rate</u>
First 2,000 gallons	\$11.06 Minimum Bill	First 2,000 gallons	\$11.93 Minimum Bill
Next 3,000 gallons	3.93 Per 1,000 Gallons	Next 3,000 gallons	4.36 Per 1,000 Gallons
Next 5,000 gallons	3.58 Per 1,000 Gallons	Next 5,000 gallons	3.97 Per 1,000 Gallons
Next 10,000 gallons	3.13 Per 1,000 Gallons	Next 10,000 gallons	3.47 Per 1,000 Gallons
Next 30,000 gallons	3.03 Per 1,000 Gallons	Next 30,000 gallons	3.36 Per 1,000 Gallons
Next 50,000 gallons	2.83 Per 1,000 Gallons	Next 50,000 gallons	3.14 Per 1,000 Gallons
All over 100,000 gallons	2.73 Per 1,000 Gallons	All over 100,000 gallons	3.03 Per 1,000 Gallons

<u>MONTHLY USAGE</u>	<u>MONTHLY BILL AT CURRENT RATE</u>	<u>MONTHLY BILL AT PROPOSED RATE</u>	<u>PERCENT INCREASE OVER CURRENT</u>
2,000	\$11.06	\$11.93	7.9%
5,000	\$22.85	\$25.01	9.5%
10,000	\$40.75	\$44.86	10.1%
20,000	\$72.05	\$79.56	10.4%
30,000	\$102.35	\$113.16	10.6%
50,000	\$162.95	\$180.36	10.7%
75,000	\$233.70	\$258.86	10.8%
100,000	\$304.45	\$337.36	10.8%
150,000	\$440.95	\$488.86	10.8%

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Monthly Rates For Schedule 2 - 3/4" Meter:

<u>Current</u>		<u>Proposed</u>	<u>Rate</u>
First 3,500 gallons	\$16.96 Minimum Bill	First 3,500 gallons	\$18.47 Minimum Bill
Next 1,500 gallons	3.93 Per 1,000 Gallons	Next 1,500 gallons	4.36 Per 1,000 Gallons
Next 5,000 gallons	3.58 Per 1,000 Gallons	Next 5,000 gallons	3.97 Per 1,000 Gallons
Next 10,000 gallons	3.13 Per 1,000 Gallons	Next 10,000 gallons	3.47 Per 1,000 Gallons
Next 30,000 gallons	3.03 Per 1,000 Gallons	Next 30,000 gallons	3.36 Per 1,000 Gallons
Next 50,000 gallons	2.83 Per 1,000 Gallons	Next 50,000 gallons	3.14 Per 1,000 Gallons
All over 100,000 gallons	2.73 Per 1,000 Gallons	All over 100,000 gallons	3.03 Per 1,000 Gallons

<u>MONTHLY USAGE</u>	<u>MONTHLY BILL AT CURRENT RATE</u>	<u>MONTHLY BILL AT PROPOSED RATE</u>	<u>PERCENT INCREASE OVER CURRENT</u>
2,000	\$16.96	\$18.47	8.9%
5,000	\$22.86	\$25.01	9.4%
10,000	\$40.76	\$44.86	10.1%
20,000	\$72.06	\$79.56	10.4%
30,000	\$102.36	\$113.16	10.6%
50,000	\$162.96	\$180.36	10.7%
75,000	\$233.71	\$258.86	10.8%
100,000	\$304.46	\$337.36	10.8%
150,000	\$440.96	\$488.86	10.9%

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Monthly Rates For Schedule 2 - 1" Meter:

<u>Current</u>	<u>Proposed</u>	<u>Rate</u>
First 5,000 gallons \$22.85 Minimum Bill	First 5,000 gallons \$24.99 Minimum Bill	
Next 5,000 gallons 3.58 Per 1,000 Gallons	Next 5,000 gallons 3.97 Per 1,000 Gallons	
Next 10,000 gallons 3.13 Per 1,000 Gallons	Next 10,000 gallons 3.47 Per 1,000 Gallons	
Next 30,000 gallons 3.03 Per 1,000 Gallons	Next 30,000 gallons 3.36 Per 1,000 Gallons	
Next 50,000 gallons 2.83 Per 1,000 Gallons	Next 50,000 gallons 3.14 Per 1,000 Gallons	
All over 100,000 gallons 2.73 Per 1,000 Gallons	All over 100,000 gallons 3.03 Per 1,000 Gallons	

<u>MONTHLY USAGE</u>	<u>MONTHLY BILL AT CURRENT RATE</u>	<u>MONTHLY BILL AT PROPOSED RATE</u>	<u>PERCENT INCREASE OVER CURRENT</u>
5,000	\$22.85	\$24.99	9.4%
10,000	\$40.75	\$44.84	10.0%
20,000	\$72.05	\$79.54	10.4%
30,000	\$102.35	\$113.14	10.5%
50,000	\$162.95	\$180.34	10.7%
75,000	\$233.70	\$258.84	10.8%
100,000	\$304.45	\$337.34	10.8%
150,000	\$440.95	\$488.84	10.9%

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Monthly Rates For Schedule 2 – 1 1/2" Meter:

<u>Current</u>	<u>Proposed</u>	<u>Rate</u>
First 10,000 gallons \$40.75 Minimum Bill	First 10,000 gallons \$44.82 Minimum Bill	
Next 10,000 gallons 3.13 Per 1,000 Gallons	Next 10,000 gallons 3.47 Per 1,000 Gallons	
Next 30,000 gallons 3.03 Per 1,000 Gallons	Next 30,000 gallons 3.36 Per 1,000 Gallons	
Next 50,000 gallons 2.83 Per 1,000 Gallons	Next 50,000 gallons 3.14 Per 1,000 Gallons	
All over 100,000 gallons 2.73 Per 1,000 Gallons	All over 100,000 gallons 3.03 Per 1,000 Gallons	

<u>MONTHLY USAGE</u>	<u>MONTHLY BILL AT CURRENT RATE</u>	<u>MONTHLY BILL AT PROPOSED RATE</u>	<u>PERCENT INCREASE OVER CURRENT</u>
10,000	\$40.75	\$44.82	10.0%
20,000	\$72.05	\$79.52	10.4%
30,000	\$102.35	\$113.12	10.5%
50,000	\$162.95	\$180.32	10.7%
75,000	\$233.70	\$258.82	10.7%
100,000	\$304.45	\$337.32	10.8%
150,000	\$440.95	\$488.82	10.9%

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Monthly Rates For Schedule 2 – 2" Meter:

<u>Current</u>		<u>Proposed</u>	<u>Rate</u>
First 20,000 gallons	\$72.05 Minimum Bill	First 20,000 gallons	\$79.50 Minimum Bill
Next 30,000 gallons	3.03 Per 1,000 Gallons	Next 30,000 gallons	3.36 Per 1,000 Gallons
Next 50,000 gallons	2.83 Per 1,000 Gallons	Next 50,000 gallons	3.14 Per 1,000 Gallons
All over 100,000 gallons	2.73 Per 1,000 Gallons	All over 100,000 gallons	3.03 Per 1,000 Gallons

<u>MONTHLY USAGE</u>	<u>MONTHLY BILL AT CURRENT RATE</u>	<u>MONTHLY BILL AT PROPOSED RATE</u>	<u>PERCENT INCREASE OVER CURRENT</u>
20,000	\$72.05	\$79.50	10.3%
30,000	\$102.35	\$113.10	10.5%
50,000	\$162.95	\$180.30	10.6%
100,000	\$304.45	\$337.30	10.8%

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Monthly Rates For Schedule 2 – 4" Meter:

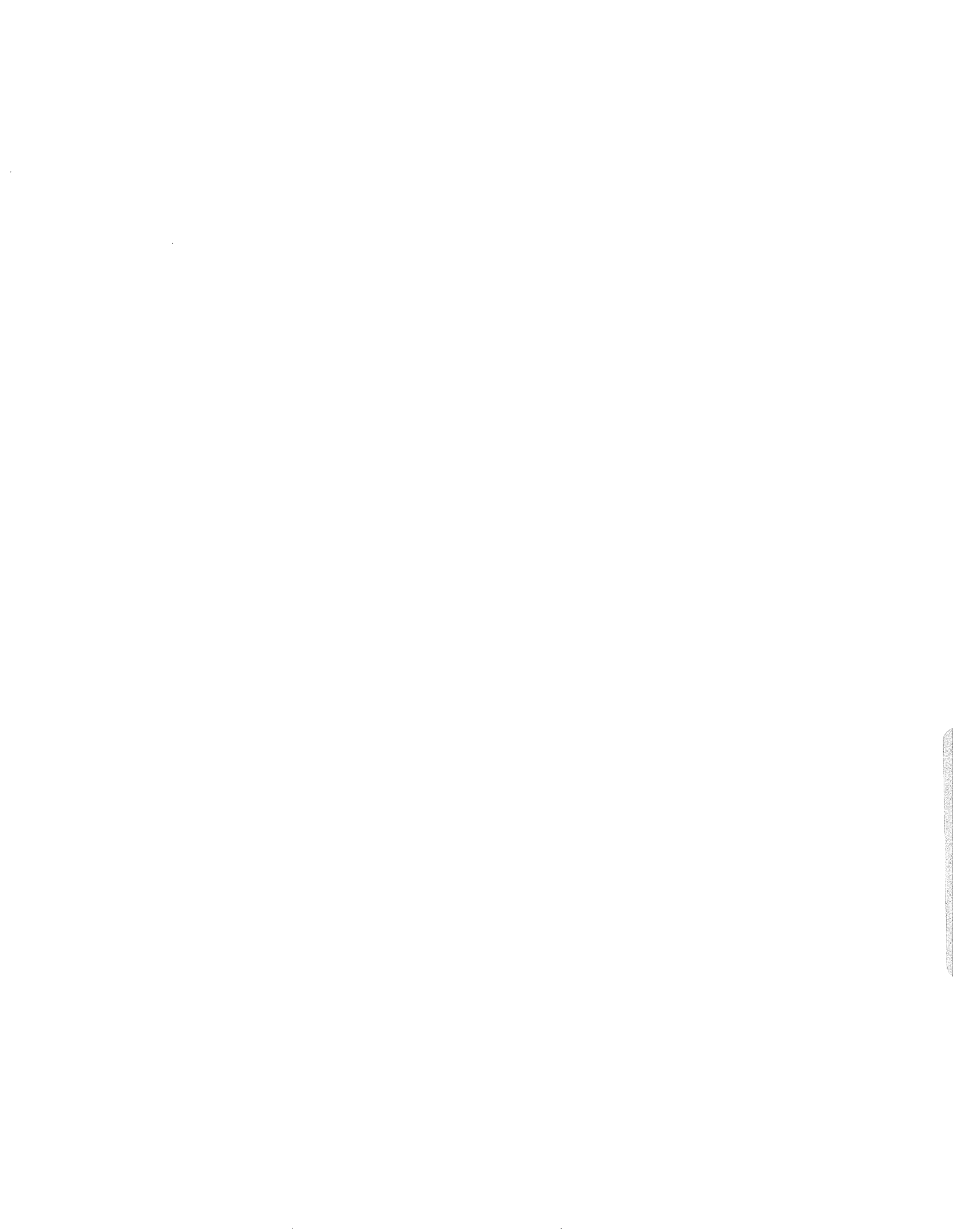
<u>Current</u>		<u>Proposed</u>	<u>Rate</u>
First 50,000 gallons	\$162.95 Minimum Bill	First 50,000 gallons	\$180.20 Minimum Bill
Next 50,000 gallons	2.83 Per 1,000 Gallons	Next 50,000 gallons	3.14 Per 1,000 Gallons
All over 100,000 gallons	2.73 Per 1,000 Gallons	All over 100,000 gallons	3.03 Per 1,000 Gallons

<u>MONTHLY USAGE</u>	<u>MONTHLY BILL AT CURRENT RATE</u>	<u>MONTHLY BILL AT PROPOSED RATE</u>	<u>PERCENT INCREASE OVER CURRENT</u>
50,000	\$162.95	\$180.20	10.6%
75,000	\$233.70	\$258.70	10.7%
100,000	\$304.45	\$337.20	10.8%
200,000	\$577.45	\$640.20	10.9%
300,000	\$850.45	\$943.20	10.9%

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

Any corporation, association, body politic, or person may request leave to intervene, by motion within thirty (30) days after notice of the proposed rate change is given. A motion to intervene shall be in writing, shall be submitted to the Executive Director, Public Service Commission, Post Office Box 615, Frankfort, KY 40602, and shall set forth the grounds for the motion, including the status and interest of the party movant. Copies of the application may be obtained at no charge from the utility office at Hendron Water District, 4410 A.T. Massa Drive, Paducah, KY 42003. Upon request from an intervenor, the utility shall furnish to the intervenor a copy of the application and supporting documents.

Hendron Water District



HENDRON WATER DISTRICT

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
YEARS ENDED DECEMBER 31, 2007 AND 2006

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WALKER & ASSOCIATES, C.P.A.'S, PLLC.

CERTIFIED PUBLIC ACCOUNTANTS

60 Lakeview Drive, Suite 1 • Paducah, KY 42001
Phone: (270) 554-9190 • Fax: (270) 554-9666

Independent Auditor's Report

Commissioners
Hendron Water District
McCracken County, Kentucky

We have audited the accompanying financial statements of Hendron Water District, McCracken County, Kentucky 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 the water district's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hendron Water District, McCracken County, Kentucky as of December 31, 2007 and 2006, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis pages 2 through 5 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information presented on pages 14 through 21 is presented for purposes of additional analysis and is not a required part of the financial statements of Hendron Water District, McCracken County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole. The insurance in force and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Walker & Associates C.A.'S PLLC

March 30, 2008

**HENDRON WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – (UNAUDITED)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

As management of Hendron Water District, we offer readers of the Water District's financial statements this narrative overview and analysis of the financial activities of the Water District for the years ended December 31, 2007 and 2006. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which follow this section.

Financial Highlights

- The assets of the Water District exceeded its liabilities for the years ended December 31, 2007 and 2006 by \$1,620,080 and \$1,550,732, respectively.
- At December 31, 2007, the Water District's equity had increased \$69,348 or 4.5% over the prior year. The term "equity" refers to the difference between assets and liabilities. The primary reason for the large increase in equity is the reclassification of Contribution in Aid of Construction from a liability to equity, because the utility construction contract had exceeded the 10 year payout period and are no longer refundable to the developer.
- Operating revenue for the Water District increased 8.5% over the prior year. Operating expenses increased 7.4%.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Water District's financial statements, which is comprised of the basic financial statements and the notes to the financial statements. Since the Water District is comprised of a single enterprise fund, no fund level financial statements are shown. The financial statements of the Water District report information using accounting methods similar to those used by private sector companies. These statements offer short and long term financial information about its activities.

The Balance Sheets include assets and liabilities, with the difference between the two reported as District Equity. It also provides the basis for evaluating the capital structure of the Water District and assessing the liquidity and financial flexibility of the Water District.

The Statements of Revenues, Expenses, and Changes in District Equity present information showing how equity changed during the fiscal years. All changes in equity are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., unbilled water sales).

The final required financial statements are the Statements of Cash Flows. The statements report cash receipts, cash payments, and net changes in cash resulting from operations, capital, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balances during the reporting periods.

**HENDRON WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – (UNAUDITED)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes can be found on pages 9-12.

Financial Analysis of the Water District

One of the most important questions asked about the Water District's finances is "Is the Water District as a whole better off or worse as a result of this year's activities?" The Balance Sheets and the Statements of Revenues, Expenses, and Changes in District Equity report information about the Water District's activities in a way that will help answer this question. These two statements report the equity of the Water District and the changes in them. One can think of the Water District's equity – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the Water District's equity are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation.

Net Assets

To begin our analysis, a summary of the Water District's Equity is presented the following table:

Condensed Balance Sheet – Table A-1

	FYE 2007	FYE 2006	Dollar Change	Total Percentage Change
Current Assets	163,842	182,386	(18,544)	(10.2)
Restricted Funds	206,126	217,151	(11,025)	(5.1)
Utility Plant and Equipment	1,788,120	1,737,945	50,175	2.9
Other Assets	1,827	2,108	(281)	(13.3)
Total Assets	2,159,915	2,139,590	20,325	1.0
Current Liabilities	155,978	106,369	49,609	46.6
Long Term Debt	292,000	359,000	(67,000)	(18.7)
Liabilities and Restricted Funds	40,864	41,706	(842)	(2.0)
Contribution in Aid of Construction	50,993	81,783	(30,790)	(37.6)
Total Liabilities	539,835	588,858	(49,023)	(8.3)
Total Water District Equity	1,620,080	1,550,732	69,348	4.5

As can be seen from the table above, equity increased \$69,348 or 4.5% in 2007 from 2006.

**HENDRON WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – (UNAUDITED)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

Condensed Statements of Revenues, Expenses, and Changes in District Equity – Table A-2

	FYE 2007	FYE 2006	Dollar Change	Total Percentage Change
Operating Revenues	793,220	731,745	61,475	7.8
Non-operating Revenues	13,943	19,341	(5,398)	(27.9)
Total Revenues	807,163	751,086	56,077	7.5
Depreciation and Amortization Expense	63,643	77,903	(14,260)	(18.3)
Other Operating Expenses	726,398	657,826	68,572	10.4
Non-operating Expenses	20,971	22,352	(1,381)	(6.2)
Total Expenses	811,012	758,081	52,931	7.00
Tap-on Fees	18,590	18,100	490	2.7
Customer Advances – Permanent	25,199	197,854	(172,655)	(87.3)
Grant Proceeds	29,408	30,142	(734)	(2.4)
Changes in Equity	69,348	239,101	(169,753)	(71.0)
Beginning Equity	1,550,732	1,311,631	239,101	18.2
Ending Equity	1,620,080	1,550,732	69,348	4.5

While the Balance Sheets show the changes in financial position of equity, the Statements of Revenues, Expenses, and Changes in District Equity provide answers as to the nature and source of these changes. As can be seen in Table A-2, the permanent application of unclaimed capital contributions made for subdivision construction that exceeded the 10 year payback period and the grant proceeds for the water main extension were the primary reason for the large increase in District Equity.

Capital Assets and Debt Administration

Capital Assets

As of December 31, 2007 and 2006, the Water District's investment in water plant and equipment, and construction in progress amounted to \$1,788,120 and \$1,737,945 respectively, net of accumulated depreciation, a increase of \$50,175 (2.9%). See page 14 of the supplementary information to the financial statements for additional information regarding capital assets.

Long Term Debt

For the years ended December 31, 2007 and 2006 the Water District had total bonded debt outstanding of \$127,000 and \$164,000 respectively. Debt service is fully funded by an exclusive pledge of a fixed portion of the gross revenues of the Water District and additionally secured by a statutory lien.

**HENDRON WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – (UNAUDITED)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

Notes payable obligations for the years ended December 31, 2007 and 2006 were \$250,225 and \$225,000, respectively. Utility plant in service secure the note. See pages 9-11 of the notes to financial statements for additional information regarding long term debt.

Rate Increase

The Kentucky Public Service Commission approved a rate increase effective July 1, 2004 for the customers served by the Water District. Rates used prior to this increase had been in place since November 1992. This change increased rates 3.2% to 5.0% per each 1,000 gallons of water utilized, depending on total usage per month. See page 13 of the supplementary information to the financial statements for additional data regarding the approved rate increase.

Requests for Information

This financial report is designed to provide a general overview of the Water District's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Commissioners, Hendron Water District, 4410 A. T. Massa Drive, Paducah, KY 42004-9015.

HENDRON WATER DISTRICT
BALANCE SHEETS
DECEMBER 31

ASSETS

	<u>2007</u>	<u>2006</u>
Current Assets		
Cash - Revenue Fund	\$ 12,440	\$ 8,305
Operation and Maintenance Fund	8,294	885
Cash - Highway 45 project	27,421	20,574
Change Fund	260	260
Restricted Funds - unrestricted portion	-	38,457
Customers' accounts receivable	77,263	69,462
Unbilled water sales	13,700	18,714
Inventory	12,354	12,354
Prepaid expense	11,601	13,330
Accrued interest receivable	509	45
Total current assets	<u>163,842</u>	<u>182,386</u>
Restricted Funds		
Bond and Interest Sinking Fund:		
Cash in bank	68,422	90,113
Certificate of deposit	9,684	38,148
Depreciation fund - certificate of deposit	30,000	30,000
Deposit fund	9,912	9,239
Less unrestricted portion	-	(38,457)
Deferred costs - Sewer Project 1978	3,220	3,220
Deferred costs - Well Project	84,888	84,888
Total restricted funds	<u>206,126</u>	<u>217,151</u>
Utility Plant and Equipment		
Water plant and equipment in service	3,892,356	3,726,665
Construction in progress	11,001	53,727
Less accumulated depreciation	(2,115,237)	(2,042,447)
Net book value of plant and equipment	<u>1,788,120</u>	<u>1,737,945</u>
Other Assets		
Unamortized cost of bond sales	1,827	2,108
Total other assets	<u>1,827</u>	<u>2,108</u>
TOTAL ASSETS	<u><u>\$ 2,159,915</u></u>	<u><u>\$ 2,139,590</u></u>

LIABILITIES AND DISTRICT EQUITY

	<u>2007</u>	<u>2006</u>
Current Liabilities		
Notes payable	\$ 85,225	\$ 30,000
Accounts payable	52,444	57,720
Sales tax payable	177	245
Utility tax payable	1,413	2,844
Meter deposits	8,475	8,035
Employee income tax withholdings payable	5,996	6,839
Accrued interest on notes payable	2,248	686
Total current liabilities	<u>155,978</u>	<u>106,369</u>
Long Term Debt		
Water district - revenue bonds	127,000	164,000
Notes payable	165,000	195,000
Total long-term debt	<u>292,000</u>	<u>359,000</u>
Liabilities and Restricted Funds		
Bond and interest sinking fund		
Accrued interest on bonds payable	3,864	4,706
Revenue bonds due within one year	37,000	37,000
Total liabilities of restricted funds	<u>40,864</u>	<u>41,706</u>
Contribution in Aid of Construction		
Customer construction contribution	<u>50,993</u>	<u>81,783</u>
Water District Equity		
Balance, December 31	<u>1,620,080</u>	<u>1,550,732</u>
TOTAL LIABILITIES AND DISTRICT EQUITY	<u>\$ 2,159,915</u>	<u>\$ 2,139,590</u>

HENDRON WATER DISTRICT
STATEMENTS OF REVENUES AND EXPENSES
AND CHANGES IN DISTRICT EQUITY
FOR THE YEARS ENDED DECEMBER 31

	<u>2007</u>	<u>2006</u>
Operating Revenue		
Water sales	\$ 775,690	\$ 714,787
Penalties	17,530	16,958
Total revenue	<u>793,220</u>	<u>731,745</u>
Operating Expenses		
Water purchases	324,845	277,323
Depreciation and amortization	63,643	77,903
Salaries	170,057	176,870
Employee benefits	39,961	36,508
Billing expense	9,353	10,173
Utilities	31,849	29,193
Truck expense	20,348	17,555
Supplies and chemicals	2,563	1,976
Office supplies and expense	7,816	9,968
Insurance	22,494	23,029
Bad debts	1,724	2,579
Professional fees	33,368	24,359
Commissioners' fees	7,200	7,200
Repairs and maintenance	28,014	13,788
Taxes and licenses	14,651	14,092
Miscellaneous expense	12,155	13,213
Total operating expenses	<u>790,041</u>	<u>735,729</u>
Operating income (loss)	<u>3,179</u>	<u>(3,984)</u>
Other Income (Expenses)		
Interest income	2,498	2,599
Connection fees and other	11,445	16,742
Interest expense	(20,971)	(22,352)
Total other income (expense)	<u>(7,028)</u>	<u>(3,011)</u>
Excess (deficit) revenues over expenses	(3,849)	(6,995)
Water district equity - January 1	1,550,732	1,311,631
Tap-on fees	18,590	18,100
Grant - Kentucky Infrastructure Authority	29,408	30,142
Contributed capital - Customer advances (Permanent)	<u>25,199</u>	<u>197,854</u>
WATER DISTRICT EQUITY - DECEMBER 31	<u><u>\$ 1,620,080</u></u>	<u><u>\$ 1,550,732</u></u>

See notes to financial statements and independent auditor's report.

**HENDRON WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31**

	2007	2006
Cash Flows from Operating Activities		
Excess (deficit) revenues over expenses	\$ (3,849)	\$ (6,995)
Adjustments to reconcile excess revenues over expenses to net cash provided by operating activities:		
Depreciation	63,361	77,309
Amortization	282	593
Decrease (increase) in:		
Certificate of deposit	28,464	(1,709)
Accounts receivable	(7,801)	2,298
Unbilled water sales	5,014	(714)
Accrued interest receivable	(464)	(13)
Prepaid expenses	1,729	235
Increase (decrease) in:		
Accounts payable	(6,775)	(689)
Accrued expenses	(843)	2,593
Meter deposits	440	(240)
Interest payable	720	(853)
	80,278	71,815
Cash Flows from Capital and Related Financial Activities		
Proceeds from tap-on fees	18,590	18,100
Proceeds from sale of equipment	-	-
Note proceeds	55,225	-
KIA Grant	29,408	30,142
Purchase of property and equipment	(108,836)	(75,765)
Payments on notes payable and revenue bonds	(67,000)	(65,000)
Refunds of customer construction advances	(10,292)	(6,820)
	(82,905)	(99,343)
Net cash used for capital and related financial activities		
	(82,905)	(99,343)
Net increase (decrease) in cash and cash equivalents	(2,627)	(27,528)
Cash and cash equivalents at beginning of year	129,376	156,904
	126,749	129,376
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 126,749	\$ 129,376

See notes to financial statements and independent auditor's report.

**HENDRON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

Note 1 – Significant Accounting Policies

Basis of Accounting

Hendron Water District uses the accrual basis of accounting.

Utility Plant and Equipment

Utility plant and equipment components are stated at cost. Depreciation is provided for allocation of these costs, using the straight-line method over their estimated useful lives.

Unamortized Bond Discount and Issue Cost

Bond discount and issue costs are amortized over the term of the respective bonds using the straight-line method.

Bad Debts

The District uses the direct write-off method for uncollectible accounts, which is not a generally accepted accounting principle. However, any difference would be immaterial.

Note 2 – Cash and Certificates of Deposit

For the year ended December 31, 2007, the carrying amount of the District’s cash and certificates of deposit was \$166,433 and the bank balance was \$175,652. Deposits are held in a financial institution located in McCracken County. \$109,912 of the bank balance was covered by federal depository with the remaining balance covered by assets pledged by their financial institution.

Notes 3 – Bonds Payable

Bonds payable consist of the following at December 31:

	<u>2007</u>	<u>2006</u>
Hendron Water District’s refunding and improvement revenue bonds dated February 1, 1971, Series A bear an interest rate at 3 ½% payable through February 1, 2004. Series B bonds bear an interest rate at 5 3/8% payable through February 1, 2011, secured by and payable from an exclusive pledge of a fixed portion of the gross revenues of the Waterworks System, and additionally secured by a statutory lien.	\$ 164,000	\$201,000
Less current maturities	<u>38,000</u>	<u>37,000</u>
TOTAL LONG-TERM BONDS PAYABLE	<u>\$ 126,000</u>	<u>\$164,000</u>

**HENDRON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

Note 3 – Bonds Payable continued

A schedule of annual bond service requirements follows:

Revenue Bond – Principal and Interest Requirements:

	Principal Due February	Interest Requirements		Total Requirements
	Series B	February 1	August 1	
2008	38,000	4,407	3,386	45,793
2009	40,000	3,386	2,311	45,697
2010	42,000	2,311	1,182	45,493
2011	44,000	1,182	-	45,182
TOTALS	<u>164,000</u>	<u>\$ 11,286</u>	<u>\$ 6,879</u>	<u>\$ 182,165</u>

Bonds maturing on February 1, 1982, and thereafter, are redeemable in whole or in part in inverse numerical and maturity order on February 1, 1991, or upon any interest payment date thereafter, upon not less than thirty days (30) days prior notice, together with the following premiums:

<u>On or Before</u>	<u>Premium Rate</u>
February 1, 2006	1
Thereafter to maturity	None

Note 4 – Sewer and Water Projects

The deferred costs – Sewer Project 1978 account reflects expenditures incurred and paid by the Depreciation and Operation and Maintenance Funds of Hendron Water District on behalf of the Sewer Project, which is currently inactive, but is not abandoned.

The deferred costs – Well Project reflects expenditures incurred and paid by the Depreciation and Operation and Maintenance Funds of Hendron Water District on behalf of the Well Project, which is currently inactive, but not abandoned.

Note 5 – Notes Payable

	<u>2007</u>	<u>2006</u>
Kentucky Infrastructure Authority (KIA) loan, maturing June 2013, due in monthly payments of principal and interest. The interest rate fluctuates from an initial rate of 2.25% to 5.19% at maturity, secured by utility plant in service and funds held in debt service reserve. A loan servicing fee of 1% is amortized with each monthly payment.	\$ 195,000	\$ 225,000
Paducah Bank & Trust – loan – maturing February 14, 2008 an Unsecured loan bearing interest at 7.75% interest	55,225	
Less current portion	<u>87,725</u>	<u>30,000</u>

See independent auditor's report.

**HENDRON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

Notes Payable continued

TOTAL LONG TERM NOTES PAYABLE \$162,500 \$195,000

A combined schedule of the District's future requirements applicable to outstanding obligations is shown below:

<u>Year Ending December 31</u>	<u>Interest</u>	<u>Principal</u>	<u>Fee</u>	<u>Sinking Fund</u>	<u>Loan Servicing Totals</u>
2008	\$ 9,273	\$ 87,725	\$ 390	-	97,388
2009	7,907	35,000	325	-	43,232
2010	6,341	35,000	255	-	41,596
2011	4,687	35,000	185	-	39,872
2012	2,958	37,500	115	(10,314)	30,259
Later years	1,038	20,000	40	(10,314)	10,764
 TOTALS	 <u>\$ 32,204</u>	 <u>\$ 250,225</u>	 <u>\$ 1,310</u>	 <u>\$ (20,628)</u>	 <u>\$ 263,111</u>

Note 6 -- Retirement Plan

The Hendron Water District's commissioners elected to participate in the Kentucky County Employee's Retirement System (CERS), a cost sharing, multiple-employer, public employer's retirement system beginning November 1, 1997. Funding for the Plan is provided through payroll withholdings of 5.00% and a District contribution of 13.19% through June 30, and 16.17% for July-December of the employee's total compensation subject to contribution.

The contribution requirement for CERS for the year ended December 31, 2007, was \$35,558 which consisted of \$26,473 from the District and \$9,085 from the employees.

Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the Plan documents.

The "pension benefits obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pension's funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

CERS does not make separate measurements of assets and pension benefit obligations for individual employers. The following table presents certain information regarding the plan's status as a whole, derived from actuarial valuations performed as of the dates indicated.

	<u>June 30, 2007</u>
Total pension benefit obligations	\$ 6,659,446,126
Net assets available for pension	
Benefits, at cost	<u>5,467,824,480</u>

**HENDRON WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

UNFUNDED (OVERFUNDED) PENSION
BENEFIT OBLIGATION

\$ 1,191,621,646

Note 6 – Retirement Plan continued

Ten-year and six-year historical trend information showing CERS's progress in accumulating sufficient assets to pay benefits when due is presented in their June 30, 2007, comprehensive annual financial reports.

As the District is only one of several employers participating in the Plan, it is not practical to determine the District's portion of the unfunded past service cost or the vested benefits of the District's portion of the plan assets.

Note 7 – Statements of Cash Flows Disclosures

For purposes of the statements of cash flows, the Hendron Water District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The District considers the following assets as cash and cash equivalents;

	<u>2007</u>	<u>2006</u>
Cash in revenue fund	\$ 12,440	\$ 8,305
Cash in operations and maintenance fund	8,294	885
Change fund	260	260
Bond and interest surplus fund	175	12,155
Bond and interest sinking fund	68,247	77,957
Deposit fund	9,912	9,239
Highway 45 project	<u>27,421</u>	<u>20,575</u>
 TOTALS	 <u>\$ 126,749</u>	 <u>\$ 129,376</u>

Interest paid during 2007 and 2006, was \$20,971 and \$23,352, respectively.

Supplementary Information

SUPPLEMENTARY INFORMATION

Utility Plant and Equipment	Rate	Assets			Balance 12/31/07
		Balance 12/31/06	Additions	Dispositions	
Distribution system	2.00 %	\$ 478,382	\$ -	\$ 3,344	475,038
Additions to distribution system	2.00	1,614,438	92,184	-	1,706,622
Booster pumping station	3.00	100,002	-	-	100,002
50,000 gallon water tank	2.00	58,967	-	-	58,967
100,000 gallon water tank	2.00	91,164	-	-	91,164
100,000 gallon water tank	2.00	142,121	-	-	142,121
300,000 gallon water tank	2.00	419,214	-	-	419,214
Water tank upgrade	10.00		74,426	-	74,426
Office building	3.00	29,413	-	-	29,413
Building addition	3.00	51,310	-	-	51,310
Storage building - Pump Station #1	3.00	25,607	-	-	25,607
Office building - Lions Club building	3.00	62,739	-	-	62,739
Awning	10.00	1,037	-	-	1,037
Landscaping	10.00	745	-	-	745
Parking lot	10.00	6,606	-	-	6,606
Office furniture and equipment	10.00	27,995	-	-	27,995
Other fully depreciated equipment	10.00	42,502	-	-	42,502
Other equipment	20.00	10,991	2,170	-	13,161
1987 Case Backhoe	12.50	33,050	-	-	33,050
1987 Dodge Dakota	20.00	10,004	-	-	10,004
Automatic watering system	20.00	1,583	-	-	1,583
Alarm system	20.00	3,514	-	-	3,514
Telephone and communication equipment	20.00	40,520	255	-	40,775
Taping machine	20.00	5,296	-	-	5,296
Boring machine	20.00	4,911	-	-	4,911
Trencher	20.00	57,605	-	-	57,605
Utility trailer 6x10	12.50	535	-	-	535
John Deere tractor and attachments	12.50	1,787	-	-	1,787
Signs	10.00	1,755	-	-	1,755
Computer system and equipment	20.00	46,454	-	-	46,454
Computer system - Billing & Acct.	20.00	11,155	-	-	11,155
Handheld computer meter reading equip	20.00	8,975	-	-	8,975
Lap top computer	20.00	1,348	-	-	1,348
Security system	20.00	1,060	-	-	1,060
Telemetry system	20.00	134,294	-	-	134,294
Meter test branch	10.00	3,819	-	-	3,819
Leak detector and pipe locator	10.00	2,685	-	-	2,685
Generator	10.00	1,600	-	-	1,600
Compressors - 2	10.00	1,593	-	-	1,593
Water pump	10.00	7,896	-	-	7,896
Copier	10.00	2,167	-	-	2,167
1996 Dodge Ram	20.00	23,767	-	-	23,767
John Deere tractor - 4300	12.50	18,887	-	-	18,887
Backhoe loader	12.50	47,997	-	-	47,997
Land and rights-of-way	20.00	14,766	-	-	14,766
2001 Ford pickup	20.00	22,250	-	-	22,250
1994 Chevy S-10	20.00	11,432	-	-	11,432
1997 Dodge pickup	20.00	26,907	-	-	26,907
1998 Dodge Dakota	20.00	13,820	-	-	13,820
TOTALS		\$ 3,726,665	\$ 169,035	\$ 3,344	\$ 3,892,356
Capitalized depreciation					

DEPRECIATION EXPENSE

The original system was placed in service in August 1965. Additions to the system are stated at cost. Depreciation has been based on the estimated life of the various assets. Depreciation for six months was applied to all additions.

Accumulated Depreciation			
Balance 12/31/06	Depreciation 2006	Disposition 2006	Balance 12/31/07
\$ 395,428	\$ 9,568	\$ 3,344	\$ 401,652
603,364	35,054	-	638,418
55,155	3,000	-	58,155
36,778	1,180	-	37,958
53,044	1,823	-	54,867
83,457	2,843	-	86,300
113,540	6,845	-	120,385
-	3,721	-	3,721
29,413	-	-	29,413
14,510	1,539	-	16,049
4,202	768	-	4,970
34,226	1,882	-	36,108
570	104	-	674
745	-	-	745
6,606	-	-	6,606
27,520	475	-	27,995
42,502	-	-	42,502
1,954	920	-	2,874
33,050	-	-	33,050
10,004	-	-	10,004
1,583	-	-	1,583
3,514	-	-	3,514
37,765	2,755	-	40,520
5,296	-	-	5,296
4,911	-	-	4,911
57,605	-	-	57,605
368	67	-	435
1,519	223	-	1,742
1,755	-	-	1,755
46,454	-	-	46,454
11,155	-	-	11,155
8,975	-	-	8,975
1,348	-	-	1,348
1,060	-	-	1,060
134,294	-	-	134,294
3,819	-	-	3,819
2,685	-	-	2,685
1,600	-	-	1,600
1,593	-	-	1,593
6,676	789	-	7,465
885	217	-	1,102
23,767	-	-	23,767
15,346	2,361	-	17,707
47,997	-	-	47,997
-	-	-	-
22,250	-	-	22,250
11,432	-	-	11,432
26,907	-	-	26,907
13,820	-	-	13,820
<u>\$ 2,042,447</u>	<u>76,134</u>	<u>\$ 3,344</u>	<u>\$ 2,115,237</u>
	<u>(12,773)</u>		
	<u>\$ 63,361</u>		

**HENDRON WATER DISTRICT
SUPPLEMENTARY INFORMATION**

BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts Original	Actual Amounts	Variance
Utility Operating Income			
Operating revenue	\$ 745,000	\$ 793,220	\$ 48,220
Operation and maintenance expenses	640,000	711,747	(71,747)
Depreciation expense	80,000	63,361	16,639
Amortization expense	650	282	368
Taxes other than income	14,500	14,651	(151)
Net utility operating expenses	<u>735,150</u>	<u>790,041</u>	<u>(54,891)</u>
Total Utility Operating Income (Loss)	<u>9,850</u>	<u>3,179</u>	<u>(6,671)</u>
Other Income and Deductions			
Interest and dividend income	2,500	2,498	(2)
Nonutility income	17,000	11,445	(5,555)
Interest expense	<u>(20,250)</u>	<u>(20,971)</u>	<u>(721)</u>
Total other income and deductions	<u>(750)</u>	<u>(7,028)</u>	<u>(6,278)</u>
Change in Net Assets	<u>\$ 9,100</u>	<u>\$ (3,849)</u>	<u>\$ (12,949)</u>

**HENDRON WATER DISTRICT
SUPPLEMENTARY INFORMATION**

**REVENUE FUND
CASH RECEIPTS AND DISBURSEMENTS STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2007**

Cash in bank - January 1, 2007	<u>\$ 8,305</u>
Receipts	
Water sales and sales and utility tax collected	920,544
Penalties collected	17,530
Tap fees collected	18,590
Interest income	85
Meter deposits	3,280
Transfer from Bond and Interest surplus	7,000
KIA Grant funds	19,527
Proceeds from Note Payable	55,000
Miscellaneous	11,446
Total receipts	<u>1,053,002</u>
Disbursements	
Transfers to Bond and Interest Sinking Fund	85,000
Transfers to Operation and Maintenance Fund	828,500
Highway 45 Project	15,977
Transfers to Deposit Fund	3,280
City of Paducah sewer collections	112,158
Miscellaneous	4,037
Total disbursements	<u>1,048,952</u>
CASH IN BANK - DECEMBER 31, 2007	<u><u>\$ 12,355</u></u>

**HENDRON WATER DISTRICT
SUPPLEMENTARY INFORMATION**

**DEPOSIT FUND
CASH RECEIPTS AND DISBURSEMENTS STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2007**

Cash in bank - January 1, 2007	<u>\$ 9,240</u>
Receipts	
Transfers from Revenue Fund	3,280
Interest income	18
Total receipts	<u>3,298</u>
Disbursements	
Deposit refunds	<u>2,626</u>
CASH IN BANK - DECEMBER 31, 2007	<u><u>\$ 9,912</u></u>

**HENDRON WATER DISTRICT
SUPPLEMENTARY INFORMATION**

**OPERATION AND MAINTENANCE FUND
CASH RECEIPTS AND DISBURSEMENTS STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2007**

Cash in bank - January 1, 2007	\$ 885
Receipts	
Transfers from Revenue Fund	828,500
Transfers from Bond and Interest Surplus	23,000
Transfers from Bond and Interest	-
Interest income	49
Total receipts	<u>851,549</u>
Disbursements	
Water purchases	323,711
Equipment additions	85,574
Billing expense	9,178
Salaries, net	211,356
Employee benefits	38,693
Utilities	30,972
Chemicals	2,368
Repairs and maintenance	33,420
Office supplies and expense	2,529
Truck expense	21,067
Supplies	3,482
Insurance	17,219
Professional fees and contract wages	39,753
Uniforms	3,412
Miscellaneous	9,175
Refunds - customer advances	10,292
Dues	<u>1,939</u>
Total disbursements	<u>844,140</u>
CASH IN BANK - DECEMBER 31, 2007	<u><u>\$ 8,294</u></u>

**HENDRON WATER DISTRICT
SUPPLEMENTARY INFORMATION**

**BOND AND INTEREST SURPLUS FUND
CASH RECEIPTS AND DISBURSEMENTS AT STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2007**

Cash in bank - January 1, 2007	<u>\$ 12,154</u>
Receipts	
Transfers from Revenue Fund	-
Interest income	21
Total receipts	<u>21</u>
Disbursements	
Transfers to Operations and Maintenance	5,000
Transfers to Revenue Fund	7,000
Total disbursements	<u>12,000</u>
CASH IN BANK - DECEMBER 31, 2007	<u><u>\$ 175</u></u>

**HENDRON WATER DISTRICT
SUPPLEMENTARY INFORMATION**

**BOND AND INTEREST SINKING FUND
CASH RECEIPTS AND DISBURSEMENTS STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2007**

Cash in bank - January 1, 2007	<u>\$ 77,958</u>
Receipts	
Transfers from Revenue Fund	85,000
Certificate of Deposit	30,000
Interest income	326
Total receipts	<u>115,326</u>
Disbursements	
GMAC	46,809
Workmans Comp insurance	4,900
Transfers to Operations & Maintenance	18,000
Kentucky infrastructure	40,867
Property and liability insurance	14,460
Total disbursements	<u>125,036</u>
CASH IN BANK - DECEMBER 31, 2007	<u><u>\$ 68,248</u></u>

**HENDRON WATER DISTRICT
SUPPLEMENTARY INFORMATION
INSURANCE IN FORCE (UNAUDITED)**

<u>Property</u>	<u>Amount</u>
Buildings and personal property:	
Office - 4410 A.T. Massa Drive and contents	\$ 186,200
Maintenance building - Berger Road	71,898
Equipment	307,317
Water tanks - 100,000 gallons	377,764
Water tanks - 100,000 gallons	195,000
Water tanks - 50,000 gallons	154,000
Water tanks - 300,000 gallons	394,000
Metal building	2,500
Pump station building - Krebs Station Road	56,200
Pump station building - 3601 Old Mayfield Road	96,500
Shop building and contents	106,900
Summary of coverage:	
General liability	1,000,000 per occurrence 3,000,000 per aggregate 1,000 deductible
Public Officials - errors and omissions	1,000,000 per occurrence 3,000,000 per aggregate 1,000 deductible
Business auto coverage (five vehicles and three trailers):	103,054
Liability	1,000,000 per occurrence
Comprehensive	500 deductible
Collision	500 deductible
Uninsured and underinsured motorist	60,000 per accident
Personal injury protection	10,000 per person
Buildings	per statement 500 deductible
Personal property	per statement 500 deductible
Boiler and machinery	15,000,000 1,000 deductible
Inland marine and EDP	per statement 250 deductible
Business income	500,000 per occurrence 500,000 per aggregate
Flood	1,000,000 per occurrence 1,000,000 per aggregate
Encroachment bond	50,000
Crime (other than employee dishonesty)	150,000
Employee dishonesty (blanket position) coverage	150,000 per loss 500 deductible
Employment practices	1,000,000 per occurrence 3,000,000 per aggregate 1,000 deductible
Legal defense coverage	100,000

This statement, prepared from policies submitted for our inspection, is intended only as a descriptive summary, no expression of opinion as to the adequacy of coverage is intended.

**HENDRON WATER DISTRICT
SUPPLEMENTARY INFORMATION
OTHER INFORMATION**

Rate Charges for 5/8" Meter

Gallons Used Per Month		Charges	
		Effective August 1, 2005	
2,000 or less		\$	8.06
Next 3,000	Per 1,000 gallons		3.93
Next 5,000	Per 1,000 gallons		3.58
Next 10,000	Per 1,000 gallons		3.13
Next 30,000	Per 1,000 gallons		3.03
Next 50,000	Per 1,000 gallons		2.83
Over 100,000	Per 1,000 gallons		2.73

Average number of customers served during 2006 2,643

* Add \$3.00 amortization charge for #500 system.

Commissioners of Hendron Water District
Don Peck, Chairman
Larry Hopper, Secretary
Ronnie Freeman, Treasurer

WALKER & ASSOCIATES, C.P.A.'S, PLLC.

CERTIFIED PUBLIC ACCOUNTANTS

60 Lakeview Drive, Suite 1 • Paducah, KY 42001
Phone: (270) 554-9190 • Fax: (270) 554-9666

Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Commissioners
Hendron Water District
McCracken County, Kentucky

We have audited the financial statements of Hendron Water District, McCracken County, Kentucky, as of and for the year ended December 31, 2007, and have issued our report thereon dated March 30, 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 Hendron Water District, McCracken County, Kentucky'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 Hendron Water District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Hendron Water District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Hendron 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 Hendron Water District's financial statements that is more than inconsequential will not be prevented or detected by the Hendron Water District's internal control.

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 Hendron Water District's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hendron Water District, McCracken County, Kentucky's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on

compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

Walker & Associates CA'S PLLC

March 30, 2008

