

SITE CERTIFICATE

Project No. XP-95404608-0

I, Richard W. Jones, Attorney at Law, representing the South 641 Water District as Title Counsel, do hereby certify:

1. That I have investigated and ascertained the location of, and am familiar with the legal description of the site or sites being provided by the Applicant/Grantee for all elements of the Wastewater Treatment Plant Improvements Project identified above to be constructed (modified, extended, improved, altered) operated and maintained in and upon such site or sites.
2. That I have examined the deed records of the county or counties in which such a project is to be located and in my opinion, the Applicant/Grantee has a legal and valid fee simple title or such other estate or interest in the site of the project, including necessary easements and rights-of-way sufficient to assure undisturbed use and possession for the purpose of construction, operation and maintenance for the estimated life of the project.
3. That any deeds or documents required to be recorded in order to protect the title of the owner and the interest of the Applicant/Grantee have been duly recorded and filed for record wherever necessary.
4. That all easements obtained for which the Environmental Protection Agency has funded 39.44 % of the cost have been encumbered in accordance with the requirements of State and local law to adequately protect the interest of the United States.
5. Remarks:

Dated this 9th day of June, 2009

Richard W. Jones, Attorney at Law
Attorney at Law

314 Main Street, Murray, KY 42071
Address

Exhibit D

807 KAR 5:001: Section 9(2)(c)

Project descriptions for the following project activities:

- 1) Influent Lift Station
- 2) Wastewater Lagoon Disinfection Chamber & Chemical Building
- 3) Weir in East Clarks River
- 4) Groundwater Protection Plan

INFLUENT LIFT STATION CALCULATIONS
SOUTH 641 WATER DISTRICT
HAZEL, KENTUCKY

DECEMBER 2008

The current sewer system for the City of Hazel is collected at one manhole and lift station located on Calloway Street. This is also the influent lift station for the existing wastewater treatment facility. Due to the poor condition of the structure and pumping system, it is being replaced with a new lift station.

One part of this WWTP upgrade project is to re-rate the plant from 30,000 gpd to 37,000 gpd. The influent flows for the current plant have been tabulated over the last two years as shown below. There were four months with no data available. The average daily flow ranges from 20,000 gpd to 53,000 gpd with an annual average of 38,000 gpd. The peak flow ranges from 26,000 gpd to 142,000 gpd with an annual average peak of 103,000 gpd. The wastewater collection system will be rehabilitated concurrently with the WWTP upgrade in order to reduce the I/I in the system.

The proposed lift station is designed based on an average daily flow of 50,000 gpd with a peaking factor of four. ($4 \times 50,000 \text{ gpd} = 200,000 \text{ gpd}$ - peak) These are sufficient design parameters according to the recent DMRs. The existing lift station will be converted to a manhole and will serve as some additional storage for the proposed lift station.

The pumps in the proposed lift station are designed for two cases. The proposed lift station will continue to pump to the existing lagoon via the existing 4" force main. However, the long range plan for the South 641 Water District is to pump the wastewater to the Murray, Kentucky wastewater treatment plant. Pumping to Murray will most likely be provided through a 6" force main to another lift station located approximately half way to Murray, where it be pumped again for the remaining distance. The pumps will be sized in order to use the same pumps for both cases. The only change will be an increased impeller size, due to increased head when pumping to Murray.

See the following sheet for the flow summary from January 2006 to October 2008:

FLOW SUMMARY - January 2006 through October 2008

Date	Avg. Flow (MGD)	Peak Flow (MGD)
January 2006	0.055	0.132
February 2006	0.042	0.120
March 2006	0.040	0.124
April 2006	0.037	0.086
May 2006	0.045	0.121
June 2006	0.033	0.142
July 2006	0.032	0.105
August 2006	0.027	0.062
September 2006		No Data
October 2006	0.035	0.100
November 2006	0.047	0.135
December 2006	0.048	0.122
January 2007	0.047	0.136
February 2007	0.038	0.120
March 2007	0.028	0.058
April 2007	0.035	0.110
May 2007		No Data
June 2007		No Data
July 2007	0.021	0.045
August 2007	0.020	0.026
September 2007		No Data
October 2007	0.034	0.120
November 2007	0.025	0.045
December 2007	0.057	0.132
January 2008	0.040	0.125
February 2008	0.053	0.106
March 2008	0.049	0.136
April 2008	0.050	0.140
May 2008	0.042	0.096
June 2008	0.032	0.093
July 2008	0.028	0.083
August 2008	0.021	0.028
September 2008	0.020	0.027
October 2008	0.024	0.044
Annual Average	0.037	0.097

WASTEWATER LAGOON CAPACITY
SOUTH 641 WATER DISTRICT
HAZEL, KENTUCKY

DECEMBER 2008

The lagoon capacity has been discussed in previous correspondence letters between Florence & Hutcheson, Inc. and the Kentucky Division of Water. Most of this correspondence occurred in 2003. Calculations were provided at that time and are reiterated below. The primary concern was to determine the adequacy of storage when the plant is upgraded to 0.037 MGD from the current 0.030 MGD.

A new disinfection system is being installed to replace the current system as noted in the disinfection calculations. The new system has been sized for a peak flow of 0.148 MGD. The existing plant effluent is limited to 0.043 MGD, due to an orifice that is placed in the effluent discharge pipe. This orifice will be removed in this upgrade project. As mentioned in the KYDOW letter dated 01-07-2000, the allowed WWTP discharge is based on the streamflow of East Fork Clarks River. The maximum discharge amount is 0.25 MGD when the streamflow is 3.0 cfs. By interpolation, if this plant is discharging a peak flow of 0.148 MGD, the streamflow must be approximately 2.15 cfs. This peakflow will greatly assist in lowering the lagoon water surface elevation to provide storage capacity during dry months.

The following are calculations for the existing and proposed conditions for the lagoon capacity as provided in April 2003:

Existing Condition

Lagoon Parameters

- Top of Berm = 531.5'
- Normal WSE = 529.5'
- Bottom of Lagoon = 523.0'
- Total Lagoon Depth = 8.5'
- Normal Operating Depth = 6.5'
- Surface Area @ 529.5' = 220,550 sf (5.06 acres)
- Volume @ 529.5' = 1,242,700 cf (9,296,040 gal)
- Berm Slope = 4H : 1V
- Max Water Surface Elevation = 530.5'

Flows and Loading

- Average Daily Flow (Qad) = 0.030 MGD (existing rated capacity)
- BOD5 Concentration = 190 mg/l
- Detention Time (td) = $9.3 \text{ MG} / 0.030 \text{ MGD} = 310 \text{ days}$
- BOD Loading = $(190 \text{ mg/l})(0.030 \text{ MGD})(8.34) / 5.06 \text{ acres} = 9.4 \text{ lb/d*ac}$
- 2' deep water to Max WSE Capacity
Area @ 525.0' = 185,607 sf
Area @ 530.5' = 226,951 sf
Volume = $.5(185,607 + 226,951)(530.5 - 525) = 1,134,535 \text{ cf}$
- Detention Time = $1,134,535 \text{ cf} (7.48) / 30,000 \text{ gpd} = 283 \text{ days}$

Proposed Conditions

Determine lagoon parameters for a proposed rated capacity of 0.037 MGD.

Design Parameters (per GLUMRB 1990 and 401 KAR 5.005)

- BOD Loading = <math><35 \text{ lb/ac}\cdot\text{d}</math>
- Detention Time = 90 days (min)
- Detention Time (2' deep water to Max WSE) = 180 days
- Freeboard = 2 feet (small facility)

Lagoon Parameters

- Top of Berm = 531.5'
- Normal WSE = 528.0'
- Bottom of Lagoon = 523.0'
- Total Lagoon Depth = 8.5'
- Normal Operating Depth = 5.0'
- Surface Area @ 528.0' = 211,516 sf (4.86 acres)
- Volume @ 528.0' = 918,128 cf (6,868,074 gal)
- Berm Slope = 4H : 1V
- Max Water Surface Elevation = 529.5'

Flows and Loading

- Average Daily Flow (Qad) = 0.037 MGD
- BOD5 Concentration = 240 mg/l (assume)
- Detention Time (td) = $6.87 \text{ MG} / 0.037 \text{ MGD} = 185 \text{ days}$
- BOD Loading = $(240 \text{ mg/l})(0.037 \text{ MGD})(8.34) / 4.86 \text{ acres} = 15.25 \text{ lb/d}\cdot\text{ac}$
- 2' deep water to Max WSE Capacity
Area @ 525.0' = 185,607 sf
Area @ 529.5' = 220,550 sf
Volume = $.5(185,607 + 220,550)(529.5 - 525) = 913,853 \text{ cf}$
- Detention Time = $913,853 \text{ cf} (7.48) / 37,000 \text{ gpd} = 185 \text{ days}$

Check Proposed Condition vs. Design Criteria

Detention Time = 185 days > 90 days **OK**
BOD Loading = 15.25 lb/d*ac < 35 lb/d*ac **OK**
Detention Time (2' deep water to Max WSE) = 185 days > 180 days **OK**

DISINFECTION CHAMBER & CHEMICAL BUILDING
SOUTH 641 WATER DISTRICT
HAZEL, KENTUCKY

DECEMBER 2008

A new disinfection system is being installed to replace the current system. The effluent flow will be treated with sodium hypochlorite and dechlorinated with calcium thiosulphate. The new system has been sized to provide a contact time of 15 minutes for the peak flow (4 x 37,000 gpd = 148,000 gpd) and a contact time of 30 minutes for the average flow of 37,000 gpd. Peak flow controlled.

A v-notch weir is installed near the effluent end of the contact chamber along with an ultrasonic flow meter. This meter will monitor the effluent flow of the WWTP and will be connected to the sodium hypochlorite and calcium thiosulphate systems located in the new chemical building. The effluent flow meter will be calibrated with the chemical pumps in order to provide the proper dosage for the associated flows.

The flows will be calculated based on a v-notch weir formula and using an internal angle of 45 degrees.

The following are calculations for the dosage and contact times for the chlorination of the WWTP discharge based on peak flows:

Criteria:

Chemical = Sodium Hypochlorite

Dosage = 6 mg/l

Q_{peak} = 148,000 gpd = 103 gpm

Q_{avg} = 37,000 gpd

Detention Time:

Required = 15 minutes for peak

@15 minutes x 103 gpm = Volume = 1545 gallons = 207 ft³

Using 250 ft³ & 103 gpm, 18 minutes of detention time is provided

Required = 30 minutes for average

@30 minutes x 26 gpm = Volume = 780 gallons = 105 ft³ **Peak Flow Controls

Structure:

Depth ~ 13 feet

Operating Depth = 4 feet

Area required = 250ft³ / 4' operating depth = 62.5 sf (excluding baffles)

Inside area of the chamber is 6' x 14' = 84 sf – baffles(4'*.67'*3ea) = 76 sf > 62.5 **OK**

Dosage:

Hypochlorite –

0.148 mgd (peak) x 6mg/l x 8.34 = 7.4 lb/day

@ 5% = 0.42 lb/gallon, 17.6 gal/day = 0.73 gph

@12.5% (max) = 1.04 lb/gallon, 7.1 gal/day = 0.30 gph

Hypochlorite typically degrades to 10% in 30-45 days, indoor conditions, so @10% = 0.74 lb/gallon, 10 gal/day = 0.42 gph for peak condtions

Calcium Thiosulphate –

For ph=7 & 6 mg/l of chlorine

30.8 gallons per million gallons of water

WWTP capacity = 0.148 MGD, so 0.148*30.8 gal = 4.56 gpd = 0.19 gph

**DISINFECTION CALCULATIONS
FOR
CHLORINE CONTACT CHAMBER**

**SOUTH 641 WASTEWATER PLANT IMPROVEMENTS
HAZEL, KENTUCKY**

Criteria:

Chemical = Sodium Hypochlorite

Dosage = 6 mg/l

Q_{peak} = 148,000 gpd = 103 gpm

Q_{avg} = 37,000 gpd

Detention Time:

Required = 15 minutes

@15 minutes x 103 gpm = Volume = 1545 gallons = 207 ft³

Using 250 ft³ & 103 gpm, 18 minutes of detention time is provided

Structure:

Depth ~ 13 feet

Operating Depth = 4 feet

Area required = 250ft³ / 4' operating depth = 62.5 sf (excluding baffles)

Inside area of the chamber is 6' x 14' = 84 sf – baffles(4'*.67'*3ea) = 76 sf > 62.5 **OK**

Dosage:

Hypochlorite –

0.148 mgd x 6mg/l x 8.34 = 8.3 lb/day

@ 5% = 0.42 lb/gallon, 20 gal/day = 0.83 gph

@12.5% (max) = 1.04 lb/gallon, 8 gal/day = 0.33 gph

Calcium Thiosulphate –

For ph=7 & 6 mg/l of chlorine

30.8 gallons per million gallons of water

WWTP capacity = 0.148 MGD, so 0.148*30.8 gal = 4.56 gpd = 0.19 gph

WEIR IN EAST CLARKS RIVER
SOUTH 641 WATER DISTRICT
HAZEL, KENTUCKY

DECEMBER 2008

A rectangular weir was constructed in the East Clarks River in the late 1980's. It was originally used to visually monitor the flow rate in the river which corresponded with an allowable discharge amount from the HCR WWTP. Due to the lack of accessibility, the weir structure hasn't been maintained and the river has eroded the embankment around one side of the weir. The weir structure appears to still be in good condition.

This design includes the re-use of the concrete, rectangular weir with stream improvements. As shown on the drawings, the river banks will be re-graded upstream and downstream to provide a direct flow through the weir. The embankments will also be stabilized by the use of rip-rap.

A staff gauge will be placed on the inside face of the weir to determine flow in the creek. The flow in the river will correspond to the depth of water in the weir by use of the rectangular weir equation. The WWTP discharge rate will be based on the stream flows as calculated through the weir. The WWTP operator will be required to monitor the stream and effluent flows on a daily basis to verify the discharge is in compliance with the KPDES permit. See the table on sheet 7 of the design drawings for allowable discharge flows corresponding to the stream flows.

A new access road will be installed from the existing lagoon loop road to the weir area. This will provide ample access to the weir for flow measuring and maintenance. The operator must inspect and evaluate the condition of the weir and the creek channel prior to the low flow season each summer. Any deficiencies such as soil deposits in the weir or scouring around the weir should be corrected immediately.

**WASTEWATER TREATMENT PLANT
GROUNDWATER PROTECTION PLAN**

For

SOUTH 641 WATER DISTRICT

In

HAZEL, KENTUCKY

DECEMBER 2008

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Section D – REVIEW LOCATION FOR GROUNDWATER PROTECTION PLAN

SECTION A. GENERAL INFORMATION

Name & Address of Facility

South 641 Wastewater Treatment Plant
East Calloway Street
Hazel, Calloway County, Kentucky 42049

Person Developing GPP

Michael K. Jones, P.E.
Florence & Hutcheson, Inc.
2550 Irvin Cobb Drive
Paducah, Kentucky 42003
270-444-9691

Person Responsible for Implementing GPP

Hank Stanfield
South 641 Water District
P.O. Box 2
Hazel, Kentucky 42049
270-492-8857

Location of the Wastewater Treatment Plant on a Topographic Map

Latitude = N 36-30-21

Longitude = W 88-19-02

See the following sheet for map

Brief Description of Facility Operation

The wastewater treatment plant is owned and operated by the South 641 Water District and serves the City of Hazel, Kentucky which was constructed in 1963. The collection system was expanded in 1983 to serve customers along Meyers Road and Third Street. Also, the plant was improved in 1988 by the addition of a disinfection chamber and a flow monitoring structure in East Fork Clarks River. The sanitary sewer system is comprised of 8" diameter gravity sewers and two lift stations with force mains which transport wastewater flow to the plant. No combined sewers are present in the system.

The wastewater treatment plant consists of a facultative, Hydrograph Controlled Release (HCR) lagoon which is approximately five acres in area. An influent lift station pumps the wastewater or sewage from the Hazel community to the lagoon. Discharge is released in a manual operation through a structure at the northeast corner of the lagoon. The discharge proceeds through a disinfection chamber to undergo chlorination and de-chlorination processes before it is released into the East Fork Clarks River. The effluent rate is based on the amount of flow in river. The current permitted capacity of the WWTP is 0.03 MGD. The WWTP is in the design phase of an improvement project which will increase the plant capacity to 0.037 MGD. The improvements will consist of a new influent lift station, new disinfection chamber & chemical building, and improved flow monitoring structure in the East Fork Clarks River.

A wastewater or sewage collection system rehabilitation project is also in the design phase to reduce the inflow and infiltration (I/I) into the sewer system. This phase consists of assessing I/I areas, formulating a plan for I/I reduction and collection system rehabilitation. Preliminary investigations of the collection system will be conducted by use of manhole inspections, smoke testing, CCTV and flow monitoring. The rehabilitation will most likely include lining manholes, slip-lining sewer lines, point repairs in sewer lines, and repairing laterals / clean-outs.

SECTION B

ACTIVITIES THAT HAVE THE POTENTIAL TO POLLUTE GROUNDWATER

The following portion of the South 641 Wastewater Plant has the potential to pollute the surrounding groundwater:

- One (1) – Five (5) acre facultative Lagoon

SECTION C

PRACTICES SELECTED TO PROTECT GROUNDWATER FROM POLLUTION

Certified Operator for the WWTP –

Hank Stanfield
South 641 Water District
P.O. Box 2
Hazel, Kentucky 42049
Certification Number = 5328 – Class I

The current lagoon has a bottom elevation of approximately 523.00 and a top of berm elevation of 531.50. Assuming there is approximately two feet of freeboard around the lagoon, the water level will be at 529.50 and the surface area of the lagoon would be about 5 acres. Since this is a HCR system, the lagoon must provide detention at time of low flow in the River, so the water surface will fluctuate over time. The existing lagoon was constructed with a clay liner to resist leakage from the plant to the adjacent soils. As noted above, this plant was constructed in 1963 and there have been no evidence of liner modification since the original construction.

The exterior perimeter grade on the north, west and south sides of the lagoon berms are approximately at elevations 526'-527'. The exterior perimeter grade on the east end of the lagoon is lower which drains toward the stream. Due to the lagoon bottom being constructed near existing grade, we feel that any leakage that may occur would move horizontally and eventually drain to the surface around the perimeter of the lagoon.

This GPP recommends monitoring the area as follows:

- The water district needs to provide mowing services in order to keep the grass cut around the perimeter of the lagoon on a monthly basis.
- The operator of the district must inspect and observe the ground surface areas around the perimeter of the lagoon for possible leakage. Faulty areas should be obvious, especially in the summer months, if leaks are occurring. The ground would be saturated and the vegetation color would most likely be a different color.
- Findings shall be reported to the Kentucky Division of Water.

Exhibit E

807 KAR 5:071: Section 3(1)(e) Financial exhibit as described in Section 6 of 807 KAR 5:001:

The following financial reports are attached:

- 1) Sewer Annual Report for Calendar Year ended December 31, 2008
- 2) Balance sheets and Statements of Revs and Expenses for Water and Sewer Division as of December 31, 2008 and 2007
- 3) South 641 Water District Audit from December 31, 2007
- 4) Annual Budget 01-01-2009 to 12-31-2009

Sewer

Annual Report

Of

DRAFT COPY

South 641 Water District
Exact Legal Name of Reporting Utility

Highway 641 South

Hazel, KY 42049
(Address of Utility)

TO THE
PUBLIC SERVICE COMMISSION
OF THE
COMMONWEALTH OF KENTUCKY

FOR THE CALENDAR YEAR ENDED DECEMBER 31, 20⁰⁸

PUBLIC SERVICE COMMISSION OF KENTUCKY
PRINCIPAL PAYMENT AND INTEREST INFORMATION
FOR THE YEAR ENDING DECEMBER 31, 2008

1. Amount of Principal Payment during calendar year \$ 5,250
2. Is Principal Current? (Yes) X (No) _____
3. Is Interest Current? (Yes) X (No) _____
4. Has all long-term debt been approved by the Public Service Commission?
(Yes) X (No) _____ PSC Case No. _____

SERVICES PERFORMED BY
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

Are your financial statements examined by a Certified Public Accountant?

Yes X No _____

If yes, which service is performed?

Audit _____

Compilation X

Review _____

Please enclose a copy of the accountant's report with the annual report

Additional Requested Information

Utility Name South 641 Water District

FEIN # (Federal Employer Identification Number)

6	1	-	0	9	7	9	9	9	7
---	---	---	---	---	---	---	---	---	---

Contact Person Max Parks

Contact Person's E-Mail Address so641@apex.net

Utility's Web Address N/A

Please complete the above information, if it is available.

If there are multiple staff who may be contacts please include their names and e-mail addresses also.

**AUDIT OF THE ANNUAL REPORT
SEWER UTILITIES
To Be Completed and Returned With The Annual Report**

Page No.	Line No.	Page No.	Line No.	Yes	No	If No, Explain Why
2	4	4	12	✓		
2	6	4	15 (Utility Plant)	✓		
2	7	4	17 (Utility Plant)	✓		
4	2	5	40 (Utility Plant)	✓		
4	23	4	15 (Utility Plant)	✓		
3	4 & 5	6	Capital Stock			N/A
3	10	7	Balance End of Year Statement of Retained Earnings	✓		
3	19	6	Long-Term Debt Total (d)	✓		
3	23	6	Notes Payable Total (e)			N/A
3	29	6	Interest Accrued, Balance End of Year, Total	✓		
3	30	7	21	✓		
4	3	8	25 (Depreciation)	✓		
6	Interest Accrued During Year - LTD	8	40	✓		
6	Interest Accrued During Year - Other	8	43			N/A

AUDIT OF THE ANNUAL REPORT
SEWER UTILITIES
To Be Completed and Returned With The Annual Report

Page No.	Line No.	Page No.	Line No	Yes	No	If No, Explain Why
8	24	9	52 \$1	✓		
8	27	10	Acct. 408.1	✓		
8	28	10	Total Income Taxes Utility Operating Income			N/A
8	26	10	Amortization Expense			N/A
8	44	10	Account 408.2			N/A
8	45	10	Total Income Taxes Nonutility Operating Income			N/A
Pages 11 and 12 have been completed				✓		
The Oath Page has been completed				✓		

Additional Information Required By Commission Orders

Provide any special information required by prior Commission orders, as well as any narrative explanations necessary to fully explain the data. Examples of the types of special information that may be required by Commission orders include surcharge amounts collected, refunds issued, and unusual debt repayments.

Case #	Date Of Order	Item/Explanation

Attach additional sheets if more room is required

General Information

1. Exact name of utility making this report. (Use the words "The", "Company" or "Incorporated" only when a part of the corporate name.) South 641 Water District

2. Give the location including street, zip code and telephone number of the principal office in Kentucky. _____
Highway 641, Hazel, KY 42049
(270) 492-8857

3. Give name, title, address and TELEPHONE NUMBER of the officer to whom correspondence concerning this report should be addressed.
Max Parks, Commissioner
864 Pleasant Grove Road, Hazel, KY 42049 (270) 492-8616

4. Name of State under the laws of which respondent is incorporated and the date of incorporation. Kentucky 1956

5. Date sewer utility began operations. 1956

6. Name of City, Town, Community, Sub-Division and County in which respondent furnishes sewer service. Town of Hazel, KY and Calloway County

7. Number of employees: Full time 1, Part time 2

BALANCE SHEET

Line No.	ASSETS AND OTHER DEBITS	Balance First Of Year	Balance Last Of Year
1			
2	UTILITY PLANT		
3			
4	Utility Plant (101-109).....	\$ 316,845	\$ 410,657
5	Less: Accumulated Prov. For Depreciation		
6	And Amortization of Utility Plant (110).....	\$ 231,997	\$ 240,694
7	Net Utility Plant.....	\$ 84,848	\$ 169,963
8			
9	OTHER PROPERTY AND INVESTMENTS		
10			
11	Nonutility Property (121).....	\$ _____	\$ _____
12	Less: Accum. Prov. For Depr. And Amort.		
13	Of Non-utility property (122).....	\$ _____	\$ _____
14	Net Nonutility Property.....	\$ _____	\$ _____
15	Other Investment (124).....	\$ 28,995	\$ 30,283
16	Special Funds (125).....	\$ _____	\$ _____
17			
18			
19	Total Other Property & Investments.....	\$ 28,995	\$ 30,283
20			
21	CURRENT AND ACCRUED ASSETS		
22			
23	Cash and Working Funds (131).....	\$ _____	\$ _____
24	Temporary Cash Investments (132).....	\$ 1,412	\$ 2,034
25	Notes Receivable (141).....	\$ _____	\$ _____
26	Customer Accounts Receivable (142).....	\$ 4,024	\$ 5,881
27	Other Accounts Receivable (143).....	\$ _____	\$ _____
28	Accum. Prov. For Uncollectible Accts.-Cr. (144)	\$ _____	\$ _____
29	Notes Receivable From Assoc. Companies (145)..	\$ _____	\$ _____
30	Accounts Receivable From Assoc. Companies (146)	\$ _____	\$ _____
31	Materials and Supplies (150).....	\$ _____	\$ _____
32	Prepayments (166).....	\$ _____	\$ _____
33	Other Current and Accrued Assets (170).....	\$ _____	\$ _____
34			
35			
36			
37	Total Current and Accrued Assets.....	\$ 5,436	\$ 7,915
38			
39	DEFERRED DEBITS		
40			
41	Unamortized Debt Discount and Expense (181)...	\$ _____	\$ _____
42	Extraordinary Property Losses (182).....	\$ _____	\$ _____
43	Other Deferred Debits (183).....	\$ _____	\$ _____
44			
45			
46			
47	Total Deferred Debits.....	\$ _____	\$ _____
48			
49			
50	TOTAL ASSETS AND OTHER DEBITS	\$ 119,279	\$ 208,161

BALANCE SHEET

Line No.	LIABILITIES AND OTHER CREDITS	Balance First Of Year	Balance Last Of Year
1			
2	EQUITY CAPITAL		
3			
4	Common Capital Stock (201).....	\$ _____	\$ _____
5	Preferred Capital Stock (204).....	\$ _____	\$ _____
6	Other Paid-In Capital (207).....	\$ _____	\$ _____
7	Discount on Capital Stock (213).....	\$ _____	\$ _____
8	Capital Stock Expense (214).....	\$ _____	\$ _____
9	Appropriated Retained Earnings (215)	\$ _____	\$ _____
10	Unappropriated Retained Earnings (216).....	\$ (279,415)	\$ (287,671)
11	Non-Corporate Proprietorship (218).....	\$ _____	\$ _____
12	Total Equity Capital.....	\$ (279,415)	\$ (287,671)
13			
14	LONG TERM DEBT		
15			
16	Bonds (221).....	\$ 86,800	\$ 81,200
17	Advances From Associated Companies (223).....	\$ _____	\$ _____
18	Other Long Term Debt (224).....	\$ _____	\$ _____
19	Total Long Term Debt.....	\$ 86,800	\$ 81,200
20			
21	CURRENT AND ACCRUED LIABILITIES		
22			
23	Notes Payable (231).....	\$ _____	\$ _____
24	Accounts Payable (232).....	\$ _____	\$ _____
25	Notes Payable to Associated Companies (233)...	\$ _____	\$ _____
26	Accounts Payable to Assoc. Companies (234)....	\$ _____	\$ _____
27	Customer Deposits (235).....	\$ _____	\$ _____
28	Taxes Accrued (236).....	\$ 686	\$ 1,048
29	Interest Accrued (237).....	\$ _____	\$ _____
30	Other Current and Accrued Liabilities (238)...	\$ 140,093	\$ 145,840
31	Total Current and Accrued Liabilities...	\$ 140,779	\$ 146,888
32			
33	DEFERRED CREDITS		
34			
35	Advances for Construction (252).....	\$ _____	\$ _____
36	Other Deferred Credits (253).....	\$ _____	\$ _____
37	Accum. Deferred Investment Tax Credits (255)..	\$ _____	\$ _____
38	Total Deferred Credits.....	\$ _____	\$ _____
39			
40	Operating Reserves (261-265).....	\$ _____	\$ _____
41			
42	Contributions in Aid of Construction (271)....	\$ 171,115	\$ 267,744
43			
44	ACCUMULATED DEFERRED INCOME TAXES		
45			
46	Accum. Def. Income Taxes - Accel. Amort (281)..	\$ _____	\$ _____
47	Accum. Def. Income Taxes - Lib. Amort (282)...	\$ _____	\$ _____
48	Accum. Def. Income Taxes - Others (283).....	\$ _____	\$ _____
49	Total Accum. Deferred Income Taxes.....	\$ _____	\$ _____
50	TOTAL LIABILITIES AND OTHER CREDITS	\$ 119,279	\$ 208,161

SUMMARY OF UTILITY PLANT

Line No.	Acct. No.	Item	Amount
		UTILITY PLANT	
1		In Service:	
2	101	Plant in Service Classified (from Page 5, Line 40)	410,657
3	102	Completed Construction Not Classified	
4	103	Utility Plant in Process of Reclassification	
5	106	Utility Plant Purchased or Sold	
6		Total - In Service	410,657
7	104	Utility Plant Leased To Others	
8	105	Property Held For Future Use	
9	107	Construction Work in Progress	
10	108	Utility Plant Acquisition Adjustment	
11	109	Other Utility Plant Adjustments	
12		Total Utility Plant (to Page 2, Line 4)	410,657
13		Less:	
14	110	Accumulated Provision for Depreciation and	
15		Amortization Of Utility Plant (to Page 2, Line 6)	240,694
16			
17		NET UTILITY PLANT (to Page 2, Line 7)	169,963

**ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION
OF UTILITY PLANT**

Line No.	Item	Amount
1	Balance Beginning of Year	231,997
2	Accruals for Year:	
3	Depreciation	8,697
4	Amortization	
5	Other Accounts (details):	
6		
7		
8	Total Accruals for Year	8,697
9	Credit Adjustments (describe)	
10		
11		
12	Total Credits for year	
13		
14	Net Charges for Plant Retired:	
15	Book Cost of Plt. Ret. (same as Pg 5, Line 40)	XXXXXXXXXXXXXXXXXX
16	Add: Cost of Removal	XXXXXXXXXXXXXXXXXX
17	Less: Salvage	XXXXXXXXXXXXXXXXXX*
18	Net Charges for Plant Retired	
19	Debit Adjustments (describe)	
20		
21		
22	Total Debit Adjustments for Year	
23	Balance End of Year	240,694

SEWER UTILITY PLANT IN SERVICE

Report in col. (c) entries reclassifying property from one account to another. Corrections of entries of the preceding years should be recorded in col. (c) or (d) as they are corrections of additions or retirements.

Line No.	Account (a)	Depr. Rate	Balance First of Year (b)	Additions (c)	Retirements (d)	Adj.-Inc. or Decr. (e)	Balance End of Year (f)
1	INTANGIBLE PLANT						
2	Organization (301)		46,500				46,500
3	Franchise and Consents (302)						
4	Miscellaneous Intangible Plant (303)		8,100	92,900			101,000
5	Total Intangible Plant		54,600	92,900			147,500
6	LAND AND STRUCTURES						
7	Land and Land Rights (310)						
8	Structures and Improvements (311)						
9	Total Land and Structures						
10	COLLECTION PLANT						
11	Collection Sewers – Force (352.1)						
12	Collection Sewers – Gravity (352.2)		158,450				158,450
13	Other Collection Plant Facilities (353)		10,400				10,400
14	Services to Customers (354)		11,835	912			12,747
15	Flow Measuring Devices (355)						
16	Total Collection Plant		180,685	912			181,597
17	PUMPING PLANT						
18	Receiving Wells and Pump Pits (362)		20,000				20,000
19	Pumping Equipment – Electric (363A)		3,550				3,550
20	Pumping Equipment – Diesel (363B)						
21	Pumping Equipment – Other (363C)						
22	Total Pumping Plant		23,550				23,550
23	TREATMENT AND DISPOSAL PLANT						
24	Oxidation Lagoon (372)		52,900				52,900
25	Treatment and Disposal Equipment (373)						
26	Plant Sewers (374)						
27	Outfall Sewer Lines (375)						
28	Other Treatment & Disposal Plant Equipment (376)						
29	Total Treatment and Disposal Plant		52,900				52,900
30	GENERAL PLANT						
31	Office Furniture and Equipment (391)		5,110				5,110
32	Transportation Equipment (392)						
33	Stores Equipment (393A)						
34	Tools, Shop & Garage Equipment (393B)						
35	Laboratory Equipment (393C)						
36	Power Operated Equipment (393D)						
37	Communication Equipment (393E)						
38	Other Tangible Property (393F)						
39	Total General Plant		5,110				5,110
40	TOTAL SEWER PLANT IN SERVICE		316,845	93,812			410,657

CAPITAL STOCK

Class and Series of Stock (a)	No. Of Shares Auth. (b)	Par Value Per Share Of Par Value Stk. (c)	Stated Val. Per Share Of Nonpar Stock (d)	Outstanding Per Balance Sheet	
				Shares (e)	Amount (f)
N/A					

LONG-TERM DEBT

List Each Original Issue Amt. Class & Series of Obligation (a)	Date Of Issue (b)	Date Of Maturity (c)	Outstanding Per Balance Sheet (d)	Interest For The Year	
				Shares (e)	Amount (f)
Farmers Home Admin.	1980	2021	81,200	5%	4,603
Total					

NOTES PAYABLE

(Include Notes Payable to Associated Companies Under this Heading)

Name of Payee (a)	Date of Note (b)	Date of Maturity (c)	Interest Rate (d)	Balance End of year (e)
N/A				
Total				

INTEREST ACCRUED

Description of Obligation (a)	Int. Accr., Balance First of Yr. (b)	Int. Accr. During Year (c)	Int. Paid During Year (d)	Int. Accrued Balance End of year (e)
FHA Bonds	0	4,603	4,603	0
Total				

OTHER CURRENT AND ACCRUED LIABILITIES

Line No.	Sub-Account and Description	Amount
1	Current Portion of Bonds Payable	5,600
2	Cash in Bank (Negative Balance allocated to Swr.)	140,240
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21	Total (Must agree with Page 3, Line 30, Account No. 238)	145,840

STATEMENT OF RETAINED EARNINGS FOR THE YEAR

Item (a)	This Year (b)	Last Year ©
UNAPPROPRIATED RETAINED EARNINGS (216)		
Balance Beginning of Year	(279,415)	(260,330)
Balance Transferred From Income (435)	(8,256)	(19,085)
Appropriations of Retained Earnings (436):		
Dividends Declared - Preferred Stock (437)		
Dividends Declared - Common Stock (438)		
Adjustments to Retained Earnings (439):		
Balance End of Year	(287,671)	(279,415)

STATEMENT OF INCOME FOR THE YEAR

Line No.	Account (a)	Number of Customers (b)	Amount (c)
1	OPERATING REVENUES		
2	Flat Rate Revenues - General Customers:		
3	Residential Revenues (521.1)		
4	Commercial Revenues (521.2)		
5	Industrial Revenues (521.3)		
6	Revenues From Public Authorities (521.4)		
7	Total (521)		
8	Measured Revenues - General Customers:		
9	Residential Revenues (522.1)	199	39,189
10	Commercial Revenues (522.2)	25	4,923
11	Industrial revenues (522.3)		
12	Revenues From Public Authorities (522.4)		
13	Total (522)	224	44,112
14	Revenues From Public Authorities (523)		
15	Revenues From Other Systems (524)		
16	Miscellaneous Sewage Revenues (526)		
17	Total Sewage Service Revenues (521-526)		44,112
18	OTHER OPERATING REVENUES		
19	Customer Forfeited Discounts (532)		977
20	Miscellaneous Operating Revenues (536)		
21	Total Other Operating Revenues		977
22	Total Operating Revenues		45,089
23	OPERATING EXPENSES		
24	Total Sewer Operation & Maint. Exp. (from pg 9, Line 52)		39,929
25	Depreciation Expense (403)		8,697
26	Amortization Expense (404-407, from Page 10)		
27	Taxes Other Than Income Taxes (408.1, from Page 10)		1,766
28	Total Income Taxes - Utility Operating Income (from Page 10)		
29	Total Sewage Operating Expenses		50,392
30	Net Operating Income		(5,303)
31	OTHER INCOME		
32	Income From Nonutility Operations (417)		
33	Interest and Dividend Income (419)		1,289
34	Miscellaneous Nonoperating Income (421)		361
35	Other Accounts (Specify Account No. and Title):		
36			
37			
38	Total Other Income		1,650
39	OTHER DEDUCTIONS		
40	Interest on Long Term Debt (427)		4,603
41	Amortization of Debt Discount and Expense (428)		
42	Interest on Debt to Associated Companies (430)		
43	Other Interest Expense (431)		
44	Taxes Other Than Income Taxes (408.2, from Page 10)		
45	Total Income taxes - Nonutil. Operat. Income (from Page 10)		
46	Other Accounts (Specify Account No. and Title):		
47			
48			
49	Total Other Deductions		4,603
50	NET INCOME		(8,256)

SEWER OPERATION AND MAINTENANCE EXPENSES

Line No.	Account (a)	Amount (b)
1	OPERATION EXPENSES	
2	Supervision and Engineering (700):	
3	Owner/Manager - Management Fee (700-A)	
4	Other Expenses (700-B)	
5	Labor and Expenses (701):	
6	Collection System - Labor, Materials and Expenses (701-A)	18,517
7	Pumping System - labor, Materials and Expenses (701-B)	
8	Treatment System (701-C):	
9	Sludge Hauling	
10	Utility Service - Water Cost	
11	Other - Labor, Materials and Expenses	
12	Rents (702)	
13	Fuel and Power Purchased for Pumping and Treatment (703)	2,901
14	Chemicals (704)	
15	Miscellaneous Supplies and Expenses (705):	
16	Collection System (705-A)	
17	Pumping System (705-B)	
18	Treatment and Disposal (705-C)	588
19	Total Operation Expenses	22,006
20	MAINTENANCE EXPENSES	
21	Supervision and Engineering (710)	
22	Routine Maintenance Service Fee (710-A)	
23	Internal Supervision and Engineering (710-B)	
24	Maintenance of Structures and Improvements (711)	
25	Maintenance of Collection Sewer System (712)	
26	Maintenance of Pumping System (713)	5,521
27	Maintenance of Treatment and Disposal Plant (714)	
28	Maintenance of Other Plant Facilities (715)	
29	Total Maintenance Expenses	5,521
30	CUSTOMER ACCOUNTS EXPENSES	
31	Supervision (901)	
32	Meter Reading Expenses and Flat Rate Inspections (902)	
33	Customer Records and Collection Expenses (903):	
34	Agency Collection Fee (903-A)	
35	Internal Labor, Materials and Expenses (903-B)	
36	Uncollectible Accounts (904)	
37	Miscellaneous Customer Accounts Expenses (905)	
38	Total Customer Accounts Expenses	
39	ADMINISTRATIVE AND GENERAL EXPENSES	
40	Administrative and General Salaries (920)	
41	Office Supplies and Other Expenses (921)	1,777
42	Outside Services Employed (923)	5,097
43	Insurance Expense (924)	901
44	Employee Pensions and Benefits (926)	183
45	Regulatory Commission Expense (928)	
46	Transportation Expenses (929)	2,780
47	Miscellaneous General Expenses (930)	1,664
48	Rents (931)	
49	Maintenance of General Plant (932)	
50	Total Administrative and General Expenses	12,402
51	TOTAL SEWER OPERATION & MAINT. EXP. (TO Page 8, Line 24)	39,929

TAXES OTHER THAN INCOME TAXES (408)

Show hereunder the various tax items which make up the amounts listed under Account Numbers 408.1 and 408.2 appearing on page 8, lines 27 and 44.

Line No.	Item (a)	Amount (b)
1	Payroll Taxes	1,766
2	Property Taxes	
3	Utility Regulatory Commission Assessment	
4	Other:	
5		
6		
7		
8		
9		
10		
11		
12	TOTAL (Same as Page 8, Line 27 plus 44)	1,766

OPERATING AND NON-OPERATING INCOME TAXES

Acct. No.	Account (a)	Amount (b)
	<i>N/A</i>	
409.1	Income Taxes - federal	
409.1	Income Taxes - State	
409.1	Income Taxes - Other	
410.1	Provisions for Deferred Income Taxes	
411.1	Income Taxes Deferred in Prior Years - Credit	
412.0	Investment Tax Credits - Net	
	Total Income Taxes - Utility Operating Income - (to Page 8, Line 28)	
409.2	Income Taxes - Federal	
409.2	Income Taxes - State	
409.2	Income Taxes - Other	
410.2	Provisions for Deferred Income Taxes	
411.2	Income Taxes Deferred in Prior Years - Credit	
412.4	Investment Tax Credits - Net	
	Total Income Taxes - Non-Utility Operating Income - (to Page 8, Line 45)	

AMORTIZATION EXPENSE

Acct. No.	Account (a)	Amount (b)
	<i>N/A</i>	
404	Amortization of Limited-Term Utility Plant	
405	Amortization of Other Utility Plant	
406	Amortization of Utility Plant Acquisition Adjustments	
407	Amortization of Property Losses	
-	Amortization of Rate Case Expense	
	Total Amortization Expense (to Page 8, Line 26)	

SEWER PLANT STATISTICS

PLANT VALUATION

1. What method of valuation was used with reference to Sewer Utility Plant in Service appearing on Page two, Line four: Original Cost, Estimated Cost, Original Cost Study? estimated cost
2. What percentage of Sewer Utility Plant in Service was recovered by the developer of the subdivision, through the sale of lots? 0
3. If less than one-hundred percent of the utility plant was recovered, please designate what portion (collection lines, treatment plant, etc.) of the plant that represents non-contributed plant N/A
4. By whom were the books of account audited? Pierce & Associates CPAs
What was the date of the last audit? 12/31/07
If unaudited in the past twelve months, when and by whom is the next audit anticipated? 12/31/11 Pierce & Associates CPAs

PHYSICAL DATA OF SEWER PLANT

1. Date of construction of original plant 1956
2. Type of treatment process Lagoon-Chlorinate-Tflow
3. Date of additional G.P.D. Capacity of subsequent additions to plant N/A
4. Population for which plant is designed including population equivalent if industrial waste load 1,000

TREATMENT PLANT OPERATING STATISTICS

1. Total gallons received during the year 13,099,775
2. Total gallons received on maximum day 140,303
3. Maximum G.P.D. Capacity of the sewage treatment plant Lagoon (5 acres)
4. Routine maintenance service fee:
Cost per month \$ 0
Contract expires No contract
5. Sludge Hauling:
Cost per load \$ N/A
Average number of gallons per load N/A
Number of loads this year N/A

SEWER PLANT STATISTICS

CUSTOMER STATISTICS - END OF YEAR			
Type	Number of Customer	Bi-Monthly Or Monthly Billing?	Number of Bill Pertaining to Each Type of Customer
Residential:			
Single Family	199	Monthly	1 bill per month
Apartments/Condominiums			
Commercial	25	Monthly	1 bill per month
Industrial			
Other (specify):			
Total	224		

INDUSTRIAL CUSTOMERS SERVED		
Name and Type of Industry	Metered or Estimated Gals.	Pretreatment of Wastes
N/A		

PUMPING STATIONS			
Location	Size of Motor	Type of Motor	Capacity Gals. Per Day
Third Street Hazel, KY 42049	3 h.p.	Electric	100,000
Calloway Street Hazel, KY 42049	7.5 h.p.	Electric	240,000

MAINS (FEET)					
Kind of Pipe (Cast Iron, Vit. Clay, concrete)	Diameter of Pipe	No. of Feet 1st of Year	Additions	Removed or Abandoned	No. of Feet End of Year
Clay	8 inch	31,680			31,680

SERVICE LATERALS AND STUBS

Number of service laterals owned by the utility, end of year 235

Number of stubs as of end of year 6

Number of service laterals owned by others None

OATH

Commonwealth of Kentucky)
) ss:
County of Calloway)

I, Max Parks , having appeared before the undersigned officer duly authorized to administer oaths and being duly sworn, state under oath that I am a commissioner of South 641 Water District ("Respondent"); that I have supervision over the books of account and other financial records of the Respondent and have control over the manner in which they are kept; that such books and records have, during the period covered by the foregoing report, been maintained in good faith in accordance with the accounting and other orders of the Public Service Commission of Kentucky; that I have carefully examined the foregoing report and to the best of my knowledge and belief the information contained in this report is, so far as it relates to matters of accounts, in accordance with the said books of account; that all other statements of fact contained in the foregoing report are true; and that the foregoing report is a correct and complete statement of the business and affairs of the Respondent in every respect and manner during the period of time from and including January 1 , 20 08 , to and including December 31 , 20 08

(Signature of Officer)

Subscribed and sworn to before me, a _____, in and for the State and County named in the above this _____ day of _____, 20____

(Apply Seal Here)

My Commission Expires _____

(Signature of officer authorized to administer oath)

[Persons making willful false statements in this report may be punished by fine or imprisonment under KRS 523.040 and 523.100.]

KENTUCKY PUBLIC SERVICE COMMISSION
REPORT OF GROSS OPERATING REVENUES DERIVED FROM INTRA-KENTUCKY
BUSINESS FOR THE YEAR ENDING DECEMBER 31, 20 08

South 641 Water District-Water PO Box 126 Hazel, KY 42049
(Utility Reporting) (Address)

FED # (Federal Employer Identification Number)

Table with 10 columns containing the digits: 6, 1, -, 0, 9, 7, 9, 9, 9, 7

(DO NOT INCLUDE TAXES COLLECTED)

- (1) Gross Revenues of Electric Utility.....\$
(2) Gross Revenues of Gas Utility.....\$
(3) Gross Revenues of Water Utility.....\$
(4) Gross Revenues of Sewer Utility.....\$ 44,112
(5) Other Operating Revenues.....\$
*** TOTAL GROSS REVENUES.....\$

OATH

State of Kentucky)
County of Calloway) ss.

Max Parks being duly sworn, states that he/she is
(Officer)

Commissioner of the South 641 Water District that the above
(Official Title) (Utility Reporting)

report of gross revenues is in exact accordance with South 641 Water District, and that such
(Utility Reporting)

books accurately show the gross revenues of: South 641 Water District, derived from
(Utility Reporting)

Intra-Kentucky business for the calendar year ending December 31, 20 08

(Officer) (Title)

This the day of , 20

(Notary Public) (County) (Commission Expires)

NOTE: ANY DIFFERENCE BETWEEN THE AMOUNT OF THE GROSS REVENUES SHOWN IN THE
ANNUAL REPORT AND THE AMOUNT APPEARING ON THIS STATEMENT MUST BE
RECONCILED ON THE REVERSE OF THIS REPORT.

MARTIN, COLSON, HALE & HENDERSON
Certified Public Accountants

Robert K. Martin, CPA
Ronald C. Colson, CPA
Matthew H. Hale, CPA, PFS
Rhonda M. Henderson, CPA

502 Maple Street
Murray, Kentucky 42071

TELEPHONE (270) 753-5411
FAX (270) 753-1732
E-MAIL mch@mchcpas.com

February 6, 2009

To the Commissioners of
South 641 Water District-Sewer Division
(a non-profit organization)
PO Box 126
Hazel, KY 42049

We have compiled the accompanying balance sheets of the South 641 Water District-Sewer Division (a non-profit organization) as of December 31, 2008 and 2007 and the related statements of revenues, expenses and changes in equity capital and cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the organization's financial positions, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

We are not independent with respect to this client.

Martin, Colson, Hale & Henderson

Martin, Colson, Hale and Henderson CPAs
Murray, KY 42071

SOUTH 641 WATER DISTRICT - SEWER DIVISION
BALANCE SHEETS
 December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
<u>FIXED ASSETS - AT DEPRECIATED COST</u>		
System in Service	\$ 410,657	\$ 316,845
Less: Accumulated Depreciation	<u>(240,694)</u>	<u>(231,997)</u>
	<u>169,963</u>	<u>84,848</u>
<u>CASH FOR GENERAL USE</u>		
Unrestricted:		
Certificate of Deposit	14,339	13,645
Restricted:		
Cash for Debt Service	2,034	1,412
CD - Bond Reserve Amount	<u>15,944</u>	<u>15,350</u>
Total Cash and Investments	<u>32,317</u>	<u>30,407</u>
<u>RECEIVABLES</u>		
Accounts Receivable	4,753	2,896
Accounts Receivable - unbilled	<u>1,128</u>	<u>1,128</u>
Total Receivables	<u>5,881</u>	<u>4,024</u>
 Total Current Assets	 <u>38,198</u>	 <u>34,431</u>
 TOTAL ASSETS	 <u>\$ 208,161</u>	 <u>\$ 119,279</u>

LIABILITIES AND EQUITY CAPITAL

<u>EQUITY CAPITAL</u>		
Donated Capital	\$ 267,744	\$ 171,115
Retained Earnings	<u>(287,671)</u>	<u>(279,415)</u>
Total Equity Capital	<u>(19,927)</u>	<u>(108,300)</u>
 <u>LONG-TERM DEBT</u>		
Waterworks System Revenue Bonds (Net of Current Portion)	 <u>81,200</u>	 <u>86,800</u>
 <u>CURRENT LIABILITIES</u>		
Cash in Bank (Deficit)	140,240	134,843
Accrued Expenses	1,048	686
Current Portion of Long-Term Debt	<u>5,600</u>	<u>5,250</u>
Total Current Liabilities	<u>146,888</u>	<u>140,779</u>
 Total Liabilities	 <u>228,088</u>	 <u>227,579</u>
 TOTAL LIABILITIES AND EQUITY CAPITAL	 <u>\$ 208,161</u>	 <u>\$ 119,279</u>

See Accompanying Accountants' Compilation Report

SOUTH 641 WATER DISTRICT - SEWER DIVISION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN EQUITY CAPITAL
For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>OPERATING REVENUE</u>		
Sewer Revenues	\$ 44,112	\$ 28,711
Customer Penalties Collected	977	747
Reconnection Charges and Miscellaneous	<u>361</u>	<u>390</u>
Total Revenue	<u>45,450</u>	<u>29,848</u>
<u>OPERATING EXPENSES</u>		
Auto Expense	2,780	1,863
Operating Supplies	588	1,024
Salaries	18,517	16,495
Repairs and Maintenance	5,521	5,829
Utilities and Phone	3,687	3,087
Payroll Tax Expense	1,766	1,308
Supplies and Postage	1,777	2,607
Insurance	901	2,968
Contractual Services	5,097	3,349
Depreciation	8,697	5,953
Employee Benefits	183	179
Miscellaneous	<u>878</u>	<u>1,110</u>
Total Operating Expenses	<u>50,392</u>	<u>45,772</u>
OPERATING LOSS	(4,942)	(15,924)
<u>OTHER INCOME (EXPENSE)</u>		
Revenue Bond Interest Expense	(4,603)	(4,847)
Interest Income	1,289	1,686
Proceeds from Capital Contributions	<u>96,629</u>	<u>700</u>
Other Income (Expense)	<u>93,315</u>	(2,461)
NET INCOME (LOSS)	88,373	(18,385)
Equity Capital - Beginning	(108,300)	(89,915)
Equity Capital - Ending	\$(<u>19,927</u>)	\$(<u>108,300</u>)

See Accompanying Accountants' Compilation Report

SOUTH 641 WATER DISTRICT - SEWER DIVISION
STATEMENTS OF CASH FLOWS
For The Years Ended December 31, 2008 and 2007

<u>Cash Flows From Operating Activities</u>	<u>2008</u>	<u>2007</u>
Net Income (Loss)	\$ 88,373	\$ (18,385)
Adjustment to Reconcile Net Loss to Net Cash Provided (Used) by Operating Activities:		
Depreciation	8,697	5,953
Change in Accounts Receivable	(1,857)	155
Change in Accrued Expenses	<u>362</u>	<u>(255)</u>
Net Cash Provided (Used) By Operating Activities	95,575	(12,532)
<u>Cash Flows From Investing Activities</u>		
Purchase of Equipment	(93,812)	(3,550)
Net Cash Provided (Used) by Investing Activities	(93,812)	(3,550)
<u>Cash Flows From Financing Activities</u>		
Bond Payments	(5,250)	(4,900)
Net Cash Provided (Used) by Financing Activities	(5,250)	(4,900)
<u>Net Decrease In Cash</u>	(3,487)	(20,982)
<u>Cash At Beginning Of Year</u>	(104,436)	(83,454)
<u>Cash At End Of Year</u>	\$ <u>(107,923)</u>	\$ <u>(104,436)</u>
 <u>Supplemental Disclosures</u>		
Cash Paid During the Year for:		
Interest	\$ 4,603	\$ 4,847
Income Taxes	-0-	-0-

See Accompanying Accountants' Compilation Report

MARTIN, COLSON, HALE & HENDERSON
Certified Public Accountants

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February 6, 2009

To the Commissioners of
South 641 Water District-Water Division
(a non-profit organization)
PO Box 126
Hazel, KY 42049

We have compiled the accompanying balance sheets of the South 641 Water District-Water Division (a non-profit organization) as of December 31, 2008 and 2007 and the related statements of revenues, expenses and changes in equity capital and cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the organization's financial positions, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

We are not independent with respect to this client.



Martin, Colson, Hale & Henderson CPAs
Murray, KY 42071

SOUTH 641 WATER DISTRICT-WATER DIVISION

BALANCE SHEETS

December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
<u>FIXED ASSETS - AT DEPRECIATED COST</u>		
Waterworks System in Service	\$1,154,306	\$1,147,974
Less: Accumulated Depreciation	(797,627)	(766,011)
	<u>356,679</u>	<u>381,963</u>
<u>CASH FOR GENERAL USE</u>		
Unrestricted:		
Cash in Bank - Operations	192,112	155,425
Certificates of Deposit	17,526	16,677
Restricted:		
Cash for Debt Service	3,778	2,623
Cash for Meter Fund	11,224	10,126
CD - Bond Reserve Account	19,487	18,761
	<u>244,127</u>	<u>203,612</u>
<u>RECEIVABLES</u>		
Accounts Receivable	13,702	9,693
Accounts Receivable - unbilled	<u>3,981</u>	<u>3,981</u>
Total Receivables	<u>17,683</u>	<u>13,674</u>
Total Current Assets	<u>261,810</u>	<u>217,286</u>
TOTAL ASSETS	<u>\$ 618,489</u>	<u>\$ 599,249</u>
<u>LIABILITIES AND EQUITY CAPITAL</u>		
<u>EQUITY CAPITAL</u>		
Donated Capital	587,128	582,328
Retained Earnings	(142,328)	(164,993)
Total Equity Capital	<u>444,800</u>	<u>417,335</u>
<u>LONG-TERM DEBT</u>		
Waterworks System Revenue Bonds (Net of Current Portion)	<u>150,800</u>	<u>161,200</u>
<u>Current Liabilities</u>		
Accrued Expenses	1,283	838
Customers Deposits	11,206	10,126
Current Portion of Long-Term Debt	<u>10,400</u>	<u>9,750</u>
Total Current Liabilities	<u>22,889</u>	<u>20,714</u>
Total Liabilities	<u>173,689</u>	<u>181,914</u>
TOTAL LIABILITIES AND EQUITY CAPITAL	<u>\$ 618,489</u>	<u>\$ 599,249</u>

See Accompanying Accountants' Compilation Report

SOUTH 641 WATER DISTRICT-WATER DIVISION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN EQUITY CAPITAL
For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>OPERATING REVENUE</u>		
Water Revenues	\$143,491	\$112,852
Customer Penalties Collected	3,676	2,811
Reconnection Charges and Miscellaneous	<u>1,353</u>	<u>1,465</u>
Total Revenues	<u>148,520</u>	<u>117,128</u>
<u>OPERATING EXPENSES</u>		
Water Purchases	36,408	36,499
Operating Supplies	719	1,252
Salaries	22,632	20,161
Auto Expense	3,398	2,277
Repairs and Maintenance	6,748	7,124
Utilities and Phone	4,507	3,772
Payroll Tax Expense	2,159	1,599
Supplies and Postage	2,171	3,187
Insurance	1,101	3,627
Contractual Services	6,229	4,093
Depreciation	31,616	31,427
Employee Benefits	223	219
Miscellaneous	<u>1,074</u>	<u>1,355</u>
Total Operating Expenses	<u>118,985</u>	<u>116,592</u>
OPERATING INCOME (LOSS)	<u>29,535</u>	<u>536</u>
<u>OTHER INCOME (EXPENSE)</u>		
Revenue Bond Interest Expense	(8,548)	(9,003)
Proceeds from Capital Contributions	4,800	2,850
Interest Income	<u>1,678</u>	<u>2,141</u>
Other Income (Expense)	<u>(2,070)</u>	<u>(4,012)</u>
NET INCOME (LOSS)	27,465	(3,476)
Equity Capital - Beginning	<u>417,335</u>	<u>420,811</u>
Equity Capital - Ending	<u>\$444,800</u>	<u>\$417,335</u>

See Accompanying Accountants' Compilation Report

SOUTH 641 WATER DISTRICT - WATER DIVISION
STATEMENTS OF CASH FLOWS
For The Years Ended December 31, 2008 and 2007

<u>Cash Flows From Operating Activities</u>	<u>2008</u>	<u>2007</u>
Net Income (Loss)	\$27,465	\$(3,476)
Adjustment to Reconcile Net Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	31,616	31,427
Change in Accounts Receivable	(4,009)	325
Change in Accrued Expenses	445	(313)
Change in Customer Deposits	<u>1,080</u>	<u>936</u>
Net Cash Provided (Used) By Operating Activities	56,597	28,899
 <u>Cash Flows From Investing Activities</u>		
Purchase of Equipment	(6,332)	(8,020)
Net Cash Provided (Used) by Investing Activities	(6,332)	(8,020)
 <u>Cash Flows From Financing Activities</u>		
Bond Payments	(9,750)	(9,100)
Net Cash Provided (Used) by Financing Activities	(9,750)	(9,100)
 <u>Net Increase In Cash</u>	40,515	11,779
 <u>Cash At Beginning Of Year</u>	203,612	191,833
 <u>Cash At End Of Year</u>	<u>\$244,127</u>	<u>\$203,612</u>
 <u>Supplemental Disclosures</u>		
Cash Paid During the Year for:		
Interest	\$ 8,548	\$ 9,003
Income Taxes	0	0

See Accompanying Accountants' Compilation Report

Exhibit F

807 KAR 5:071: Section 3(1)(b)

Attached is a copy of the Kentucky Division of Water construction permit



07206

STEVEN L. BESHEAR
GOVERNOR

LEONARD K. PETERS
SECRETARY

ENERGY AND ENVIRONMENT CABINET
DEPARTMENT FOR ENVIRONMENTAL PROTECTION
DIVISION OF WATER
200 FAIR OAKS LANE, 4TH FLOOR
FRANKFORT KENTUCKY 40601
www.kentucky.gov

March 10, 2009

Mr. Max Parks, Chairman
South 641 Water District
PO Box 126
Hazel (Calloway), KY 42049

Re: S. 641 WWTP Improvements
Calloway County, Kentucky
Project ID: 09-0006
S 641 Water District WWTP -- 519
Activity ID: APE20090001

Dear Mr. Parks:

In accordance with KRS Chapter 224.10-100 (19), the Environmental and Public Protection Cabinet approves the Construction Permit Application for Improvements to the South 641 WWTP dated December 19, 2009.

Please note: This permit does not authorize a change in capacity for this facility.

If we can be of any further assistance or should you wish to discuss this correspondence, please do not hesitate to contact Todd Powers at 502/564-8158, extension 4902.

Sincerely,

Greg Goode, P.E.
Construction and Compliance Section
Surface Water Permits Branch
Division of Water

GG/TAP

c: Calloway County Health Department
Michael Jones, P.E., Florence & Hutcheson, Inc.
Donna Sullivan, Plumbing

Attachment

Wastewater Treatment Plant Construction
 S 641 Water District WWTP
 Facility Requirements

Activity ID No.: APE20090001

TRMT0000000001 (South 641) S. 641 WWTP Improvements:

Limitation Requirements:

Condition No.	Parameter	Condition
L-1	Flow, In Conduit Or Thru Trea	The design capacity of the WWTP is based on the following: Flow, In Conduit Or Thru Treatment Plant <= 0.03 MGD (MA). [401 KAR 5:005 Section 24(4)(a)] This requirement is applicable during the following months: All Year. Statistical basis: Daily average.

Submittal/Action Requirements:

Condition No.	Condition
S-1	When the construction of the system is completed, the permittee shall submit written certification: Due 30 calendar days after Completion of Construction to the Division of Water that the facilities have been constructed and tested in accordance with the approved plans and specifications and the above approval conditions. Such certification shall be signed by a registered professional engineer. Failure to certify may result in penalty assessment and/or future approvals being withheld. [401 KAR 5:005 Section 24(2)]

Narrative Requirements:

Condition No.	Condition
T-1	Facilities, except extended aeration package WWTPs with an average daily design capacity less than 100,000 gpd, shall be designed in accordance with the "Recommended Standards for Wastewater Facilities" of the Great Lakes-Upper Mississippi River Board of State Public Health and Environmental Managers, commonly referred to as "Ten States' Standards", 1990 edition. [401 KAR 5:005 Section 7(1)(a)]
T-2	The permit is issued to the applicant and the permittee shall remain the responsible party for compliance with all applicable statutes and administrative regulations until a notarized applicable change in ownership certification is submitted and the transfer of ownership is acknowledged by the cabinet. [401 KAR 5:005 Section 24(3)]

Wastewater Treatment Plant Construction
 S 641 Water District WWTP
 Facility Requirements

Activity ID No.: APE20090001

TRMT0000000001 (continued):

Narrative Requirements:

Condition No.	Condition
T-3	Construction is limited to the following: a lift station with two new influent pumps capable of 150 GPM at 32 TDH and 8 inch gravity and 4 inch force main needed to connect the lift station to existing influent and discharge lines. Also included is a valve extension and hand wheel for the flow control structure. Replacement of the existing chlorine contact structure with a new 2274 gallon, baffled contact structure is included along with chemical pumps for dosing sodium hypochlorite and calcium thiosulfate. Also included is effluent flow measuring consisting of a v-notch weir and an ultrasonic flow meter. The project will rehab the existing weir in the East Fork of Clarks River, provide a staff gauge, and regrade the stream bank and bottom to allow accurate stream flow measurements. [401 KAR 5:005 Section 1]
T-4	There shall be no deviations from the plans and specifications submitted with the application or the conditions specified unless authorized in writing by the cabinet. [401 KAR 5:005 Section 24(4)(b)1]
T-5	The issuance of a permit by the cabinet does not convey any property rights of any kind or any exclusive privilege. [401 KAR 5:005 Section 24(6)]
T-6	All rights of inspection by representatives of the Division of Water are reserved. [401 KAR 5:005 Section 24(4)(a)]
T-7	A water supply with suitable backflow preventer shall be provided to facilitate cleaning and maintenance of the wastewater treatment plant. [401 KAR 5:005 Section 10(6)]
T-8	Fencing and/or other adequate protection shall be provided around the wastewater treatment plant. [401 KAR 5:005 Section 10(7)]
T-9	An all-weather access road shall be provided to the wastewater treatment plant. [401 KAR 5:005 Section 10(8)]
T-10	Water quality standards govern the treatment requirements: the following standards apply: a. Dissolved Oxygen in the stream; 5 mg/l or higher. b. Un-ionized Ammonia in the stream; 0.05 mg/l or less. [401 KAR 10:031 Section 4]
T-11	The permittee shall ensure that the effluent is of satisfactory quality to prevent violations of the standards in 401 KAR Chapter 5. If violations of the standards of 401 KAR Chapter 5 result from the discharge of the treated effluent, the owner shall provide additional treatment or an extension of the effluent line. [401 KAR 5:005 Section 24(4)(c)1]
T-12	This treatment unit is temporary and in no way supersedes the need of a regional sewer system. The permittee will eliminate the discharge and treatment unit by connection to a regional sewer system when it becomes available as defined in 401 KAR 5:002. [401 KAR 5:005 Section 4(6)]

Wastewater Treatment Plant Construction
 S 641 Water District WWT
 Facility Requirements

Activity ID No.: APE20090001

TRMT000000001 (continued):

Narrative Requirements:

Condition No.	Condition
T-13	Issuance of this permit does not relieve the permittee from the responsibility of obtaining any other permits or licenses required by this Division of Water and other state, federal, and local agencies. [401 KAR 5:005 Section 24(4)(c)3]
T-14	The effluent from this treatment system is to be discharged at the 6.7 mile point of East Fork Clarks River. [401 KAR 5:005 Section 1(2)]
T-15	Additional effluent limitations and water quality standards are contained in the Division of Water Regulations. [401 KAR 5:005 Section 24(4)(a)]
T-16	The division will review the reported monthly flows and organic loads for the most recent twelve (12) months for the Wastewater Treatment Plant (WWTP). If the annual average flow or organic loads exceed ninety (90) percent of the WWTP's design capacity, the division may deny the approval of any sewer line extension until the owner of the WWTP commits to address the potential overload condition. [401 KAR 5:005 Section 9]
T-17	A permit to construct a facility shall be effective upon issuance unless otherwise conditioned. Construction shall be completed within twelve (12) months unless additional time is requested. If construction is not commenced within the twelve (12) months following a permit's issuance, a new permit shall be obtained before construction may begin. The cabinet may allow a single twelve (12) month extension to begin construction if site conditions have not changed. [401 KAR 5:005 Section 24(1)]
T-18	The Construction Permit is effective on March 10, 2009 and expires on March 10, 2010. [401 KAR 5:005 Section 24(1)]

Exhibit G

807 KAR 5:071: Section 3(1)(d)

- 1) Updated construction cost estimate from the engineer dated August 2009
- 2) Breakdown of all costs associated with the \$940,600 project funding.

WASTEWATER TREATMENT PLANT IMPROVEMENTS
SOUTH 641 WATER DISTRICT
OPINION OF PROBABLE COST
August 2009

ITEM	DESCRIPTION	UNIT	QUANTITY	UNIT PRICE	TOTAL
1	Influent Duplex Lift Station & Force Main	L.S.	1.00	\$100,000.00	\$100,000
2	Convert Exist Lift Station to Manhole	L.S.	1.00	\$10,000.00	\$10,000
3	Influent Flow Meter	Ea.	1.00	\$8,000.00	\$8,000
4	DGA at Lift Station	TON	175.00	\$20.00	\$3,500
5	Lift Station Fencing & Gate	L.F.	155.00	\$30.00	\$4,650
6	Temporary Bypass Pumping	L.S.	1.00	\$2,000.00	\$2,000
7	Remove existing Lift Station Shelter	L.S.	1.00	\$3,000.00	\$3,000
8	Valve Extension in Control Structure	Ea.	1.00	\$1,000.00	\$1,000
9	Grating and Handrail at Control Structure	L.S.	1.00	\$5,500.00	\$5,500
10	Cast in Place Manhole	Ea.	1.00	\$4,000.00	\$4,000
11	8" Effluent Piping	L.F.	90.00	\$35.00	\$3,150
12	Disinfection Chamber	L.S.	1.00	\$25,000.00	\$25,000
13	Effluent Headwall	Ea.	1.00	\$3,000.00	\$3,000
14	Remove existing chamber and headwall	L.S.	1.00	\$2,000.00	\$2,000
15	Chemical Feed Building	S.F.	475.00	\$60.00	\$28,500
16	Chemical Feed Equipment	L.S.	1.00	\$30,000.00	\$30,000
17	Electrical	L.S.	1.00	\$8,000.00	\$8,000
18	Effluent Flow Meter	Ea.	1.00	\$8,000.00	\$8,000
19	1" Waterline	L.F.	80.00	\$13.00	\$1,040
20	Extend water service to new lift station	L.S.	1.00	\$750.00	\$750
21	DGA Walkway	TON	30.00	\$20.00	\$600
22	DGA Access Drive	TON	155.00	\$20.00	\$3,100
23	30" Storm Drain	L.F.	45.00	\$60.00	\$2,700
24	Earthwork	C.Y.	400.00	\$8.00	\$3,200
25	Silt Fence	L.F.	525.00	\$3.00	\$1,575
26	Class II Channel Lining & Fabric at Effluent	TON	42.00	\$25.00	\$1,050
27	Class II Channel Lining & Fabric in Creek	TON	385.00	\$25.00	\$9,625
28	Regrade Creek Channel	C.Y.	185.00	\$20.00	\$3,700
29	Gate at Access Drive	Ea.	1.00	\$800.00	\$800
30	Staff Gauge	Ea.	1.00	\$250.00	\$250
31	Remove Equipment from Existing Chemical Building	L.S.	1.00	\$1,000.00	\$1,000
CONSTRUCTION TOTAL					\$278,690
CONTINGENCY (10%)					\$27,869
DESIGN & INSPECTION					\$60,100
GROUNDWATER PROTECTION PLAN					\$2,900
SUBSURFACE INVESTIGATION					\$2,500
TOTAL ESTIMATED COST					\$372,059

Project Funding

Community Development Block Grant	\$ 440,000.00
EPA Special Appropriation Grant	\$ 240,600.00
Kentucky Infrastructure Authority HB 380 Grant	\$ 200,000.00
Kentucky Infrastructure Authority HB 608 Grant	\$ 60,000.00
Total Project Funding	\$ 940,600.00

ESTIMATED BREAKDOWN OF PROJECT COSTS

PART 1: Wastewater Treatment Plant Improvements and Lift Station Construction (Current Application for CPNC)

Construction	\$ 278,690.00
Contingency 10%	\$ 27,869.00
Design and Inspection	\$ 60,100.00
Groundwater protection plan report fee	\$ 2,900.00
Subsurface investigation	\$ 2,500.00
Total Estimated Cost	\$ 372,059.00

PART 2: Sewer Rehab (Currently in design) Water District will submit application for CPNC to the PSC at later date)

Construction	\$ 379,400.00
Contingency 10%	\$ 37,941.00
Design and Inspection	\$ 58,500.00
Flow Monitoring	\$ 9,900.00
Smoke Testing	\$ 12,200.00
Sewer Cleaning and CCTV Inspection	\$ 29,300.00
Total Estimated Cost	\$ 527,241.00

Kentucky Infrastructure Authority (KIA) Administration Costs

Kentucky Infrastructure Authority HB 380 - \$1,000	\$ 1,000.00
Kentucky Infrastructure Authority HB 608- \$300	\$ 300.00
Total KIA Admin Costs	\$ 1,300.00

Purchase Area Development District Administration Costs

Community Development Block Grant Admin - \$25,000	\$ 25,000.00
HB 380 Admin	\$ 10,000.00
HB 608 Admin	\$ 3,000.00
Total PADD Admin Costs	\$ 38,000.00

Environmental Review Notices	\$ 216.75
Easements, Legal Fees - Miscellaneous Project Contingency	\$ 1,783.25

Total Estimated Project Costs	\$ 940,600.00
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South 641 Water District
FINANCIAL STATEMENTS
DECEMBER 31, 2007

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INTRODUCTION

The South 641 Water District is a de jure Water District, situated wholly in Calloway County, Kentucky, and exists by virtue of a Judgement and Order of the Calloway County Court entered on May 7, 1979.

On May 10, 1979, the Commission of the South 641 Water District adopted a resolution providing for the construction and installation of a water-works system in and for the said District, and authorizing the issuance of Waterworks System Revenue Bonds to provide for the costs thereof. On May 21, 1981, bonds in the amount of \$472,000 were sold.

PIERCE & ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

MICHAEL D. PIERCE, CPA
KARAMANEH WINCHESTER, CPA
JULIE A. HOFFMAN, CPA

310 Main Street, P.O. Box 527, Murray, KY 42071

Telephone (270) 753-0274

FAX (270) 753-0275

info@piercecpa.com

To the Commissioners
South 641 Water District
Hazel, KY 42049

We have audited the accompanying balance sheet of South 641 Water District as of December 31, 2007, and the related statements of income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the management of the South 641 Water District. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with United States generally accepted auditing standards, and *Governmental 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 South 641 Water District as of December 31, 2007, and the results of its operations and changes in retained earnings and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2008 on our consideration of the South 641 Water District's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations.



Pierce & Associates, PLLC
Certified Public Accountants

March 21, 2008

SOUTH 641 WATER DISTRICT
BALANCE SHEET
December 31, 2007

ASSETS

	Water	Sewer	Combined
<u>Fixed Assets</u>			
Waterworks System in Service	\$ 1,147,974	\$ 316,845	\$ 1,464,819
Less: Accumulated Depreciation	(766,011)	(231,997)	(998,008)
Net Fixed Assets	381,963	84,848	466,811
<u>Cash and Investments</u>			
Unrestricted:			
Cash in Bank-Operations	11,320	9,262	20,582
Certificates of Deposit	35,438	28,995	64,433
Restricted:			
Cash for Debt Service	2,623	1,412	4,035
Cash for Meter Fund	10,126	-	10,126
Total Cash and Investments	59,507	39,669	99,176
<u>Receivables</u>			
Accounts Receivable	9,693	2,896	12,589
Total Receivables	9,693	2,896	12,589
Total Current Assets	69,200	42,565	111,765
TOTAL ASSETS	\$ 451,163	\$ 127,413	\$ 578,576

LIABILITIES & EQUITY CAPITAL

<u>Capital</u>			
Donated Capital	\$ 582,328	\$ 171,115	\$ 753,443
Retained Earnings	(313,079)	(136,438)	(449,517)
Total Capital	269,249	34,677	303,926
<u>Long-Term Debt</u>			
Waterworks System Revenue Bonds (Net of Current Portion)	161,200	86,800	248,000
<u>Current Liabilities</u>			
Accrued Expenses	838	686	1,524
Customers Deposits	10,126	-	10,126
Current Portion of Long-Term Debt	9,750	5,250	15,000
Total Current Liabilities	20,714	5,936	26,650
Total Liabilities	181,914	92,736	274,650
TOTAL LIABILITIES AND EQUITY CAPITAL	\$ 451,163	\$ 127,413	\$ 578,576

SOUTH 641 WATER DISTRICT
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<u>Operating Revenue</u>			
Water & Sewer Revenues	\$ 108,871	\$ 27,583	136,454
Customer Penalties Collected	2,811	747	3,558
Reconnection Charges & Miscellaneous	1,465	390	1,855
Total Revenues	<u>113,147</u>	<u>- 28,720</u>	<u>141,867</u>
<u>Operating Expenses</u>			
Water Purchases	36,499	-	36,499
Operating Supplies	1,252	1,024	2,276
Salaries	20,161	16,495	36,656
Auto Expense	2,277	1,863	4,140
Repairs and Maintenance	7,124	5,829	12,953
Utilities & Phone	3,772	3,087	6,859
Payroll Tax Expense	1,599	1,308	2,907
Supplies & Postage	3,186	2,607	5,793
Insurance	3,627	2,968	6,595
Contractual Services	4,093	3,349	7,442
Depreciation	31,427	5,953	37,380
Employee Benefits	219	179	398
Miscellaneous	1,356	1,109	2,465
Total Operating Expenses	<u>116,592</u>	<u>45,771</u>	<u>162,363</u>
<u>Operating Income</u>	(3,445)	(17,051)	(20,496)
<u>Other Income (Expense)</u>			
Interest Income	2,141	1,686	3,827
Revenue Bond Interest Expense	(9,003)	(4,847)	(13,850)
Proceeds from Capital Contributions	2,850	700	3,550
Total Other Income (Expense)	<u>(4,012)</u>	<u>(2,461)</u>	<u>(6,473)</u>
Net Income (Loss)	<u>\$ (7,457)</u>	<u>\$ (19,512)</u>	<u>\$ (26,969)</u>

SOUTH 641 WATER DISTRICT
STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Unrestricted Retained Earnings	Donated Capital	Total Retained Earnings & Donated Capital
RETAINED EARNINGS, January 1, 2007	\$ (418,998)	\$ 749,893	\$ 330,895
Net Loss	(30,519)		(30,519)
Contributed Capital		3,550	3,550
RETAINED EARNINGS, December 31, 2007	\$ (449,517)	\$ 753,443	\$ 303,926

See Accountants' Audit Report and Notes to the Financial Statements

SOUTH 641 WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (20,496)	
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation	37,380	
Decrease (Increase) in Accounts Receivable	479	
Decrease (Increase) in Unbilled Receivables	5,109	
Increase (Decrease) in Accrued Expenses	569	
Increase (Decrease) in Customer Deposits	<u>1,037</u>	
Net Cash Provided By Operating Activities		\$ 24,078
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to Plant in Service	(11,570)	
Principle Paid on Revenue Bonds	(14,000)	
Proceeds from Capital Contributions	3,550	
Interest Paid on Revenue Bonds	<u>(13,850)</u>	
Net Cash Used By Financing Activities		(35,870)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income Earned on Bank Accounts	<u>3,827</u>	
Net Cash Provided By Investing Activities		<u>3,827</u>
 NET INCREASE (DECREASE) IN CASH		 (7,965)
CASH - January 1, 2007		<u>107,141</u>
CASH - December 31, 2007		<u><u>\$ 99,176</u></u>

Cash Flow Disclosures:

Interest Paid:	<u>\$ 13,850</u>	
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SOUTH 641 WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

**SOUTH 641 WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of South 641 Water District are prepared on the accrual basis of accounting. Therefore, income is recognized as it is earned rather than when cash is received, and expenditures are recognized as incurred rather than when paid in accordance with generally accepted accounting principles.

Cash

For the purposes of the statement of cash flows, all cash investments with an original maturity of three months or less are considered to be cash equivalents. Kentucky Revised Statute controls the type of investment which is allowable for the District to utilize. Certificates of deposit are an authorized type.

Accounts Receivable

The District does not have an allowance for doubtful accounts, instead, the direct write-off method is used and accounts are written-off as they become uncollectible. This method is not expected to differ materially from the allowance method.

Asset Capitalization and Depreciation Expense

The assets purchased by the District are capitalized at cost. Depreciation for these assets is provided using the straight-line method over their estimated useful lives. The estimated useful lives of the assets are as follows:

Waterworks System & Improvements	50 Years
Building	33 Years
Equipment	10 Years
Office Furniture & Equipment	10 Years
Vehicles	10 Years

Income Taxes

As a special taxing district of local government the District is exempt from Federal income tax. Therefore, no provision is made for income tax expense.

Accruals

The District does not compensate for days not worked, therefore no accrual has been made for compensated absences.

Advertising costs are expensed as incurred.

**SOUTH 641 WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)**

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reporting Entity

The South 641 Water District operates as a proprietary fund, and is considered to be a separate reporting entity, and not a component unit subject to inclusion in the financial statements of any other entity. Criteria considered in determining the reporting entity included evaluating oversight responsibility, financial interdependency, selection of board members and management personnel, influence over operations, and accountability for fiscal matters.

Fund Accounting

The accounts of the South 641 Water District are organized using governmental fund accounting, which uses the basis of funds or account groups, each of which is considered a separate reporting entity. The operations of each fund or account group are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues, and expenditures.

The District is considered to be a proprietary fund type, or enterprise fund. An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing water services to the general public on a continuing basis are financed through user charges.

NOTE 2 - PROPERTY, PLANT AND EQUIPMENT

Fixed assets at December 31, 2007, are stated at cost less depreciation as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
<u>Water System:</u>			
Waterworks System in Service	\$1,085,950	\$ 727,596	\$ 358,354
Land	20,000	0	20,000
Equipment	32,291	30,860	1,431
Office Furniture & Equipment	9,733	7,555	2,178
<u>Sewer System:</u>			
Sewer System in Service	311,735	226,912	84,823
Office Furniture & Equipment	<u>5,110</u>	<u>5,085</u>	<u>25</u>
TOTALS:	<u>\$1,464,819</u>	<u>\$ 998,008</u>	<u>\$ 466,811</u>

The charge of \$37,380 represents depreciation for the current year ended December 31, 2007.

**SOUTH 641 WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 3 – CASH

Cash balances in bank at December 31, 2007 consisted of the following:

Demand Deposits:

BB&T Bank, Operations—unrestricted Earning .20% A.P.R.	\$ 17,321
BB&T Bank, Debt Service—restricted Earning .20% A.P.R.	10,401
BB&T Bank, Meter Fund—restricted Earning .20% A.P.R.	<u>10,937</u>
Total	38,659
Insured by FDIC Insurance	<u>100,000</u>
Over or (Under) Insured	<u>\$ 61,341</u>

Time Deposits:

Certificate of Deposit—unrestricted Earning 3.87% A.P.R., Matures 12/31/08	\$ 34,111
Certificate of Deposit—unrestricted Earning 5.1% A.P.R., Matures 4/10/08	<u>30,322</u>
Total	64,433
Insured by FDIC Insurance	<u>100,000</u>
Over or (Under) Insured	<u>\$ 35,567</u>

Overall Risk to the District	<u>\$ 0</u>
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The District's cash in bank demand deposits and certificates of deposit at December 31, 2007, does not exceed the FDIC insured amount. If the District exceeds FDIC insurance amounts this excess would represent a potential loss in the event the financial institution failed to perform on its obligations. The bank has pledged collateral to secure the District's excess deposits.

**SOUTH 641 WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 4 – ACCOUNTS RECEIVABLE

Customer accounts receivable at December 31, 2007 totals to \$12,589. This represents the amount of current December bills and any amount in arrears due from customers.

NOTE 5 – CAPITAL

Donated Capital amounting to \$753,443 have been received over the total period of time that the District has been in operation. Of this amount \$48,198 represents tap on fees paid by customers. These advances from customers represent non-refundable contributions for the purpose of offsetting part of the cost of tapping onto the system. The remainder of this account has been received from various other governmental entities. Current year contributions amounted to \$2,850.

NOTE 6 – LONG-TERM DEBT

Water and Sewer revenue bonds were issued in 1981 in the original amount of \$472,000 payable to the U.S. Department of Agriculture at 5.00% per annum. Interest is payable semi-annually on January 1 and July 1 of each year beginning in 1984 and ending in 2021. The system is subject to a statutory mortgage lien until the indebtedness is repaid. Bonds maturing after January 1, 1992 are optional for redemption prior to maturity on any interest payment date falling after January 1, 1991.

The following is a summary of principal maturities of debt and interest obligations during the next five years and five year increments thereafter:

<u>Maturity Date December 31,</u>	<u>Principal Amounts</u>	<u>Interest</u>
2008	15,000	13,150
2009	16,000	12,400
2010	16,000	11,600
2011	17,000	10,800
2012	18,000	9,950
2013	19,000	9,050
2014-2018	110,000	30,000
2019-2021	52,000	3,950
Total	\$ 263,000	\$ 100,900

**SOUTH 641 WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 7 – ACCRUED TAXES PAYABLE

Accrued Taxes Payable as of December 31, 2007, consisted of the following:

Payroll Taxes	\$ 1,174
Sales Tax	<u>350</u>
Total Current Liabilities:	<u>\$1,524</u>

NOTE 8 – RELATED PARTIES

The bookkeeper, Sheila James, is the sister-in-law of Commissioner Max Parks.

**ADDITIONAL REPORTS REQUIRED
BY *GOVERNMENT AUDITING STANDARDS***

PIERCE & ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Commissioners
South 641 Water District
Hazel, KY 42049

We have audited the financial statements of South 641 Water District as of and for the year ended December 31, 2007, and have issued our report thereon dated March 21, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 South 641 Water District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the South 641 Water District's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the Organization'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 organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is a more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization'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 organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control over financial reporting 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 a material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South 641 Water District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the board of directors and management and is not intended to be and should not be used by anyone other than these specified parties.

Pierce & Associates, PLLC

Pierce & Associates, PLLC

March 21, 2008

UNITED STATES DEPARTMENT OF AGRICULTURE
STATEMENT OF BUDGET, INCOME AND EQUITY

Schedule I

Name South 641 Water District

Address PO Box 126, Hazel, KY 42049

(1) <u>OPERATING INCOME</u>	<u>PRIOR YEAR Actual</u> (2)	ANNUAL BUDGET		For the _____ Months Ended _____		Actual YTD (Over) Under Budget Col. 3 - 5 = 6 (6)
		BEG <u>01-01-2009</u>	END <u>12-31-2009</u>	CURRENT YEAR		
				Actual Data		
				Current Quarter (4)	Year To Date (5)	
1. <u>Water & Sewer</u>		190,000				
2. <u>Late Charges</u>		5,000				
3. _____						
4. _____						
5. <u>Miscellaneous</u>						
6. <u>Less: Allowances and Deductions</u>						
7. <u>Total Operating Income</u> (Add lines 1 through 6)	0	195,000		0	0	
<u>OPERATING EXPENSES</u>						
8. <u>Source & Supply</u>		54,500				
9. <u>Pumping</u>		4,500				
10. <u>Supplies/Maint</u>		14,000				
11. <u>Taxes</u>		4,000				
12. <u>Admin & General</u>		57,500				
13. _____						
14. _____						
15. <u>Interest</u>		13,150				
16. <u>Depreciation</u>		50,000				
17. <u>Total Operating Expense</u> (Add Lines 8 through 16)	0	197,650		0	0	
18. <u>NET OPERATING INCOME (LOSS)</u> (Line 7 less 17)	0	-2,650		0	0	
<u>NONOPERATING INCOME</u>						
19. <u>Reconnect Fees</u>		2,000				
20. <u>Interest</u>		2,000				
21. <u>Total Nonoperating Income (Add 19 and 20)</u>	0	4,000		0	0	
22. <u>NET INCOME (LOSS)</u> (Add lines 18 and 21)	0	1,350		0	0	
23. <u>Equity Beginning of Period</u>		435,733				
24. <u>Tap on Fees</u>		5,000				
25. <u>Grant Proceeds</u>		829,500				
26. <u>Equity End of Period</u> (Add lines 22 through 25)	0	1,271,583		0	0	

Budget and Annual Report Approved by Governing Body

Quarterly Reports Certified Correct

Secretary

Date

Appropriate Official

Date

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0015. The time required to complete this information collection is estimated to average 2-1/2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

PROJECTED CASH FLOW

For the Year BEG 01-01-2009 END 12-31-2009
(same as schedule 1 column 3)

A. Line 22 from Schedule 1, Column 3 NET INCOME (LOSS)	\$ <u>1,350</u>
<u>Add</u>	
B. <u>Items in Operations not Requiring Cash:</u>	
1. Depreciation (line 16 schedule 1)	<u>50,000</u>
2. Others:	
C. <u>Cash Provided From:</u>	
1. Proceeds from Agency loan/grant	<u>829,500</u>
2. Proceeds from others	
3. Increase (Decrease) in Accounts Payable, Accruals and other Current Liabilities	
4. Decrease (Increase) in Accounts Receivable, Inventories and Other Current Assets (Exclude cash)	
5. Other: <u>Tap on Fees</u>	<u>5,000</u>
6	
D Total all A, B and C Items	<u>885,850</u>
E. <u>Less: Cash Extended for:</u>	
1. All Construction, Equipment and New Capital Items (loan & grant funds)	<u>787,000</u>
2. Replacement and Additions to Existing Property, Plant and Equipment	<u>4,000</u>
3. Principal Payment Agency Loan	<u>16,000</u>
4. Principal Payment Other Loans	
5. Other:	
6 Total E 1 through 5	<u>807,000</u>
<u>Add</u>	
F Beginning Cash Balances	<u>68,908</u>
G. Ending Cash Balances (Total of D Minus E 6 Plus F)	\$ <u>147,758</u>
<u>Item G Cash Balances Composed of:</u>	
Construction Account	\$ <u> </u>
Revenue Account	
Debt Payment Account	<u>5,800</u>
O&M Account	<u>63,208</u>
Reserve Account	<u>35,500</u>
Funded Depreciation Account	
Others: <u>Meter Deposits</u>	<u>11,250</u>
<u>Temporary Investments</u>	<u>32,000</u>
Total - Agrees with Item G	\$ <u>147,758</u>