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December 12, 2012

R. Benjamin Crittenden, Esq.
Stites & Harbison
P O. Box 634
Frankfort, Kentucky 40602-0634

Mr. George J. Hannah
South Shore Water Works Company
P.O. Box 485
South Shore, Kentucky 41175

Re: Case No. 2012-00476
South Shores Water Works Company

Gentlemen:

The response of the City of South Shores, Kentucky to a request for information made by Commission Staff pursuant to the Open Records Act has been filed in the record of the above-referenced case. Because of its voluminous size, a copy of the response is not provided. The response may be reviewed and downloaded from the Public Service Commission's website at <http://psc.ky.gov/pscscf/2012%20cases/2012-00476/>. Any objections to this action should be submitted to the Commission within five days of receipt of this letter.

Direct any questions regarding this action or viewing and downloading the documents in question to Gerald Wuetcher, Executive Advisor/Attorney at (502) 782-2590.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Derouen".

Jeff Derouen
Executive Director

gw

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December 3, 2012

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COMMISSION

Gerald Wuetcher
Public Service Commission

VIA: UPS/OVERNIGHT

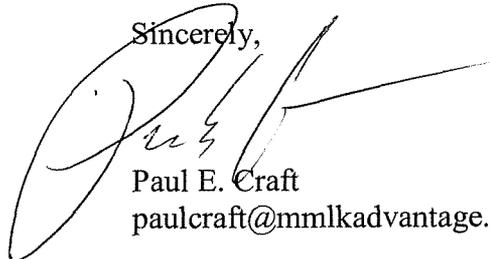
Re: City of South Shore (Water Works)

Dear Mr. Wuetcher:

Please find enclosed answers to your request as follows:

1. No resolution per say. Transaction was approved in the minutes attached hereto
2. Attached
3. Find attached an appraisal of the South Shore Water Company
4. Attached
5. Attached
6. Attached
7. Please find enclosed the most recent uniformed financial information report. The 2011-2012 is not yet completed.
8. Please find enclosed an approval of financing from the approval for financing
9. Attached

Sincerely,

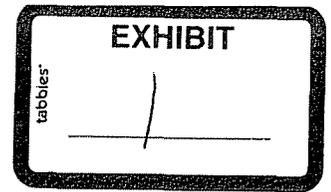


Paul E. Craft
paulcraft@mmlkadvantage.com

PEC/psb

INDEX

- Exhibit 1 – Ordinance Authorizing the Negotiated Purchase of South Shore Water Works
- Exhibit 2 – 2011 Ordinance Setting Sewer Rates and 1992 General Municipal Sewer Collection Ordinance
- Exhibit 3 – Uniform Financial Information Report
- Exhibit 4 – 2012/2013 Budget
- Exhibit 5 – Resolution Authorizing Mayor to Apply for Financing for South Shore Water Works; KIA Letter Approving Resolution; and Correspondence and other Documentation Regarding Financing of Project
- Exhibit 6 – Email Correspondence Regarding Acquisition of the South Shore Water Works
- Exhibit 7 – Minutes Concerning and/or Approving any Action Taken in Regard to the Purchase of South Shore Water Works
- Exhibit 8 – South Shore Water Works Appraisal
- Exhibit 9 – 2011 Audit



0205007MM11

ORDINANCE NO. 281 - 2007

AN ORDINANCE OF THE CITY OF SOUTH SHORE, KENTUCKY, AUTHORIZING THE MAYOR OF THE CITY OF SOUTH SHORE, KENTUCKY, TO ENTER INTO NEGOTIATION FOR THE PURCHASE OF THE SOUTH SHORE WATER WORKS COMPANY AND TO REPORT SAID RESULTS TO THE COMMISSION; AND ALL OTHER MATTERS.

WHEREAS, the City Commission of the City of South Shore, Kentucky, has deemed it to be in the City's best interest to explore purchase of the South Shore Water Works Company in that if same remains in private ownership, the water rates for the citizens of the City of South Shore, Kentucky, will be required to be raised in an amount which is greater than what the City would be required to raise the rates to effectuate the purchase and continued operation of the Water Works; and

WHEREAS, the South Shore Water Works Company is being offered for sale.

NOW BE IT ORDAINED by the City Commission of the City of South Shore, Kentucky, as follows:

SECTION 1: That the Mayor of the City of South Shore, Kentucky, is hereby authorized to enter into non-binding negotiation with the South Shore Water Works Company.

SECTION 2: That the Mayor is additionally authorized to enter into any collateral agreements and shall report said results to the Commission at the first opportunity.

SECTION 3: That all ordinances in conflict herewith are specifically hereby repealed to the extent of said conflict only.

SECTION 4: That each section and each sentence of this ordinance is enacted separately and the invalidity and/or unconstitutionality of any one particular sentence and/or section shall

not affect the validity and/or constitutionality of any other sentence and/or section.

SECTION 5: That this ordinance shall be in full force and effect from and after its passage, approval and publication according to law.

Cheryl Moore Mayor
MAYOR, CITY OF SOUTH SHORE, KENTUCKY

ATTEST:

Judith Cooper
CITY CLERK

FIRST READING: Feb 20, 2007

SECOND READING: March 20, 2007



062711MMH/TLC

ORDINANCE NO. 310-2011

AN ORDINANCE OF THE CITY OF SOUTH SHORE, KENTUCKY AMENDING ORDINANCE NO. 289-2007, ESTABLISHING AND SETTING NEW SEWER RATES; PROVIDING FOR REVIEW OF SAID RATES; AND OTHER MATTERS.

WHEREAS, the City of South Shore, Kentucky, has incurred cost for repair, maintenance, and update to the current sewer facility; and

WHEREAS, the City of South Shore, Kentucky, deems it necessary to raise rates in order to maintain needed repairs to the facility, and for the safety and welfare of its citizens; and

WHEREAS, as a result it is now necessary to implement and adopt new sewer rates and proposed rates have been provided; and

NOW BE IT ORDAINED that the City Commission of the City of South Shore, Kentucky, as follows:

SECTION 1: That the sewer rates for the City of South Shore, Kentucky, beginning on ~~January 1, 2008~~ July 1, 2011, are as follows:

Residential (all)	[\$20.50] \$22.00 minimum (1,000 gallons)
	[\$6.00] \$8.00 each additional 1,000 gallons
Commercial	[\$22.00] \$24.00 minimum (1,000 gallons)
	[\$6.50] \$8.50 each additional 1,000 gallons
North American Refractory	[\$1,662.45] \$1,700.00 flat rate
South Shore Water Works	\$1,700.00 flat rate

SECTION 2: The City Commissioners of the City of South Shore, Kentucky, shall review said rates after three (3) 6 months. At its regular scheduled meeting in [~~April, 2008~~] January 2012.

SECTION 3: That all Ordinances in conflict herewith are specifically hereby repelled to the extend of said conflict only.

SECTION 4: That each section and each sentence of this Ordinance is enacted separately and the invalidity and/or unconstitutionality of any one particular sentence and/or section shall not affect the validity and/or constitutionality of any other sentence and/or section.

SECTION 5: That this Ordinance shall be in full force and effect from and after its passage, approval and publication according to law.

Cheryl Trane, Mayor
MAYOR, CITY OF SOUTH SHORE, KENTUCKY

ATTEST:

Linda Petter
CITY CLERK

FIRST READING: JUNE 21ST, 2011

SECOND READING: JUNE 23RD, 2011

CITY OF SOUTH SHORE
ORDINANCE NO. 92-210

AN ORDINANCE OF THE CITY OF SOUTH SHORE CONCERNING USE OF THE MUNICIPAL SANITARY SEWAGE COLLECTION AND TREATMENT SYSTEM, SETTING FORTH POLICY, DEFINITIONS, RULES AND REGULATIONS REGARDING THE USE OF SAID SYSTEM, CONTROLLING PRIVATE WASTEWATER DISPOSAL, GOVERNING THE BUILDING OF SEWERS AND CONNECTIONS, POLLUTANT DISCHARGE LIMITS, PRETREATMENT PROGRAM ADMINISTRATION, ESTABLISHING THE RIGHT OF THE CITY TO CHARGE FEES FOR ADMINISTERING THE CITY'S REASONABLY NECESSARY FUNCTIONS RELATED TO SEWER USE, AND DELINEATING POWERS AND AUTHORITY OF INSPECTORS AND SETTING FORTH THE METHODS AND PROCEDURES OF ENFORCEMENT OF THE ORDINANCE AND PENALTIES FOR VIOLATION OF SAME AND REPEALING PRIOR ORDINANCES.

WHEREAS, the City of South Shore has constructed wastewater treatment facilities and improved trunk lines to same; and

WHEREAS, the City of South Shore has determined the need for the adoption of a Sewer Use Ordinance to properly control the effluent to be discharged by the public into the City's sewer system, and the use of the system;

NOW THEREFORE, BE IT ORDAINED BY THE CITY OF SOUTH SHORE THAT the following Ordinance shall be in effect from the date of publication hereof and until repeal and/or amendment thereof by the legislative body of the City.

TABLE OF CONTENTS

	Page
ARTICLE I - GENERAL PROVISIONS	
A. Purpose and Policy	1
B. Definitions	1
C. Abbreviations	10
ARTICLE II - USE OF PUBLIC SEWERS	
A. Mandatory Sewer Connection	10
B. Unlawful Discharge to Storm Sewers or Natural Outlets	11
C. Compliance with Local, State and Federal Laws	11
D. Discharge of Unpolluted Waters into Sewers	12
E. Substances which Interfere	12
ARTICLE III - PRIVATE WASTEWATER DISPOSAL	
A. Public Sewer not Available	14
B. Requirements for Installation	14
ARTICLE IV - BUILDING SEWERS AND CONNECTIONS	
A. Permits	15
B. Prohibited Connections	15
C. Design and Installation	16
D. Inspection	18
ARTICLE V - POLLUTANT DISCHARGE LIMITS	
A. General Conditions	18
B. Restricted Discharges	19
C. Dilution of Wastewater Discharge	21
D. Grease, Oil and Sand Interceptors	21
E. Special Non-Industrial Pretreatment Requirements	21
F. Special Industrial Pretreatment Requirements	21
G. Protection from Accidental Discharges	22
H. State Requirements	23
I. City's Right to Revision	23
J. Federal Categorical Pretreatment Standards	23
ARTICLE VI - PRETREATMENT PROGRAM ADMINISTRATION	
A. Wastewater Discharge	24
B. Industrial User Discharge Permit	24
C. Permit Modifications	26
D. Permit Conditions	26

E. Permit Duration 28
 F. Permit Transfer 28
 G. Reporting Requirements for Permittee. 28
 H. Permit Violations 30
 I. Monitoring Requirements 30
 J. Inspection and Sampling 31
 K. Pretreatment. 31
 L. Confidential Information. 33

ARTICLE VII - FEES

A. Purpose 34
 B. Charges and Fees. 34

ARTICLE VIII - POWERS AND AUTHORITY OF INSPECTORS

A. Right to Enter Premises 34
 B. Right to Obtain Information Regarding Discharges. . . 35
 C. Access to Easements 35
 D. Safety. 35

ARTICLE IX - ENFORCEMENT

A. General 35
 B. Enforcement Actions 36
 1. Informal Notice 36
 2. Formal Notice 36
 (a) Notice of Violation. 36
 (b) Administrative Orders/Fines. 36
 (c) Consent Order. 37
 (d) Compliance Order 37
 (e) Cease and Desist Order 37
 (f) Show Cause Hearing 38

ARTICLE X - PENALTIES

A. Income from Fines 39
 B. Written Notice. 39
 C. Continued Violation 39
 D. Revocation of Permit. 39
 E. Liability 40
 F. Misrepresentation and/or Falsifying Documents . . . 40
 G. Destruction of the City of South Shore Sanitary Sewer
 Treatment Plant and Legal Action. 40
 H. Judicial Action 40
 I. Termination of Service. 41
 J. Criminal Prosecution. 41

ARTICLE XI - VALIDITY

A. Inconsistent or Conflicting Ordinances	41
B. Separation Clause	41
C. Effective Date of Ordinance	42
D. Repeal of Old Ordinance	42

ARTICLE I - GENERAL PROVISIONS

A. Purpose and Policy

This Ordinance sets forth uniform requirements for direct and indirect contributors into the wastewater collection and treatment system for the City of South Shore and enable the City to comply with all applicable State and Federal laws required by the Clean Water Act of 1977 and the general Pretreatment Regulations (40 CFR 403).

The objectives to this Ordinance are:

1. To prevent the introduction of pollutants into the municipal wastewater system which will interfere with the operation of the system or contaminate the resulting sludge;
2. To prevent the introduction of pollutants into the municipal wastewater system which will pass through the system, inadequately treated, into receiving waters or the atmosphere or otherwise be incompatible with the system;
3. To improve the opportunity to recycle and reclaim wastewaters and sludges from the system; and
4. To provide for equitable distribution of the cost of the municipal wastewater system.
5. To provide for the safety of the South Shore Sanitary Sewer Treatment Plant employees.

This Ordinance provides for the regulation of direct and indirect contributors to the municipal wastewater system through the issuance of permits to certain non-domestic users, enforcement of general requirements for all users, authorizes monitoring and enforcement activities, requires industrial user reporting, and provides for the setting of fees for the equitable distribution of costs resulting from the program established herein.

This Ordinance shall apply to the City of South Shore and to persons outside the City who are, by contract or agreement with the City, users of the South Shore Sanitary Sewer Treatment Plant. Except as otherwise provided herein, the authorized representatives of the City shall administer, implement and enforce the provisions of this Ordinance.

B. Definitions

Unless the context specifically indicates otherwise, the following terms and phrases, as used in this Ordinance, shall have the meanings hereinafter designated:

1. ACT or "the Act" - The Federal Water Pollution Control Act, also known as the Clean Water Act, as amended, 33 U.S.C. 1251, et. seq.

2. Approval Authority - The Secretary of the Kentucky Natural Resources and Environmental Protection Cabinet and/or any authorized representative thereof.
3. Authorized Representative - An authorized representative of a user may be: (i) a principal executive officer of at least the level of vice-president, if the industrial user is a corporation, (ii) a general partner or proprietor if the user is a partnership or proprietorship, respectively; (iii) a duly authorized representative of the individual designated above if such representative is responsible for the overall operation of the facilities from which the indirect discharge originates.

An authorized representative of the City may be any person designated by the City to act on its behalf.
4. Available - As used in connection with this Ordinance means a public sewer located at the property line or point at which connection may be made with the City sanitary sewage collection facilities.
5. Biochemical Oxygen Demand (BOD) - The quantity of oxygen utilized in the biochemical oxidation of organic matter under standard laboratory procedures, five (5) days at 20 Centigrade expressed in terms of weight and concentration in milligrams per liter (mg/l).
6. Building Sewer - The extension from the building drain to the public sewer or other place of disposal, also called "house connection."
7. Building Sewer Permit - As set forth in "Building Sewers and Connections" (Article IV).
8. Categorical Standards - National Categorical Pretreatment Standards or Pretreatment Standard. Any regulations containing pollutant discharge limits promulgated by the EPA in accordance with Section 307(b) and (c) of the Act (33 U.S.C. 1347) and 40 CFR 403 which applies to a specific category of industrial users.
9. City - The City of South Shore, its City Council or Commission.
10. Combined Sewer - Any conduit carrying both sanitary sewage and storm water or surface water.
11. Compatible Pollutant - Biochemical oxygen demand, suspended solids and fecal coliform bacteria; plus additional pollutants that the City is designed to treat and, in fact, does treat to the degree required by the City's NPDES/KPDES permit.

12. Composite Wastewater Sample - A combination of individual samples of water or wastewater taken at selected intervals, or based on quantity of flow for some specified period, to minimize the effect of variability of the individual sample. Individual samples may have equal volume or may be proportioned to the flow at the time of the sampling.
13. Control Authority - The term shall refer to the "Approval Authority" defined hereinabove; the authorized representative of the City of South Shore, if the City has an approved pretreatment program under the provisions of 40 CFR 403.11.
14. Cooling Water - The water discharged from any use such as air conditioning, cooling or refrigeration, or to which the only pollutant added is heat.
15. County Health Department - The Health Department for Greenup County.
16. Dilution Stream - Any wastewater not generated by a process regulated for the specific pollutant by a categorical standard under 40 CFR, Subchapter N.
17. Direct Discharge - The discharge of treated or untreated wastewaters directly to the waters of the Commonwealth of Kentucky.
18. Domestic Wastewater - The water-carried waste produced from non-commercial or non-industrial activities and which result from normal human living process.
19. Easement - An acquired legal right for the specific use of land owned by others.
20. Environmental Protection Agency or EPA - The U.S. Environmental Protection Agency, or where appropriate the term may also be used as a designation for the administrator or his/her duly authorized representative of said agency.
21. Equipment - All movable, non-fixed items necessary to the wastewater treatment process.
22. Federal Pretreatment Standards - Federal Regulations for pretreatment of industrial wastewater under 40 CFR, Subchapter N and any applicable regulations, as amended.
23. Garbage - The animal and vegetable waste resulting from the handling, preparation, cooking and serving of foods.
24. Grab Sample - A sample which is taken from a waste stream on a one-time basis with no regard to the flow in the waste stream and without consideration of

time.

25. Holding Tank Waste - Any waste from holding tanks such as vessels, chemical toilets, campers, trailers, septic tanks and vacuum-pump tank trucks.
26. Incompatible Pollutant - All pollutants other than compatible pollutants as defined in this section.
27. Indirect Discharge - The discharge or the introduction of pollutants into the South Shore Sanitary Sewer Treatment Plant from any non-domestic source regulated under Section 307(b), (c) or (d) of the Act and including holding tank wastes discharged into the system.
28. Industrial User - A source of indirect discharge.
29. Industrial Wastes - The wastewaters from industrial or commercial processes as distinct from domestic or sanitary wastes.
30. Interceptor - A device designed and installed so as to separate and retain deleterious, hazardous and undesirable matter from domestic wastes while permitting domestic sewage or liquid wastes to discharge into the sewer system or drainage system by gravity. Interceptor as defined herein is commonly referred to as a grease, oil or sand trap.
31. Interference - The inhibition or disruption of the City's treatment processes or operations or that which contributes to a violation of any requirement of the City's NPDES/KPDES permit. The term includes prevention of sewage sludge use or disposal by the City in accordance with Section 405 of the Act (33 USC 1345) or any criteria, guidelines or regulations developed pursuant to the Solid Waste Disposal Act (SWDA), the Clean Air Act, the Toxic Substance Control Act, or more stringent state criteria (including those obtained in any state sludge management plan prepared pursuant to Title IV or SWDA) applicable to the method of disposal or use employed by the City.
32. Maximum Daily Concentration - The maximum concentration per day of a pollutant based on the analytical results obtained from a 24-hour composite sample.
33. May - This is permissive.
34. Multi-Unit Sewer Customer - A location served where there are two or more residential units or apartments, two or more businesses in the same building or complex, or where there is any combination of business and residence in the same building or complex.

35. National (or Kentucky) Pollutant Discharge Elimination System or NPDES/KPDES Permit - A permit issued pursuant to Section 402 of the Act (33 USC 1332), or a permit issued by the Commonwealth of Kentucky under this authority and referred to as KPDES.
36. Natural Outlet - Any outlet, including storm sewers, into a watercourse, pond, ditch, lake or other body of surface or groundwater.
37. New Source - Any source, the construction of which is commenced after the publication of proposed regulations prescribing a Section 307(c) (33 USC 1317) categorical pretreatment standard which will be applicable to such source, if such standard is thereafter promulgated within 120 days of proposal in the Federal Register. Where the standard is promulgated later than 120 days after proposal, a new source means any source, the construction of which is commenced after the date of promulgation of the standard.
38. Operation and Maintenance Expenses - All annual operation and maintenance expenses including replacement cost related directly to operating and maintaining the sewage works as shown by annual audit.
39. Person - Any individual, partnership, co-partnership, firm, company, corporation, association, joint stock company, trust, estate, governmental entity of any other legal entity, or their legal representatives, agents, or assigns. The masculine gender shall include the feminine, and the singular shall include the plural where indicated by the context.
40. pH - The logarithm of the reciprocal of the hydrogenion concentration. The concentration is the weight of hydrogen ions, in grams, per liter of solution.
41. Pollutant - Any dredged spoil, solid waste, incinerator residue, sewage, garbage, sewage sludge, munitions, chemical wastes, biological materials, radioactive materials, heat, wrecked or discharged equipment, rock, sand, cellar dirt and industrial, municipal, and agricultural wastes discharged into water.
42. Pollution - The man-made or man-induced alteration of the chemical, physical, biological and/or radiological integrity of water.
43. City of South Shore Sanitary Sewer Treatment Plant - That portion of the City designed to provide treatment to wastewater.
44. Pretreatment or Treatment - The reduction of the amount of pollutants, the elimination of pollutants, or the alteration of the nature of pollutant properties in wastewater to a less harmful state prior to or in lieu

of discharging or otherwise introducing such pollutants into the City of South Shore Sanitary Sewer Treatment Plant. The reduction or alteration can be obtained by physical, chemical or biological processes, or process change(s), or other means, except as prohibited by 40 CFR 403.6(d).

45. Pretreatment Requirements - Any substantive or procedural requirement related to pretreatment, other than a National Pretreatment Standard imposed on a significant industrial user.
46. Prohibitive Discharge Standard - Any regulation developed under the authority of 307(b) of the Act and 40 CFR 403.5.
47. Properly Shredded Garbage - The wastes from the preparation, cooking and dispensing of food that has been shredded to such a degree that all particles will be carried freely under the flow conditions normally prevailing in public sewers, with no particle greater than 1/2 inch in any dimension.
48. Public Sewers - A common sewer controlled by a governmental agency or public utility. In general, the public sewer shall include the main sewer in the street and the service branch to the curb or property line, or a main sewer on private property and the service branch to the extent of ownership by public authority.
49. Replacement - Expenditure for obtaining and installing equipment, accessories or appurtenances which are necessary during the service life of the treatment works to maintain the capacity and performance for which such works were designed and constructed.
50. Sanitary Sewer - A sewer that carries liquid and waterborne wastes from residences, commercial buildings, industrial plants and institutions.
51. Sewage - The spent water of a community. Domestic or sanitary waste shall mean the liquid or water borne wastes from residences, commercial buildings and institutions and is distinct from industrial sewage. The terms "sewage" and "wastewater" are used interchangeably.
52. Sewage System or Works - All facilities for collecting, transporting, pumping, treating and disposing of sewage and sludge, namely the sewage system and the City of South Shore.
53. Sewer - A pipe or conduit that carries wastewater or drainage water.
54. Sewer User Charges - A system of charges levied on users of the City's treatment plant and lines and the

charges levied by the City for the cost of operation and maintenance of its lines, including replacement of same.

55. Shall - This is mandatory.
56. Significant Industrial User - Any user of the City's wastewater disposal system who (i) is subject to a Categorical Pretreatment Standard(s) under 40 CFR 403.6 and 40 CFR Chapter I, Subchapter N; or (ii) has a discharge flow of 25,000 gallons or more per average work day; or (iii) has a flow greater than 5 percent of the flow in the City's wastewater treatment system; or (iv) has in its wastewaters toxic pollutants as defined pursuant to Section 307 of the Act or state statutes and rules; or (v) is found by the City, State Approval Authority or the U.S. Environmental Protection Agency (EPA) to have significant impact, either singly or in combination with other contributing users, on the wastewater treatment system, the quality of sludge, the system's effluent quality, or air emissions generated by the system.
57. Significant Violation - A violation that meets one or more of the following criteria:
- (a) Chronic violations of wastewater discharge limits, defined here as those in which sixty-six percent or more of all of the measurements taken during a six-month period exceed (by any magnitude) the daily maximum limit or the average limit for the same pollutant parameter;
 - (b) Technical Review Criteria (TRC) violations, defined here as those in which thirty-three percent or more of all of the measurements for each pollutant parameter taken during a six-month period equal or exceed the product of the daily maximum limit or the average limit multiplied by the applicable TRC (TRC=1.4 for BOD, TSS, fats, oil and grease, and 1.2 for all other pollutants except pH);
 - (c) Any other violation of a pretreatment effluent limit (daily maximum or longer-term average) that the Superintendent determines has caused, alone or in combination with other discharges, interference or pass-through (including endangering the health of the City's personnel or the general public);
 - (d) Any discharge of a pollutant that has caused imminent endangerment to human health, welfare or to the environment or has resulted in the City's exercise of its emergency authority to halt or prevent such a discharge;
 - (e) Failure to meet, within 90 days after the schedule date, a compliance schedule milestone contained in a wastewater discharge permit or other order

issued hereunder for starting construction, completing construction, or attaining final compliance;

- (f) Failure to provide, within 30 days after the due date, required reports such as baseline monitoring reports, 90-day compliance reports, periodic self-monitoring reports, and reports on compliance with compliance schedules;
- (g) Failure to accurately report noncompliance;
- (h) Any other violation or group of violations which the Superintendent determines will adversely affect the operation or implementation of the local pretreatment program.

- 58. Slug Discharge - Any discharge of a non-routine, episodic nature, including but not limited to an accidental spill or non-customary batch discharge and/or any discharge of water or wastewater in which the concentration of any given constituent or the quantity of flow exceeds for any period of duration longer than fifteen (15) minutes more than five (5) times the average twenty-four (24) hour concentration or flow rate during normal operation and/or adversely affects the City.
- 59. Standard Industrial Classification (SIC) - A classification pursuant to the Standard Industrial Classification Manual issued by the Executive Office of the President, U.S. Bureau of the Budget, 1972.
- 60. State - The Commonwealth of Kentucky.
- 61. Storm Drain or Storm Sewer - A drain or sewer for conveying water, groundwater, surface water, or unpolluted water from any source.
- 62. Storm Water - Any flow occurring during or following any form of natural precipitation and resulting therefrom.
- 63. Superintendent - The Superintendent of wastewater facilities, and/or of wastewater treatment works and/or of water pollution control for the City of South Shore or his/her authorized deputy, agent or representative.
- 64. Surcharge - A charge for service in addition to the basic sewer user and debt service charge, for those users whose contribution contains biochemical oxygen demand (BOD), chemical oxygen demand (COD), suspended solids (SS) or ammonia nitrogen (N-NH) in concentrations which exceed limits specified herein for such pollutants or any other pollutant not common to domestic waste water.

65. Suspended Solids (TSS) - Total suspended matter that either floats on the surface of, or is in suspension in water, wastewater, or other liquids, and that is removable by laboratory filtering as prescribed in "Standard Methods for the Examination of Water and Wastewater" and referred to as nonfilterable residue.
66. Toxic Pollutant - Any pollutant or combination of pollutants listed as toxic in regulations promulgated by the Administrator of the Environmental Protection Agency under the provisions of CWA Section 307(a) or other Acts.
67. Unpolluted Water - Water of quality equal to or better than the treatment works effluent criteria in effects or water that would not cause violation of receiving water quality standards and would not be benefitted by discharge to the sanitary sewers and wastewater treatment facilities provided.
68. User - Any person who contributes, causes or permits the contribution of wastewater into the City of South Shore's Sanitary Sewer Treatment Plant. See definition of Person.
69. User Charge - The charge levied on all users, including but not limited to, persons, firms, corporations, or governmental entities that discharge, cause, or permit the discharge of sewage into the City of South Shore's Sanitary Sewer Treatment Plant.
70. Wastewater - The spent water of a community. Sanitary or domestic waste shall mean the liquid and water-carried wastes from residences, commercial buildings and institutions as distinct from industrial wastes.
71. Wastewater Contribution Permit - As set forth in the Administration Section of this Ordinance.
72. Wastewater Facilities - The structures, equipment and processes required to collect, carry away, and treat domestic and industrial wastes and dispose of the effluent.
73. Wastewater Treatment Works - An arrangement of devices and structures for treating domestic wastewaters and sludges. Sometimes used synonymously as "waste treatment plant" or "sewage treatment plant."
74. Watercourse - A natural or artificial channel for the passage of water either continuously or intermittently.
75. Waters of the Commonwealth - All streams, lakes, ponds, marshes, water courses, water ways, wells, springs, reservoirs, aquifers, irrigation system, drainage system and all other bodies or accumulations of water, surface or underground, natural or artificial, public

or private, which are contained within, flow through, or border upon the Commonwealth or any portion thereof.

C. Abbreviations

The following abbreviations shall have the designated meanings:

ADMI - American Dye Manufacturers Institute
BOD - Biochemical Oxygen Demand
CFR - Code of Federal Regulations
CWA - Clean Water Act of 1979
EPA - Environmental Protection Agency
KPDES- Kentucky Pollutant Discharge Elimination System
l - liter
mg - milligram
mg/l - milligram per liter
NPDES- National Pollutant Discharge Elimination System
SIC - Standard Industrial Classification
SWDA - Solid Waste Disposal Act (42 USC 6901, et. seq.)
TSS - Total Suspended Solids
USC - United States Code

ARTICLE II - USE OF PUBLIC SEWERS

A. Mandatory Sewer Connection

1. The owner(s) of all houses, buildings, or properties used for human occupancy, employment, recreation or other purposes, situated within the City and abutting on any street, alley, or right-of-way in which there is now located or may in the future be located a public sanitary sewer of the City, is hereby required at the owner's expense to install suitable toilet facilities therein, and to connect such facilities directly with the proper public sewer in accordance with the provisions of this Ordinance, within thirty (30) days after date of official notice to do so, provided that said public sewer is within one hundred (100) feet of the property line.
2. It shall be unlawful to construct or maintain any privy, privy vault, septic tank, cesspool or other facility intended or used for the disposal of waste water where public sanitary sewer service is available, as defined in paragraph 1, except as provided for in "Private Wastewater Disposal" (Article III). The existence within the City, wherever the services of the City sanitary sewage collection, treatment and disposal facilities are available, or may hereafter be made available, of septic tanks, seepage laterals, privies, earth pits, cesspools, sanitary waste vaults, sewage drainage fields, private sewage disposal systems, or any other such facilities or works for the disposition

of sanitary sewage wastes other than the facilities of the City, is hereby declared to be a menace to the public health, safety and general welfare of the citizens and inhabitants of the City and is hereby determined and declared to constitute a public nuisance. The existence of such facilities as toilets, sinks, wash basins, shower baths, bathtubs, any commercial or industrial machinery or device producing a liquid waste product, etc., in or upon any improved property or premises in said City where the facilities of the City's sewage collection, treatment and disposal system are available or may hereafter be made available is similarly declared to be a menace to the public health and general welfare of the City and its inhabitants, unless such facilities are connected to the City sewage collection, treatment and disposal system. The Superintendent may prescribe the type and manner of connection to said facilities, and shall require that each connection be supervised and inspected by an authorized and qualified agent of the City sewer department.

3. At such time as a public sewer becomes available to a property served by a private wastewater disposal system, a direct connection shall be made to the public sewer system in compliance with this Ordinance, and any septic tanks, cesspools and similar private wastewater disposal facilities shall be cleaned of sludge and filled with suitable material or salvaged and removed.

E. Unlawful Discharge to Storm Sewers or Natural Outlets

1. It shall be unlawful for any person to place, deposit, or permit to be deposited in any unsanitary manner on public or private property within the City of South Shore or in any area under the jurisdiction of said City or into any sewer which connects to the storm sewer system of the City of South Shore, any objectionable wastewater or industrial wastes.
2. It shall be unlawful to discharge to any natural outlet within the City of South Shore or in any area under the jurisdiction of said City, any wastewater or other polluted waters, except where suitable treatment has been provided in accordance with subsequent provisions of this Ordinance. No provision of this Ordinance shall be construed to relieve the owner of a discharge to any natural outlet of the responsibility for complying with applicable State and Federal regulations governing such discharge.

- C. Compliance with Local, State and Federal Laws. The discharge of any wastewater into the public sewer system by any person is unlawful except in compliance with the provisions of this Ordinance, and any more stringent State or Federal standards promulgated pursuant to the Federal Water Pollution Control Act Amendments of 1972, the Clean

Water Act of 1977 and subsequent amendments.

D. Discharge of Unpolluted Waters into Sewer

1. No person(s) shall discharge or cause to be discharged through any leak, defect or connection any unpolluted waters such as storm water, ground water, roof runoff, subsurface drainage or cooling water to any sanitary sewer, building sewer, building drain or building plumbing. The Superintendent or his representative shall have the right, at any time, to inspect the inside or outside of buildings or smoke test for connections, leaks, or defects to building sewers and require disconnection or repair of any pipes carrying such water to the building sewer. Such waters shall not be removed through the dual use of a sanitary drain building sewer, building drain or sump or a sump pump to building sanitary sewer. Discharge of such waters by a manual switch-over from sanitary sewer to storm drainage will not be an acceptable method of separation. In case both storm and sanitary sewage is present, separate drainage or pumping system shall be included.
2. Stormwater, groundwater and all other unpolluted drainage may be discharged to such sewers as are used as storm sewers approved by the Superintendent. Under no circumstances shall sanitary sewer be discharged to a storm sewer.
3. The owner(s) of any building sewers having such connections, leaks, or defects shall bear all costs incidental to removal of such sources.

E. Substances which Interfere. No user shall contribute or cause to be contributed, directly or indirectly, any pollutant or wastewater which will interfere with the operation or performance of the City's Sanitary Sewer Treatment Plant. These general prohibitions apply to all such users of the Sanitary Sewer Treatment Plant whether or not the user is subject to Federal Categorical Pretreatment Standards or any other Federal, State or Local Pretreatment Standards or Requirements. A user shall not contribute the following substances to the said Plant:

1. Any liquids, solids or gases which by reason of their nature or quantity are, or may be, sufficient either alone or by interaction with other substances to cause fire or explosion or be injurious in any other way to the Sanitary Sewer Treatment Plant or to the operation of the Plant. At no time shall a waste stream exhibit a closed cup flashpoint of less than 140 degrees Fahrenheit (60 degrees Centigrade) using the test methods specified in 40 CFR 261.21. Prohibited materials include, but are not limited to, gasoline, kerosene, naphtha, benzene, toluene, xylene, ethers,

alcohols, ketones, aldehydes, peroxides, chlorates, perchlorates, bromates, carbides, hydrides, and any other substances which have a closed cup flashpoint of 140 degrees Fahrenheit (60 degrees Centigrade) or less, and any substance which the City, State or EPA has notified the user is a fire hazard or a hazard to the sanitary sewer system.

2. Any waters or wastes having a pH lower than 6.0 or higher than 9.0 or having any other corrosive property(s) capable of causing damage or hazard to structures, equipment and personnel of the Sanitary Sewer Treatment Plant.
3. Any slug load or pollutants, including oxygen demanding pollutants, released at a flow or concentration that will cause interference with the Sanitary Sewer Treatment Plant's operation.
4. Solid or viscous substances in quantities or of such size capable of causing obstruction to the flow in sewers, or other interference with the proper operation of the wastewater facilities.
5. Any wastewater having a temperature which will inhibit biological activity in the City's Sanitary Sewer Treatment Plant resulting in interference, but in no case wastewater with a temperature at the introduction into the Plant that will result in a treatment plant influent temperature which exceeds 104 degrees Fahrenheit (40 degrees Centigrade).
6. Any pollutant(s) which, either alone or by interaction with other substances, produce toxic gases, vapors or fumes within the City's Sanitary Sewer Treatment Plant in a quantity that may cause acute worker health and safety problems.
7. Any substances which may cause the City's Sanitary Sewer Treatment Plant effluent or any other product of the Plant such as residues, sludges, or scum to be unsuitable for reclamation and reuse or to interfere with the reclamation process where the City is pursuing a reuse and reclamation program. In no case shall a substance discharged to the Plant cause the Plant to be in non-compliance with sludge use or disposal criteria, guidelines or regulations developed under Section 405 of the Act; any criteria, guidelines or regulations affecting sludge use or disposal developed pursuant to the Solid Waste Disposal Act, the Clean Air Act, the Toxic Substances Control Act, or State criteria applicable to the sludge management method being used.
8. Any substance which causes the City's Sanitary Sewer Treatment Plant to violate its NPDES/KPDES permit, sludge disposal permit or the water quality standards of the receiving stream.

9. Petroleum oil, nonbiodegradable cutting oil, or products of mineral oil origin in amounts that will cause interference or pass through at the City's Sanitary Sewer Treatment Plant.
10. Any trucked or hauled pollutants, except at discharge points designated by the Superintendent.

ARTICLE III - PRIVATE WASTEWATER DISPOSAL

A. Public Sewer not Available

1. Where a public sanitary sewer is not available under the provisions of Article II of this Ordinance, the building sewer shall be connected, until the public sewer system is available, to a private wastewater disposal system complying with the provisions of applicable local and state regulations.
2. The owner shall operate and maintain the private sewage disposal facilities in a sanitary manner at all times, at no expense to the City. When it becomes necessary, the sludge may be disposed of only as approved by the City, by operators licensed by the City for such purposes.
3. No statement contained in this Article shall be construed to interfere with any additional requirements that may be imposed by applicable local, state or federal regulations.
4. Industries with current NPDES/KPDES permits may discharge at permitted discharge points provided they are in compliance with the conditions of said permit.
5. No septic tank or cesspool shall be permitted to discharge to any natural outlet.

B. Requirements for Installation

1. The type, capacity, location and layout of a private sewage disposal system shall comply with all local or state regulations. Before commencement of construction of a private sewage disposal system, the owner shall first obtain a written permit issued by the Greenup County Health Department after approval of the system by the local and state authorities if required. The application for such permit shall be made on a form furnished by the Greenup County Health Department which the applicant shall supplement by any plans, specifications and other information as are deemed necessary by the Greenup County Health Department.
2. A permit for private sewage disposal system shall not become effective until the installation is completed to

the satisfaction of the local and state authorities, if required. These authorities shall be allowed to inspect the work at any stage of construction, and in any event the applicant for the permit shall notify the Superintendent when the work is ready for final inspection and before any underground portions are covered.

ARTICLE IV - BUILDING SEWERS AND CONNECTIONS

A. Permits

1. There shall be two (2) classes and building sewer permits required; (a) for residential and (b) for service to commercial, industrial and other non-domestic establishments. In either case, the owner or his agent shall make application on a special form furnished by the City. Applicants for service to commercial and industrial establishments shall be required to furnish information about all waste producing activities, wastewater characteristics and constituents. The permit application shall be supplemented by any plans, specifications or other information considered pertinent in the judgement of the Superintendent or his agent. Details regarding commercial and industrial permits include but are not limited to those required by this Ordinance. Permit and inspection fees shall be paid to the City at the time the application is filed.
2. Users shall notify the Superintendent of the City's Sanitary Sewer Treatment Plant of any proposed new introduction of wastewater constituents or any proposed change in the volume or character of the wastewater being discharged to the Plant a minimum of thirty (30) days prior to the change. The Superintendent may deny or condition this new introduction or change based upon the information submitted in the notification.

B. Prohibited Connections

No person shall make connections of roof downspouts, basement wall seepage or floor seepage, exterior foundation drains, area way drains, or other sources of surface runoff or groundwater to a building sewer or building drain which in turn is connected directly or indirectly to a public sanitary sewer. Any such connections which already exist on the effective date of this Ordinance shall be completely and permanently disconnected within sixty (60) days of the effective date of this Ordinance. The owners of any building sewers having such connections, leaks or defects shall bear all costs incidental to removal of such sources. Pipes, sumps and pumps for such sources of ground and surface water shall be separate from wastewater facilities. Removal of such sources of water without presence of separate facilities shall be evidence of drainage to the public sanitary sewer.

No unauthorized person(s) shall uncover, make any connections with or opening into, use, alter, or disturb any public sewer or appurtenance thereof without first obtaining a written permit from the superintendent.

C. Design and Installations

1. A separate and independent building sewer shall be provided for every building; except where one building stands at the rear of another on an interior lot and no private sewer is available or can be constructed to the rear building through an adjoining alley, courtyard, or driveway. The sewer from the front building may be extended to the rear building and the whole considered as one building sewer, but the City does not and will not assume any obligation or responsibility for damage caused by or resulting from any such single connection aforementioned.
2. Old building sewers may be used in connection with new buildings only when they are found, on examination and test by the Superintendent, to meet all requirements of this ordinance. Permit and inspection fees for new buildings using existing building sewers shall be the same as for new building sewers. If additional sewer customers are added to the old building sewers, additional sewer tap fees shall be charged accordingly even though no new sewer tap is actually made into the City system.
3. Extension of customer service lines from any point on the customer's side of the tap for delivery of waste from any location other than that of the customer in whose name the tap is registered shall not be permitted.
4. The building sewer shall be cast iron soil pipe, ASTM A-74, latest revision, PVC (polyvinyl-chloride) sewer pipe, ASTM D-3034, latest revision, unglazed clay sewer pipe, ASTM C-261, latest revision, vitrified clay sewer pipe, ASTM C-700, latest revision, or ductile iron pipe, AWWA specification C-151 cement lined, and shall meet requirements of State plumbing code. Joints shall be as set out hereinafter. Any part of the building sewer that is located within five feet of a water service pipe shall be constructed with cast iron soil pipe or ductile iron pipe, unless the building sewer is at least one foot deeper in the ground than the water service line. In the latter case, vitrified clay pipe may be used. Cast iron soil pipe or ductile iron pipe may be required by the City where the building sewer is exposed to damage or stoppage by tree roots. Cast iron soil pipe or ductile iron pipe shall be used in filled or unstable ground, in areas where the cover over the building sewer is less than three feet, or in areas where the sewer is subject to vehicular or other external loads.

5. The size, slope, alignment, materials of construction of a building sewer, and the methods to be used in excavating, placing of the pipe, jointing, testing, and backfilling the trench, shall all conform to the requirements of the local and state building and plumbing codes and other applicable rules and regulations of the City.
6. All costs and expenses incidental to the installation and connection of the building sewer shall be borne by the owner(s). The owner(s) shall indemnify the City for any loss or damage that may directly or indirectly be occasioned by the installation of the building sewer. Fees for connection shall be as established by the City.
7. The owner shall ensure that all excavations for building sewer installation shall be adequately guarded with barricades and lights so as to protect the public from hazard. Streets, sidewalks, parkways, and other public property disturbed in the course of the work shall be restored in a manner satisfactorily to the City.
8. In all buildings in which any sanitary facility drain is too low to permit gravity flow to the public sewer, sanitary sewage carried by such drain shall be lifted by an approved means and discharged to the same building sewer. Drain pipe and sump for collection of such sanitary drainage shall be above basement floor or in separately watertight or drained sump or channel.
9. The building sewer shall be connected into the public sewer at the easement or property line. Where no property located service branch is available, an authorized agent of the City shall cut a neat hole into the main line of the public sewer and a suitable wye or tee saddle installed to receive the building sewer. The invert of the building sewer at such point of connection with a saddle shall be in the upper quadrant to the main line of the public sewer. A neat workmanlike connection, not extending past the inner surface of the public sewer, shall be made and the saddle made secure and watertight by encasement in epoxy cement specially prepared for this purpose. A wye and H bend fitting shall be installed at the property line between the public sewer and the building sewer. This fitting shall serve the purpose of a cleanout and for applying the smoke test during inspection of the line. After testing, a cast iron or ductile iron riser will be inserted in this fitting and brought flush with the ground surface. A stopper or plug, outfitted with a type joint applicable to the pipe used, shall seal this riser against the intrusions of ground or surface water.
10. All building sanitary sewer lines will be installed so

as to meet or exceed the most current revision of the State Building Code.

11. All persons working on City sewers with a cleaning rod must use an approved type rod in cleaning sewer connections to City sewers.

D. Inspection

1. The applicant for the building sewer permit shall notify the Superintendent when the building sewer is ready for connection to the public sewer. The connection shall be made under the supervision of the Superintendent or his representative. The connections shall be made gastight and watertight and verified by proper testing.
2. All building sewers shall be smoke tested through the wye branch at the public sewer connection, with public sewer tightly plugged off, after connections at both ends are made and after all pipe is properly bedded and backfilled at least to top of pipe and if backfill is completed, within two weeks after completion of backfill. At time of test, any openings into the building drain inside the building shall be water trapped or plugged. Any leakage of smoke from building sewer or building drain and plumbing shall be located at test and repaired to stand repetition of smoke test without leakage. When smoke testing is completed, the temporary flow line plug shall be removed and a permanent water tight plug shall be placed in branch of test wye-branch and carefully backfilled by hand and tamped to at least six inches above the top of the branch.

ARTICLE V - POLLUTANT DISCHARGE LIMITS

A. General Conditions

The following described substances, materials, waters, or waste shall be limited in discharge to municipal systems to concentrations or quantities which will not harm either the sewers, wastewater treatment process or equipment, will not have an adverse effect on the receiving stream, or will not otherwise endanger lives, limb, public property or constitute a nuisance. The Superintendent may set additional limitations or limitations more stringent than those established in the regulations below if in their opinion such more severe limitations are necessary to meet the above objectives. In forming their opinion as to the acceptability, the Superintendent shall give consideration to such factors as the quantity of subject waste in relation to flows and velocities in the sewers, materials of construction of the sewers, the wastewater treatment process employed, capacity of the wastewater treatment plant, and other pertinent factors.

B. Restricted Discharges

1. Wastewater containing more than 25 milligrams per liter of petroleum oil, nonbiodegradable cutting oils, or products of mineral oil origin.
2. Wastewater from industrial plants, commercial business or other non-domestic connections containing floatable oils, fat, or grease, whether emulsified or not, in excess of 100 milligrams per liter or containing substances which may solidify or become viscous at temperatures between 32 and 150 degrees Fahrenheit (0 - 65 degrees C).
3. Any garbage that has not been properly shredded from homes. Garbage grinders shall not be connected to sanitary sewers from schools, motels, institutions, restaurants, hospitals, catering establishments or similar places where garbage originates from the preparation of food in kitchens for the purpose of consumption of the premises or when served by caterers.
4. Any wastewater containing toxic pollutants in sufficient quantity, either singly or by interactions with other pollutants, to injure or interfere with any wastewater treatment process, constitute a hazard to humans or animals, create a toxic effect in the receiving waters of the City's Sanitary Sewer Treatment Plant or to exceed the limitations set forth in a Federal Pretreatment Standard. A toxic pollutant shall include but not be limited to any pollutant identified pursuant to Section 307(a) of the Act.
5. Any radioactive wastes or isotopes of such half-life or concentration as may exceed limits established by the Superintendent in compliance with applicable state and/or federal regulations.
6. Any water or wastes which, by interaction with other water or wastes in the public sewer system, release obnoxious gases, form suspended solids which interfere with the collection system, or create a condition deleterious to structures and treatment processes.
7. Any wastewater with objectionable color which cannot be removed to an acceptable level within the operation of the wastewater treatment process unless otherwise specifically noted in the Industrial User Permit (IUP).
8. Waters or wastes containing substances which are not amenable to treatment or reduction by the wastewater treatment processes employed, or are amenable to treatment only to such degree that the wastewater treatment plant effluent cannot meet the requirements of other agencies having jurisdiction over discharge to the receiving stream of the City's Sanitary Sewer Treatment Plant.

9. Any water or waste which has characteristics based on a 24-hour composite sample, grab, or a shorter period composite sample if more representative, which exceed the following normal maximum domestic wastewater parameter concentrations:

Parameter	Daily Maximum Allowable Concentration Without Surcharge
BOD	250 mg/l
TSS	250 mg/l
NH-N	60 mg/l

Discharges greater than these concentrations may be subject to penalties contained in the Enforcement Response Plan for the City of South Shore, in addition to surcharge.

10. The City has received authority through U.S. EPA and State statutes to enforce the requirements of 40 CFR Subchapter N and 40 CFR 403. All users shall comply with the requirements of those regulations as well as with all articles of this Ordinance.
11. Any waste or wastewater classified as a hazardous waste by the Resource Conservation and Recovery Act (RCRA) without, at least, a 60-day prior notification of such discharge to the Superintendent of the City's Sanitary Sewer Treatment Plant. This notification must include the name of the waste, EPA hazardous waste number, type of discharge, volume/mass of discharge and time of occurrence. The Superintendent may deny or condition this discharge at any time.
12. The following limitations are established for characteristics of any wastewaters to be discharged into the municipal sewer system:

Parameter	Maximum Daily Concentration
Oil & Grease, total	100 mg/l
pH	6 to 9
Arsenic, total	0.76 mg/l
Cadmium, total	0.02 mg/l
Chromium, total	2.77 mg/l
Copper, total	0.21 mg/l
Cyanide, total	0.08 mg/l
Lead, total	0.40 mg/l
Mercury, total	0.007 mg/l
Nickel, total	3.98 mg/l
Zinc, total	0.86 mg/l
Silver, total	0.04 mg/l
Phenols, total	50 mg/l
PCB's	0.0059 mg/l
TTO	_____ mg/l

C. Dilution of Wastewater Discharge

No user shall ever increase the use of process water, or in any way attempt to dilute a discharge as a partial or complete substitute for adequate treatment to achieve compliance with the limitations contained in the Federal Categorical Pretreatment Standards, or for any other pollutant-specific limitation developed by the City or the Commonwealth of Kentucky.

D. Grease, Oil and Sand Interceptors

Grease, oil and sand interceptors shall be provided when in the opinion of the Superintendent they are necessary for the proper handling of liquid wastes containing floatable oils and/or greases in excessive amounts, or any flammable wastes, sand or other harmful ingredients; except that such interceptors shall not be required for private living quarters or dwelling units. All interceptors shall be of a type and capacity approved by the Superintendent and shall be located as to be readily and easily accessible for cleaning and inspection. In the maintaining of these interceptors, the owner(s) shall be responsible for the proper removal and disposal by appropriate means of the captured material and shall maintain records of the dates, and means of disposal. The City shall require reporting of such information for their review. Any removal and hauling of the collected materials not performed by the Owner's personnel must be performed by currently licensed waste disposal firms. Interceptors shall also comply with applicable regulations of the Greenup County Health Department.

E. Special Non-Industrial Pretreatment Requirements

All schools, motels, institutions, restaurants, hospitals, catering establishments on similar places where garbage originates from the preparation of foods shall provide an interceptor for the collection of grease and liquid wastes containing oils and/or greases. In the maintaining of these interceptors, the owner(s) shall be responsible for the proper removal and disposal by appropriate means of the captured material and shall maintain records of the dates, and means of disposal. The City shall require reporting of such information for their review. Any removal and hauling of the collected materials not performed by the owner's personnel must be performed by current licensed waste disposal firms.

F. Special Industrial Pretreatment Requirements

1. Pursuant to the requirements imposed on publicly owned wastewater treatment works by the Federal Water Pollution Control Act Amendments of 1972 and later amendments, all pretreatment standards promulgated by the U.S. EPA under 40 CFR Subchapter N and 40 CFR 403 for new and existing industrial discharges to public

sewer systems are hereby made a part of this Ordinance. Any industrial waste discharge which violates these EPA Pretreatment Standards shall be in violation of this Ordinance.

2. Where pretreatment or flow equalizing facilities are provided or required for any waters or wastes, they shall be maintained continuously in satisfactory and effective operation by the owner(s) at his expense.
3. Any person who transports septic tank content, seepage pit or cesspool contents, liquid industrial waste or other batch liquid waste and wishes to discharge such waste to the public sewer system shall first obtain permission for such discharge from the Superintendent. All persons receiving such permission shall abide by all applicable provisions of this Ordinance and any other special provisions that may be established by the Superintendent as necessary for the proper operation and maintenance of the sewerage system. Waste haulers who have been granted permission to discharge to the public sewer system shall pay fees for such discharge in accordance with a fee schedule established by the Superintendent and approved by the City. It shall be illegal to discharge any batch liquid waste into any manhole or other part of the public sewer system, or any building sewer or other facility that discharges to the public sewer system, except at points of discharge designated by the Superintendent for such purposes. Any liquid waste hauler illegally discharging to the public sewer system shall be subject to immediate revocation of discharge privileges (if granted) and further subject to the penalties and enforcement actions prescribed in Article X. Nothing in this Ordinance shall relieve waste haulers of the responsibility for compliance with County Health Department, State or Federal regulations.

G. Protection from Accidental and Slug Discharges

1. Each significant industrial user shall provide protection from accidental and/or slug discharges of prohibited materials or other substances regulated by this Ordinance. Facilities to prevent accidental and slug discharges of prohibited materials shall be provided and maintained at the owner or user's own cost and expense. Once every two (2) years the Superintendent will determine whether each significant industrial user needs to develop a plan to control slug discharges. If the Superintendent decides that a slug control plan is needed, the plan shall contain the following:
 - (a) description of discharge practices
 - (b) description of stored chemicals
 - (c) procedures for notifying the Treatment Plant
 - (d) prevention procedures for spills

In the case of all possible or actual accidental and/or slug discharges, it is the responsibility of the user to immediately telephone and notify the City's Sanitary Sewer Treatment Plant of the incident. The notification shall include the location of discharge, type of waste, concentration and volume and corrective actions taken.

2. Within five (5) days following an accidental and/or slug discharge, the user shall submit to the Superintendent a detailed written report describing the cause of the discharge and the measures to be taken by the user to prevent similar future occurrences. Such notification shall not relieve the user of any expense, loss, damage or other liability which may be incurred as a result of damage to the City's Sanitary Sewer Treatment Plant, fish kills or any other damage to person or property; nor shall such notification relieve the user of any fines, civil penalties or other liability which may be imposed by this article, the Enforcement Response Plan or other applicable law or regulation.
3. A notice shall be permanently posted on the user's bulletin board or other prominent place advising employees whom to call in the event of a dangerous discharge. Employers shall insure that all employees who may cause or suffer such dangerous discharges to occur are advised of the emergency notification procedures.

H. State Requirements

State requirements and limitations on discharges shall apply in any case where they are more stringent than federal regulations and limitations or those in this Ordinance.

I. City's Right of Revision

The City reserves the right to establish, by a majority vote of its commissioners, more stringent limitations or requirements on discharges to the City's Sanitary Sewer Treatment Plant at the recommendation of the Superintendent or if deemed necessary to comply with the objectives presented in this Ordinance.

J. Federal Categorical Pretreatment Standards

Upon the promulgation of federal categorical pretreatment standards for a particular industrial subcategory, the federal standard, if more stringent than limitations imposed under this Ordinance for sources in that subcategory, shall immediately supersede the limitations imposed under this Ordinance. The Superintendent shall notify all affected users of the applicable reporting requirements under 40 CFR 403.12.

ARTICLE VI - PRETREATMENT PROGRAM ADMINISTRATION

A. Wastewater Discharges

It shall be unlawful to discharge to any natural outlet within the City, or in any area under the jurisdiction of the City any wastewater except as authorized by the Superintendent in accordance with the provisions of this Ordinance. Any agency and/or industries outside the jurisdiction of the City that wish to contribute wastewaters to the City's Sanitary Sewer Treatment Plant must first sign (through an authorized representative) an inter-jurisdictional agreement whereby the agency and/or industrial user agrees to be regulated by all provisions of his Ordinance, state and federal regulations. An Industrial User Discharge Permit may then be issued by the Superintendent in accordance with Section B of this Article.

B. Industrial User Discharge Permits

1. General

All significant industrial users proposing to connect to or contribute to the City's Sanitary Sewer Treatment Plant shall obtain an Industrial User Discharge Permit before connecting to or contributing to the Plant. All existing significant industrial users connected to or contributing to the Plant shall apply for an Industrial User Discharge Permit within thirty (30) days of the effective date of this Ordinance.

2. Permit Application

Users required to obtain an Industrial User Discharge Permit shall complete and file with the City an application in the form prescribed by the City. Existing users shall apply for an Industrial User Discharge Permit within thirty (30) days of the effective date of this Ordinance, and proposed new users shall apply at least ninety (90) days prior to connecting to or contributing to the Plant. In support of the application, the user shall submit in units and terms appropriate for evaluation the following information, in addition to any other information the Superintendent may desire:

- (a) Name, address and location of facility, and owner(s) if different from that given;
- (b) SIC number(s) according to the Standard Industrial Classification Manual, United States Bureau of the Budget, 1972, as amended;
- (c) Wastewater constituents and characteristics as determined by an analytical laboratory acceptable to the City; sampling and analysis shall be performed in accordance with procedures

established by the EPA pursuant to Section 304(g) of the Act and contained in 40 CFR 136, as amended and 40 CFR 261;

- (d) Time and duration of contribution;
- (e) Daily average and maximum wastewater flow rates, including daily, monthly and seasonal variations if any;
- (f) Site plans, floor plans, mechanical and plumbing plans and details to show all sewers, sewer connections and appurtenances by the size, location and elevation;
- (g) Description of activities, facilities and plant processes on the premises including all materials which are or could be discharged;
- (h) Where known, the nature and concentration of any pollutants in the discharge which are limited by any city, state or federal pretreatment standards and a statement regarding whether or not the pretreatment standards are being met on a consistent basis and if not, whether additional pretreatment is required for the user to meet applicable pretreatment standards;
- (i) If additional pretreatment will be required to meet the pretreatment standards; the shortest schedule by which the user will provide such additional pretreatment. The completion date in this schedule shall not be later than the compliance date established for the applicable pretreatment standards. The following conditions shall apply to this schedule:
 - (1) The schedule must be acceptable to the City.
 - (2) The schedule shall contain increments of progress in the form of dates for the commencement and completion of major events leading to the construction and operation of additional pretreatment required for the user to meet the applicable pretreatment standards.
 - (3) Not later than 14 days following each date in the schedule and the final date for compliance, the user shall submit progress report to the Superintendent including, as a minimum, whether or not it complied with the increment of progress to be met on such date, and if not, the date on which it expects to comply with this increment of progress, the reason for delay and the steps being taken by

the user to return the construction to the schedule established.

- (j) Each product produced by type, amount, process and rate of production;
- (k) Type and amount of raw materials processed (average and maximum per day);
- (l) Number of employees and hours of operation of plant and proposed or actual hours of operation of the pretreatment system;
- (m) A copy of the industry's written environmental control program, comparable document or policy;
- (n) Any other information as may be deemed by the City to be necessary to evaluate the permit application.

3. Issuance of Industrial User Discharge Permit

The Superintendent shall evaluate the data furnished by the user and may require additional information. After evaluation and acceptance of the data furnished, the Superintendent may issue an Industrial User Discharge Permit subject to the terms and conditions provided herein.

C. Permit Modifications

Within nine (9) months of the promulgation of a federal categorical pretreatment standard, the Industrial User Discharge Permit of any user subject to that standard shall be revised to require compliance with the standard within the time frame prescribed by such standard. Where a user subject to federal categorical pretreatment standards has not previously submitted an application for an Industrial User Discharge Permit as required, the user shall apply for the permit within ninety (90) days of the date of promulgation of the applicable federal categorical pretreatment standard. In addition, the user with an existing Industrial User Discharge Permit shall submit to the Superintendent within ninety (90) days of the date of promulgation of an applicable federal categorical pretreatment standard the information required by this Ordinance.

D. Permit Conditions

- 1. Industrial User Discharge Permits shall be expressly subject to all provisions of this Ordinance and all other applicable regulations, user charges and fees established by the City. Permits may contain the following:
 - (a) The unit charge or schedule of user charges and fees for the wastewater to be discharged to the

public sewer system;

- (b) Limits on the average and maximum wastewater constituents and characteristics;
- (c) Limits on average and maximum rate and time of discharge or requirements for flow regulation and equalization;
- (d) Requirements for installation and maintenance of inspection and sampling facilities;
- (e) Specifications for monitoring programs which may include sampling locations, frequency of sampling to be performed, types and standards of analysis and reporting schedules;
- (f) Compliance schedule(s);
- (g) Requirements for maintaining and retaining all records relating to wastewater discharge as specified by the City for a minimum of three (3) years, and afford the City access thereto;
- (h) Requirements for notification of the City of any new introduction of wastewater constituents or any substantial change in the volume or character of the wastewater constituents being introduced into the wastewater treatment system;
- (i) Requirements for notification of slug discharges;
- (j) Requirements for the user to reimburse the City for all expenses related to monitoring, sampling and testing performed at the direction of the Superintendent and deemed necessary by the City to verify that the user is in compliance with the said permit;
- (k) Any other conditions as deemed appropriate by the Superintendent and/or the City to ensure compliance with this Ordinance.

2. Where an effluent from an industrial process is mixed prior to treatment with wastewaters other than those generated by the regulated process, fixed alternative discharge limits may be derived for the discharge permit by the Superintendent. These alternative limits shall be applied to the mixed effluent. These alternative limits shall be calculated using the Combined Wastestream Formula and/or Flow-Weighted Average Formula given in 40 CFR 403.6(e). Where the effluent limits in a categorical pretreatment standard are expressed only in terms of mass of pollutants per unit of production (production-based standard), the Superintendent may convert the limits to equivalent limitations expressed either as mass of pollutant that

may be discharged per day or of effluent concentration for purposes of calculating effluent permit limitations applicable to the permittee. The permittee shall be subject to all permit limits calculated in this manner under 40 CFR 403.6(c) and must fully comply with these alternative limits. All categorical industrial users subject to production-based standards must report production rates annually so that alternative permit limits can be calculated if necessary. The categorical industrial user must notify the Superintendent thirty (30) days in advance of any change in production levels that might effect the flow or other data used to calculate the effluent limits in the discharge permit.

E. Permit Duration

Industrial User Discharge Permits shall be issued for a specified time period, not to exceed five (5) years. A permit may be issued for a period less than a year or may be stated to expire on a specific date. The user shall apply for permit reissuance a minimum of 120 days prior to the expiration of the user's existing permit. The terms and conditions of the permit may be subject to modification by the City during the term of the permit as limitations or requirements identified in Article V are modified or other just cause exists. The user shall be informed of any proposed changes in their permit at least thirty (30) days prior to the effective date of change. Any changes or new conditions in the permit shall include a reasonable time frame for compliance.

F. Permit Transfer

Industrial User Discharge Permits are issued to a specific user for a specific operation. An Industrial User Discharge Permit shall not be reassigned or transferred or sold to a new owner, new user, different premises or a new or changed operation without, at a minimum, a thirty-day prior notification of the change to the Superintendent and provision of a copy of the existing permit to the new owner. The Superintendent may deny the transfer of the permit if it is deemed necessary to comply with all provisions of this Ordinance.

G. Reporting Requirements for Permittees

1. Within ninety (90) days following the date for final compliance with applicable pretreatment standards or, in the case of a new user, following commencement of the introduction of wastewater into the Plant, any user subject to federal categorical pretreatment standards and requirements shall submit to the Superintendent a report indicating the nature and concentration of all pollutants in the discharge from the regulated process or processes which are limited by categorical pretreatment standards and requirements and the average and maximum daily flow for these process units in the

user's facility which are limited by such categorical standards and requirements. The report shall state whether the applicable categorical pretreatment standards and requirements are being met on a consistent basis and, if not, what additional pretreatment equipment and time schedule are necessary to bring the user into compliance with the applicable categorical standard or requirement. This statement shall be signed by an authorized representative of the user.

2. Periodic Compliance Reports

- (a) All significant industrial users shall submit to the Superintendent during the months of June and December, unless required more frequently by a pretreatment standard, or the Industrial User Discharge Permit, a report indicating the nature and concentration of pollutants in the effluent which are limited by such pretreatment standards or the Industrial User Discharge Permit. In addition, this report shall include a record of all daily flows which during the reporting period exceed the average daily flow. At the discretion of the Superintendent and in consideration of such factors as local high or low flow rates, holidays, budget cycles, etc., the Superintendent may agree to alter the months during which the above reports are to be submitted.
 - (b) All analyses shall be performed by a laboratory acceptable to the City. Analytical procedures shall be in accordance with procedures established by the U.S. EPA pursuant to Section 304(g) of the Act and contained in 40 CFR 136 and amendments thereto or with any other test procedures approved by the U.S. EPA. Sampling shall be performed in accordance with the techniques approved by the U.S. EPA.
 - (c) Where 40 CFR 136 does not include a sampling or analytical technique for the pollutant in question sampling and analysis shall be performed in accordance with the procedures set forth in the EPA publication "Sampling and Analysis Procedures for Screening of Industrial Effluents for Priority Pollutants", April 1977, and amendments thereto, or with any other sampling and analytical procedures approved by the U.S. EPA.
 - (d) All industrial users shall retain all pretreatment records for a minimum of three (3) years, as required by 40 CFR 403.12(o)(2).
3. (a) A Baseline Monitoring Report (BMR) must be submitted to the Superintendent by all categorical industrial users at least ninety (90) days prior to initiation of

discharge to the sanitary sewer. The BMR must contain, at a minimum, the following:

- (i) production data including a process description, SIC code number, raw materials used, chemicals used, and final product(s) produced;
 - (ii) name of facility contact person;
 - (iii) wastewater characteristics such as total plant flow, types of discharges, average and maximum flows from each process;
 - (iv) nature and concentration of pollutants discharged to the public sewer system that are regulated by this Ordinance, state and/or federal pretreatment standards and sample type and location;
 - (v) information concerning any pretreatment equipment used to treat the facility's discharge.
- (b) All new sources of industrial discharge must be in compliance with all provisions of this Ordinance prior to commencement of discharge.

H. Permit Violations

All significant industrial users must notify the Superintendent within 24 hours of first becoming aware of a permit violation. This notification shall include the date of the violation, the parameter violated and the amount in exceedance. Within 30 days of first becoming aware of a permit violation, the significant industrial user must resample for the parameter(s) violated and submit this sample analysis to the Superintendent, unless the Superintendent, on behalf of the City conducts monitoring of this parameter within that 30 day period.

I. Monitoring Requirements

1. The City shall require significant industrial users to provide and operate at the user's own expense, monitoring facilities to allow inspection, sampling and flow measurement of the building sewer and/or internal drainage system. The monitoring facility should normally be situated on the user's premises, but the City may, when such a location would be impractical or cause undue hardship on the user, allow the facility to be constructed in a public right-of-way. The Superintendent shall review and approve the location, plans, and specifications for such monitoring facilities and may require them to be constructed to provide for the separate monitoring and sampling of industrial waste and sanitary sewage flows. There

shall be ample room in or near such sampling manhole or facility to allow accurate sampling and preparation of samples for analysis. The facility, sampling and measuring equipment shall be maintained at all times in a safe and proper operating condition at the expense of the user. Whether constructed on public or private property, the sampling and monitoring facilities shall be provided in accordance with the City's requirements and all applicable local construction standards and specifications. Construction shall be completed within ninety (90) days following approval of the location plans and specifications.

2. All sampling analyses done in accordance with approved U.S. EPA procedures by the significant industrial user during a reporting period shall be submitted to the Superintendent, regardless of whether or not that analysis was required by the user's discharge permit.
3. The significant industrial user must receive the approval of the Superintendent before changing the sampling point and/or monitoring facilities to be used in all required sampling.

J. Inspection and Sampling

The Superintendent shall inspect the facilities of any user to ascertain whether the purpose of this Ordinance is being met and all requirements are being complied with. Persons or occupants of premises where wastewater is created or discharged shall allow the City or its representative ready access at all reasonable times to all parts of the premises for the purpose of inspection, sampling, copying and examination of records or in the performance of their duties. "Reasonable times" shall include any time during which the user is discharging to the public sewer system and/or operating any manufacturing process. The City, Approval Authority and U.S. EPA shall have the right to set up on the user's property such devices as are necessary to conduct sampling, inspections, compliance monitoring and/or metering operations. Where a user has security measures in force which would require proper identification and clearance before entry onto their premises, the user shall make the necessary arrangements with their security guards so that, upon presentation of suitable identification, personnel from the City, Approval Authority and U.S. EPA will be permitted to enter, without delay, for the purpose of performing their specific duties.

K. Pretreatment

1. All significant industrial users shall provide necessary wastewater treatment as required to comply with this Ordinance and shall achieve compliance with all applicable federal categorical pretreatment standards within the time limits as specified by the Federal Pretreatment Regulations. The City may require

the development of a compliance schedule for installation of pretreatment technology and/or equipment by any significant industrial user that is not meeting discharge limits established in the user's Industrial User Discharge Permit. Any facilities required to pretreat wastewater to a level acceptable to the City shall be provided, operated and maintained at the user's expense. Detailed plans showing the pretreatment facilities and operating procedures shall be submitted to the Superintendent for review, and shall be acceptable to the Superintendent before construction of the facility. The review of such plans and operating procedures will in no way relieve the user from the responsibility of modifying the facility as necessary to produce an effluent acceptable to the City under the provisions of this Ordinance. Any subsequent changes in the pretreatment facilities or method of operation shall be reported to and be acceptable to the City prior to the user's initiation of the change.

2. The City is required by federal regulations to keep the public informed of all cases of significant violations. To accomplish this, the City shall annually publish in a newspaper of local circulation a list of the users which were in significant noncompliance with any pretreatment requirements or standards. Significant noncompliance is any significant violation that meets one or more of the following conditions:
 - (a) Results in the exercise of emergency authority by the Superintendent;
 - (b) Remains uncorrected 45 days after notice of noncompliance is given;
 - (c) Involves failure to report noncompliance accurately;
 - (d) Wastewater Violations:
 - (i) Chronic Violations - Sixty-six (66%) percent or more of all measurements taken during a 6-month period exceed, by any magnitude, the daily maximum limit or the monthly average limit for the same pollutant parameter;
 - (ii) Technical Review Criteria (TRC) Violations - Thirty-three (33%) percent or more of all measurements for each pollutant parameter taken during a six-month period equal or exceed the product of the daily maximum limit or the monthly average limit multiplied by the applicable TRC (TRC = 1.4 for BOD, TSS, fats, oils and grease and 1.2 for all other pollutants except

pH).

- (iii) Any violation of a pretreatment effluent limit that the Superintendent believe has caused alone or in combination with other discharges, interference or pass-through or has endangered the health of the plant personnel or the public.
- (iv) Any discharge causing imminent endangerment to human health or to the environment or resulting in the Superintendent's use of their emergency authority to halt or prevent such a discharge.
- (v) Violations of compliance schedule milestones, failure to comply with schedule milestones for starting or completing construction or attaining final compliance by 90 days or more after the schedule date.
- (vi) Failure to provide required reports within 30 days of the due date.
- (vii) Any violation or group of violations which the Superintendent determine will adversely effect the operation or implementation of the local pretreatment program. The public notification shall also summarize any enforcement actions taken against the user.(s) during the same 12 months. All records relating to the pretreatment program of the City shall be made available to officials of the U.S. EPA or Approval Authority upon request. All records shall be maintained for a minimum of three (3) years in accordance with 40 CFR 403.12(o)(2).

L. Confidential Information

Information and data on a user obtained from reports, questionnaires, permit applications, permits and monitoring programs and from inspections shall be available to the public or other governmental agency without restriction unless the user specifically requests in writing and is able to demonstrate to the satisfaction of the City that the release of such information would divulge information, processes or methods of production entitled to protection as trade secrets of the user. When requested by the person furnishing a report, the portions of a report which might disclose trade secrets or secret processes shall not be made available for inspection by the public but shall be made available to all governmental agencies for uses related to this Ordinance, the NPDES/KPDES Permit, Sludge

Disposal System Permit and/or the Pretreatment Program upon request of the agency. Such portions of a report shall be available for use by the State or any State agency in judicial review or enforcement proceedings involving the person furnishing the report. Wastewater constituents and characteristics shall not be recognized as confidential information and shall be available to the public without restriction.

ARTICLE VII - FEES

- A. This article provides for the recovery of costs from users of the City's Sanitary Sewer Treatment Plant for the implementation and conduct of the pretreatment program established herein. The applicable charges or fees shall be set forth in the City's schedule of charges and fees.
- B. The City shall adopt charges and fees which may include the following:
 - 1. fees for reimbursement of costs of setting up and operating the City's pretreatment program;
 - 2. fees for monitoring, inspections and surveillance procedures;
 - 3. fees for reviewing accidental discharge procedures and construction;
 - 4. fees for permit application;
 - 5. fees for filing appeals;
 - 6. fees for consistent removal by the City's Sanitary Sewer Treatment Plant of excessive strength conventional pollutants;
 - 7. other fees as the City may deem necessary to carry out the requirements contained in this Ordinance;
 - 8. fees for the connection of a discharger (residential or other). These fees relate solely to the matters covered by this Ordinance and are separate from all other fees chargeable by the City.
- C. Charges shall be comprised of a system of excessive strength surcharges and a system of charges for debt services, operation and maintenance costs including normal replacement costs.

ARTICLE VIII - POWERS AND AUTHORITY OF INSPECTORS

A. Right to Enter Premises

The Superintendent and other duly promulgated employees

and representatives of the City and authorized representatives of applicable Federal and State regulatory agencies bearing proper credentials and identification shall be permitted to enter all properties at any reasonable time for purposes of, but not limited to, inspection, observation, measurement, sampling and testing of discharges to the public sewer system and inspection and copying of all records in accordance with the provisions of this Ordinance.

B. Right to Obtain Information Regarding Discharge

Duly authorized employees and representatives of the City are authorized to obtain information concerning character, strength and quantity of industrial wastes which have a direct bearing on the kind and source of discharge to the wastewater collection system.

C. Access to Easement

Duly authorized employees and representatives of the City bearing proper credentials and identification shall be permitted to enter all private properties through which the City holds a duly negotiated easement for the purpose of, but not limited to, inspection, observation, measurement and sampling, repair and maintenance of any portion of the wastewater facilities lying within said easement. All entry and subsequent work, if any, on said easement shall be done in full accordance with the terms of the duly negotiated easement pertaining to the private property involved.

D. Safety

While performing the necessary work on private properties referred to in Section A of this Article, all duly authorized employees of the City shall observe all safety rules applicable to the premises established by the facility and the company shall be held blameless for any injury or death to the City employee. The City shall secure the company against loss or damage to its property by City employees and against liability claims and demands for personal injury or property damage asserted against the company and growing out of the gauging and sampling operation, except as such may be caused by negligence or failure of the company to maintain safe conditions as required by this Ordinance.

ARTICLE IX - ENFORCEMENT

A. General

The City through the Superintendent or their designee, to insure compliance with this Ordinance, and as permitted through 40 CFR Subchapter N, 401 thru 471 and 401 KAR 5:055, Section 9 may take the following enforcement steps

against users in noncompliance with this Ordinance. The remedies available to the Superintendent include injunctive relief, civil and criminal penalties, immediate discontinuance of discharges and/or water service and the publishing of the list of significant violators annually. The enforcement authority shall be vested in the Superintendent of the City's Sanitary Sewer Treatment Plant or his/her designee.

All violations of requirements of this Ordinance must be reviewed and responded to by the Superintendent or their representative. In general, the Superintendent shall notify the industrial user when a violation occurs. For all violations, the Superintendent shall receive an explanation and, as appropriate, a plan from the industrial user to correct the violation within a specific time period. If the violation(s) persist or the explanation and/or plan are not adequate, the Superintendent's response shall be more formal and commitments or schedules, as appropriate, for compliance will be established in an enforceable document. The enforcement response selected will be related to the seriousness of the violation. Enforcement responses will be escalated if compliance is not achieved expeditiously after the initial action. A significant violation will require a formal enforcement action. The full scale of enforcement actions will be detailed in the City's Pretreatment Program Enforcement Response Plan.

B. Enforcement Actions

1. Informal Notice - These actions include statements made to the industrial user during sampling and/or inspection visits, telephone calls to the appropriate company official, informal meetings, warning or reminder letters. These informal notices shall be used for minor violations.
2. Formal Notice - These actions include the following:
 - (a) Notice of Violation - Any person found to be violating any provision of this Ordinance, wastewater discharge permit or any order issued hereunder shall be served by the Superintendent of the City with a written notice stating the nature of the violation. The offender must permanently cease all violations.
 - (b) Administrative Orders/Fines - Any person who, after receiving a Notice of Violation, shall continue to discharge in violation of this Ordinance or other pretreatment standard or requirement or is determined to be a chronic or persistent violator, shall be ordered to appear before the Superintendent. At said appearance, a compliance schedule will be given to the violating user and an administrative fine

assessed. The fine shall be determined on a case-by-case basis which shall consider the type, severity, duration and number of violations, severity of impact on the City's Sanitary Sewer Treatment Plant, impact on human health, user's economic benefit from the violation, past history of the user, and good-faith efforts made by the user. The fine shall be a non-arbitrary but an appropriate amount.

Users desiring to dispute such fines shall file with the Superintendent a request for the City to reconsider the fine within ten (10) days of being notified of the fine. The City shall convene a hearing on the matter within fifteen (15) days of receiving such a request from the user.

The administrative order may take any of the following four forms:

- (c) Consent Order - The Superintendent is hereby empowered to enter into Consent Orders, assurances of voluntary compliance, or other similar documents establishing an agreement with the industrial user responsible for the noncompliance. Such orders will include specific action to be taken by the industrial user to correct the noncompliance within a time period also specified in the order. Consent Orders shall have the same force and effect as all other administrative orders.
- (d) Compliance Order - When the Superintendent finds that an industrial user has violated or continues to violate this Ordinance or permit or order issued hereunder, he may issue an order to the industrial user responsible for the violation directing that following a specified time period, sewer service shall be discontinued unless adequate treatment facilities, devices or other related appurtenances have been installed and are properly operated. Orders may also contain such other requirements as might be reasonably necessary and appropriate to address the noncompliance, including the installation of pretreatment technology, additional self-monitoring and management practices.
- (e) Cease and Desist Order - When the Superintendent finds that an industrial user has violated or continues to violate this Ordinance or any permit or order issued hereunder, the Superintendent may issue an order to cease and desist all such violations to the user and direct those persons in noncompliance to:

- (1) Comply forthwith;
 - (2) Take such appropriate remedial or preventative action as may be needed to properly address a continuing or threatened violation, including halting operations and terminating the discharge.
- (f) Show Cause Hearing - The Superintendent may issue to any user who causes or contributes to violations of this Ordinance, discharge permit or order issued hereunder, an order to appear and show cause why more severe enforcement action should not be taken. A notice shall be served on the user specifying the time and place of the hearing to be held by the Superintendent regarding the violation, the reasons why the action is to be taken, the proposed enforcement action and directing the user to show cause before the Superintendent why more severe enforcement action should not be taken. The notice of the hearing shall be served personally or by registered or certified mail (return receipt requested) at least ten (10) days before the hearing. Service may be made on any agent or officer of the facility. Whether or not a duly notified industrial user or its representative appears, immediate enforcement action may be pursued.

The City itself may conduct the hearing and take evidence or may designate a representative to:

- (1) Issue in the name of the City notices of hearings requesting the attendance and testimony of witnesses and the production of evidence relevant to any matter involved in such hearings;
- (2) Take the evidence;
- (3) Transmit a report of the evidence and hearing, including transcripts and other evidence, together with recommendations to the City for action thereon. At any hearing held pursuant to this Ordinance, testimony taken must be under oath and recorded stenographically.
- (4) The transcript, so recorded, will be made available to any member of the public or any party to the hearing upon payment of the usual charges thereof. After the City has reviewed the evidence, it may issue an order to the user responsible for the violation directing that, following a specified time period, the sewer service

be discontinued unless adequate treatment facilities, devices or other related appurtenances are installed and properly operated. Further orders and directives as are necessary and appropriate may be issued.

ARTICLE X - PENALTIES

A. Income from Fines

Monies generated from fines due to infiltrations such as from downspouts and monies generated from fines due to industrial and/or domestic pollution are to be received by the City.

B. Written Notice

Any user found to be violating any provision of this Ordinance or a discharge permit or order issued hereunder shall be served by the Superintendent or his representative with written notice stating the nature of the violation. The violator shall permanently cease all violations upon receipt of this notice. As contained in Article IX, the notice may be of several forms. Also as contained in Article IX, penalties of various forms may be levied against users for violations of this Ordinance. The penalties shall range from publication of violators to fines up to \$1000 per day per violation.

C. Continued Violation

Any user who shall violate any provision of this Ordinance, a discharge permit or other order issued hereunder shall be guilty of a violation of this Ordinance and shall be liable to the Superintendent for a civil penalty of up to \$1000 per violation for each day on which the violation occurs. Each day in which such violation occurs shall be deemed a separate offense.

D. Revocation of Permit

Any user violating any of the provisions of this Ordinance or discharge permit or other order issued hereunder shall be subject to termination of its authority to discharge sewage into the public sewer system. Such termination shall be immediate if necessary for the protection of the City. Said user may also have water service terminated. Any user who violates any condition(s) of this Ordinance, discharge permit, order or applicable state or federal regulations is subject to having its Industrial User Discharge Permit revoked in accordance with the procedures of this Ordinance. Violations resulting in immediate permit revocation shall include, but not be limited to, the following:

- (1) Failure of a user to factually report the wastewater constituents and characteristics of its discharge;
- (2) Failure of the user to report significant changes in operations, processes, wastewater constituents and characteristics;
- (3) Refusal of reasonable access to the user's premises for the purpose of inspection and sampling; and
- (4) Violation(s) of any condition of the Industrial User Discharge Permit.

E. Liability

Any user violating any of the provisions of this Ordinance, discharge permit or other order issued hereunder shall become liable to the City of South Shore for any expense, loss or damage occasioned by the City by reason of such violation. This civil liability is as provided by state and federal regulations.

F. Misrepresentation and/or Falsifying of Documents

Any user who knowingly and/or negligently makes any false statements, representations or certification of any application, record, report, plan or other document filed or required pursuant to this Ordinance or Industrial User Discharge Permit or who falsifies, tampers with or knowingly and/or negligently renders inaccurate any monitoring device or method required under this Ordinance, shall be punished by a fine up to \$1000 or by imprisonment for not more than twelve (12) months or by both.

G. Destruction of the City of South Shore Sanitary Sewer Treatment Plant and Legal Action

No person(s) shall maliciously, willfully or negligently break, damage, destroy, uncover, deface or tamper with any structure, appurtenance or equipment which is part of the City's Sanitary Sewer Treatment Plant. Any person(s) violating this provision shall be subject to immediate arrest under charge of disorderly conduct. It shall be noted that the Clean Water Act does not require proof of specific intent to obtain conviction.

H. Judicial Action

If any person(s) discharges sewage, industrial wastes or other wastes into the City's wastewater disposal system contrary to the provisions of this Ordinance, discharge permit, any order of the Superintendent or the City, or federal or state pretreatment requirements, the City may commence an action for appropriate legal and/or equitable relief in the appropriate Court of this jurisdiction. In addition to the penalties provided herein, the City may recover reasonable attorney's fees, court costs, court

reporter's fees and other expenses of litigation by appropriate suit at law against the person(s) found to have violated this Ordinance or the orders, rules, regulations and permits issued hereunder.

I. Termination of Service

The Superintendent may suspend the wastewater treatment service and/or wastewater discharge permit of an industrial user whenever such suspension is necessary in order to stop an actual or threatened discharge presenting or causing an imminent or substantial endangerment to the health or welfare of the public, the Plant, or the environment. Any user notified of a suspension of the wastewater treatment service and/or the discharge permit shall immediately stop or eliminate its contribution. In the event of a user's failure to immediately comply voluntarily with the suspension order, the Superintendent shall take such steps as deemed necessary including immediate severance of the sewer connection, to prevent or minimize damage to the Plant, its receiving stream, or endangerment to any individuals. Any industrial user which is responsible, in whole or in part, for imminent endangerment shall submit a detailed written statement describing the causes of the harmful contribution and the measures taken to prevent any future occurrence to the Superintendent.

J. Criminal Prosecution

Any industrial user who willfully or negligently violates any provisions of this Ordinance, any orders or permits issued hereunder, or any other pretreatment requirements shall, upon conviction, be guilty of a misdemeanor, punishable by a fine of not more than \$1,000 per violation per day or imprisonment for not more than one year or both.

ARTICLE XI - VALIDITY

A. Inconsistent or Conflicting Ordinance

All other Ordinances and parts of other Ordinances are inconsistent or conflicting with any part of this Ordinance are hereby repealed to the extent of such inconsistency or conflict.

B. Separation Clause

The invalidity of any article, clause, sentence or provision of this Ordinance shall not effect the validity of any other part of this Ordinance which can be given effect without such invalid part of parts.

C. Effective Date of Ordinance

This Ordinance shall be in full force and effect when it is adopted, signed and published as required by law.

D. Repeal of Old Ordinances

Upon the effective date of this Ordinance, the City of South Shore Sewer Use Ordinance accepted by the City Council on the 16th day of July, 1992 is hereby repealed in its entirety.

FIRST READING

The first reading of this Ordinance was held on the 14th day of July, 1992.

Judith Cooper
City Clerk

SECOND READING

The second reading of this Ordinance was held on the 16th day of July, 1992 and upon a roll call vote was adopted by the City Council of the City of South Shore, Kentucky.

Judith Cooper
City Clerk

MAYORAL APPROVAL

I, Kenneth M. Ratliff, Mayor of the City of South Shore, hereby accept and approve the foregoing Ordinance and direct same to be published in full this 16th day of July, 1992.

Kenneth M. Ratliff
Mayor

ATTEST:

Judith Cooper
City Clerk

McBRAYER, MCGINNIS, LESLIE & KIRKLAND

MAIN & HARRISON STREETS

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July 28, 1992

* ADMITTED IN OHIO
** ADMITTED IN FLORIDA

Ms. Kelli Rice
Division of Water
14 Reilly Rd.
Frankfort, KY 40601

Re: Our file: City of South Shore - 1992
L60401

Dear Kelli:

Per our phone conversation this past Tuesday, July 28, I enclose a complete copy of Ordinance No. 92-210. As you can see, the first reading was conducted on July 14, 1992, the second reading was on July 16, 1992, and the same is scheduled to be published on Thursday, July 30.

If you should have any questions, please do not hesitate to contact me.

Sincerely yours,



Bruce W. MacDonald

BWM/pc/Enc.

cc: Hon. Mike Ratliff, Mayor
Attn: Judy
City of South Shore, Kentucky

Mr. Phil Biggs
Diamond Engineering

Mr. Brian Kirby
Will Linder & Associates
218 Swiss Hills
Berea, KY 40403

Uniform Financial Information
Reports 2011-2012

HAS NOT BEEN COMPLETED

This report is due ~~by~~ ~~on~~
before
May 1, 2013.



**City
Uniform Financial
Information Report
Fiscal Year 2010-2011**

Part I - Reporting Information	
City Name	City of South Shore
Address	P O Box 516 69 Narco Drive
City, State, Zip	South Shore KY 41175
County	Greenup
City Classification	Fifth
<small>(Please correct any error in name, address, and ZIP Code)</small>	
	Please save the worksheet to your hard drive. Once completed you can attach the worksheet to an email and forward to glenn.oidham@ky.gov



Return to:
Department for Local Government
Cities and Special Districts Branch
1024 Capital Center Drive, Suite 340
Frankfort, KY 40601

SEND ONE ORIGINAL AND TWO COPIES OF THE COMPLETED FORM to the Department for Local Government **BY MAY 1, 2012**

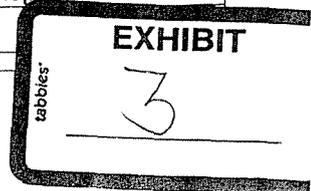
Note - Data supplied by your city in this report will be used by State and Federal Agencies and public interest groups in Kentucky. By filing this report you will not receive local government finance reporting forms from the U S Census Bureau

Part II - Contact Information		
Name of person who completed form	Telephone	
Linda Potter	606-932-6144	
Title	Date	
City Clerk/Treasurer	04/30/12	
Company (if not city)	Reporting Format (accounting basis)	Telephone
	Accrual	

RELATED ORGANIZATIONS – Please list related organizations such as Boards, Commissions, or Utilities, whose Board members are appointed by the City's Mayor or legislative body, or who receive a major portion of their funding from city resources

Organization/Address	Chief Executive	Telephone

Part III - Certification - Completed report must be signed prior to filing.		
<small>This is to certify that the data contained in this report is accurate to the best of my knowledge and belief.</small>		
Signature of Official	Title	Date completed
<i>Cheryl Moore</i>	Mayor	04/30/12
Printed Name of Official		Telephone
Cheryl Moore		606-932-6144



Part IV - TAX RATES

City of South Shore

Please list tax rates your city currently levies as of the end of the reporting period. If the city levies more than one rate on different insurance lines, please list each and the applicable line on a separate sheet

A. Property Tax Rates	Compensating (a)	4% Increase (b)	Adopted Rate (c)
1. Real			207
2. Personal			
3. Motor vehicle/watercraft			206
B. Other Rates			
1. Occupational license fee (payroll tax)			
2. Net profits			
3. Gross receipt tax			
4. Insurance premium tax		060000	
5. Bank deposits		025000	
6. Restaurant tax			
7. Motel tax			

Part V - TAX AND OTHER REVENUES

Please list all tax revenues received for the reporting period. Intergovernmental revenues should be listed from the source from which you received them, i.e. State, Federal, or from another City or Special District. This may include revenues received from services you provide to another government.

A. Property Tax		
1. Real		\$44,960
2. Personal		
3. Motor vehicle/watercraft		\$9,934
4. Bank deposits franchise tax		\$6,925
5. Delinquent (all years)		\$3,170
SUBTOTAL Property Taxes		\$64,989
B. License and Permit Fees		
1. City vehicle licensing (auto stickers)		
2. Right of way/street cut permits		
3. Alcoholic beverage licenses		
4. Planning, zoning, development fees		
5. Other licensing and permit fees including Animal control, building, electrical, and plumbing permits, Electrical contractors' licenses, development impact fees, unloading fees, building, electrical, plumbing and natural gas inspections)		
SUBTOTAL License & Permit Fees		\$0

Please continue on next page

Part V – TAX AND OTHER REVENUES – Continued

City of South Shore

If varying rates or fees are charged based upon classification, volume, value, or other criteria, the local government shall submit a fee or chart with the form.

C. Occupation and Business Fees			
1. Occupational license fees			
(a) Payroll			
(b) Net profits			
(c) Gross receipts			
2. Fixed rate business license		\$2,800	
SUBTOTAL for Occupation and Business Fees		\$2,800	
D. Other Taxes/Fees			
1. Franchise fees			
(a) Electric		\$2,052	
(b) Natural gas			
(c) Water/wastewater			
(d) Other franchise fees		\$3,505	
2. Motel tax			
3. Restaurant tax			
4. Insurance premium tax		\$76,741	
SUBTOTAL for Other Taxes/Fees		\$82,298	
Function activity	From cities, counties, or special districts (a)	From State (b)	From Federal (c)
E. Intergovernmental Revenues			
1. General Support			
2. Government payments in lieu of taxes			
3. Public Safety			
(a) Police		\$9,103	\$9,854
(b) Fire/EMS			
(c) Corrections			
4. Public Services			
(a) Streets and roads		\$28,881	
5. Community Services			
(a) Parks and recreation			
(b) Public welfare		\$1,000	
(c) Public health		\$681	
(d) Housing and community development			
(e) Transit/bus systems			
(f) Educational support			

Please continue on next page

Part V - Tax and Other Revenues - Continued

City of South Shore

Function activity	From cities, counties, or special districts (a)	From State (b)	From Federal (c)
E. Intergovernmental Revenues - Continued			
6. Utilities			
(a) Water supply			
(b) Sewerage systems		\$240,628	\$306,900
(c) Electric power systems			
(d) Natural gas systems			
(e) Telecommunications			
7. Other intergovernmental revenues (Include: Local government economic assistance; area development fund grant, other form local, state or federal governments.)			
SUBTOTAL for Intergovernment Revenues	\$0	\$280,293	\$316,754
F. Other Revenues/Charges			
1. Airport revenue			
2. Utility sales			
(a) Water			
(b) Sewerage		\$427,017	
(c) Electric			
(d) Natural gas			
(e) Telecommunications/cable			
3. Parking (lots, meters, garages, etc)			
4. Parks and recreation receipts			
5. River ports, locks, etc.			
6. Special assessments			
7. Sale of real or surplus property			
8. Investment/interest earnings (Exclude construction and pensions)			
9. Fines and forfeits (including parking violations)		\$753	
10. Transit authority			
11. Penalties and interest		\$4,591	
12. Donations		\$2,771	
13. Rents		\$1,800	

Please continue on next page

Part V - TAX AND OTHER REVENUES - Continued

F. Other Revenues/Charges - Continued	
14. Solid waste collection and disposal	\$53,510
15. Other miscellaneous revenues (Include recoveries, impounded vehicles, ambulance runs, fire protection, police arrest fees, etc)	\$2,266
16. Bond proceeds	
SUBTOTAL Other Revenues/Charges	\$492,708
TOTAL Municipal Revenues	\$1,239,842

Part VI – EXPENDITURES

List all city spending both as direct expenditures and costs associated with services provided by other governments. An example might be spending for sewerage treatment by another city, or police or fire services provided by the county government. Include costs your city incurs for services provided by other non-profit agencies such as social services, public health, and public welfare.

Function activity	To other cities, counties, or special districts (a)	To State (b)	To Federal (c)
A. Intergovernmental Expenditures ---(all payments to other governments for services, programs, or reimbursements)			
1. General government			
2. Public safety			
3. Public services			
4. Community services			
5. Utilities			
SUBTOTAL for Intergovernmental Expenditures	\$0	\$0	\$0

Provide spending directly attributed to the city's operations by salaries and wages, other operations, and capital outlay. Salaries and wages should only include direct salary costs including any overtime and differential pay. Do not include fringe benefits or other costs such as unemployment insurance. Operations include all other costs including materials, supplies, contractual services and other miscellaneous costs. Capital outlay is normally defined as items costing at least \$1,000 and having a useful life of more than three years.

Function activity	Salaries and wages (a)	Other operations (b)	Capital Outlay	
			Equipment, land and existing structures (c)	Construction (d)
B. Direct Expenditures by the City				
1. General government (Administrative, legal, overhead, public buildings)	\$4,140	\$80,191		
2. General government, Financial Administration				
3. Public Safety				
(a) Police	\$31,909	\$27,327		
(b) Fire/EMS/Ambulance				
(c) Code enforcement/inspection				
(d) Corrections				
(e) Other costs (ie dispatch)				
SUBTOTAL Direct Expenditures by City	\$36,049	\$107,518	\$0	\$0

Please continue on next page

Part VI – EXPENDITURES - Continued

City of South Shore

Function activity	Salaries and wages (a)	Other operations (b)	Capital Outlay	
			Equipment, land and existing structures (c)	Construction (d)
4. Public services				
(a) Streets and roads	\$4,296	\$26,855		
(b) Sanitation/solid waste		\$48,340		
(c) Natural resources				
(d) Riverport facilities				
(e) Parking facilities				
(f) Cemeteries				
SUBTOTAL for Public Services	\$4,296	\$75,195	\$0	\$0
5. Community services				
(a) Parks and recreation		\$2,580		
(b) Public health				
(c) Public welfare				
(d) Housing and community development				
(e) Transit/bus system				
(f) Educational support				
SUBTOTAL for Community Services	\$0	\$2,580	\$0	\$0
6. Utilities				
(a) Water systems				
(b) Sewerage systems	\$31,832	\$440,722		
(c) Electric power systems				
(d) Natural gas systems				
(e) Cable/telecommunications				
SUBTOTAL for Utilities	\$31,832	\$440,722	\$0	\$0
7. Debt payments (include all principal and interest)				
(a) General Government				
(b) Public safety				
(c) Public services				
(d) Community services				
(e) Utilities		\$137,289		
SUBTOTAL for Debt Payments		\$137,289		
8. Bond insurance costs				
9. Miscellaneous expenditures				
SUBTOTAL Bond Ins & Misc Expenditures	\$0	\$0	\$0	\$0
SUBTOTAL Direct Expenditures by City	\$72,177	\$763,304	\$0	\$0

Please continue on next page

Part VII - PENSION AND BENEFIT COSTS

City of South Shore

List all pension and benefit costs for city employees. Health insurance costs include both city paid premiums and other reimbursements or supplements provided by the city. Other benefits include life, dental and deferred compensation payments to employees as well as unemployment insurance.

Personnel Expenditures	
1. CERS non-hazardous	
2. CERS hazardous	
3. City pensions	
4. Health insurance	
5. All other employee benefits	\$1,632
SUBTOTAL Pension & Benefits	\$1,632

Part VIII - INDEBTEDNESS

List a summary of total city debt outstanding at the beginning and end of the fiscal year. Include new debt incurred during the reporting period. Segregate the total debt by revenue and general obligation bonds.

Activity	Outstanding beginning FY (a)	Issued (b)	Retired (c)	Outstanding ending FY (d)	General obligation (e)	Revenue bonds (f)
1. General governmental funds				\$0		
2. Business type funds (water, sewer, gas, electric)	\$464,349	\$0	\$127,633	\$336,716		
3. Private activity bonds (industrial revenue, non profits)				\$0		
4. Short-term debt (All government funds)						
(a) Beginning of fiscal year						
(b) End of fiscal year						
5. Interest paid on						
(a) Water debt						
(b) Electric debt						
(c) Gas debt						
(d) Transit debt						
(b) All other debt				\$9,656		
TOTAL Interest Paid				\$9,656		
TOTAL Municipal Expenditures						
Sum totals of Parts VI and VII						\$837,113

1. Beginning of fiscal year	\$211,466
2. End of fiscal year	
(a) Sinking funds	\$86,275
(b) Bond proceeds	
(c) Other reserved funds	\$110,656
(d) All non-reserved cash and investments	\$61,311

Finished

ORDINANCE #314-2012

AN ORDINANCE ADOPTING THE CITY OF SOUTH SHORE, KENTUCKY ANNUAL BUDGET FOR THE FISCAL YEAR
JULY 1, 2012 THROUGH JUNE 30, 2013

Whereas, an annual budget proposal has been prepared and delivered to the City Council and
Whereas, the City Council has reviewed such budget proposal and made any necessary modifications
Now, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF SOUTH SHORE, KY

SECTION 1:

That the AMENDED BUDGET for the fiscal year beginning, July 1, 2012 and ending June 30, 2013 is
Hereby adopted as follows:

Estimate Revenue:

	General Gov	Garbage	Sewer	Water
Taxes	157,300			
Lic/Fees	3,000			
Inter/gov	35,270			
Chrg for services		50,000	497,250	
Other	18,840			
Subtotal Estimate Rev	214,410			
Total Est. Grant Rev	51,200		1,025,000	
Loans	318,000		3,006,000	1,600,000
Total Estimate Rev.	583,610	50,000	4,528,250	1,600,000

Appropriations:

General	106,470			
Police	55,800			
Road	53,100			
Garbage		50,000		
Projects	368,000		4,031,000	1,600,000
Sewer			<u>495,800</u>	
Total Appropriations	583,370	50,000	4,526,800	1,600,000

That this Ordinance shall be in effect June 19, 2012

First Reading June 12, 2012

Second Reading June 19, 2012

Attest: Linda Potter
Linda Potter, City Clerk/Treasurer

Cheryl Moore
Mayor, City of South Shore

Published: July 12, 2012



Government Funds		2011/2012	actual	Amended	Actual	2012/2013
INCOME:				2011/2012	June 1st	
	Adm/Disc.Fee					
	Arrest/Court Fees	500	198	250	213	\$ 200.00
	Donations	1500	821	900	1021	\$ 500.00
	Grant Revenue	700				
	Interest Earned	15	146	150	145.62	\$ 140.00
	Intrergov Revenue					
	HB 413	7000	7677	8000	7677.49	\$ 8,000.00
	KLEFPF	6205	2583	3200	2841.67	\$ 3,200.00
	State Rev (Roads)	26000	21671	24000	24246.18	\$ 24,000.00
	Other	70				\$ 70.00
	Total Interg Tax					
	Occupation Fees	3000	2788	3000	2862.5	\$ 3,000.00
	Property Taxes					
	Bank Franchise fee	7000	6934	7000	6934	\$ 7,000.00
	Ky Utility Franchise tax	2100	2334	2300	2334	\$ 2,300.00
	Collection Fee					
	Delinquent	3000	2736	3000	2741.59	\$ 2,800.00
	Motor Vehicle	10000	7371	10000	8069.44	\$ 9,000.00
	Prem Ins. Tax	72000	48889	72000	68829.11	\$ 88,000.00
	Real Estate	47000	44064	45000	45151.2	\$ 45,000.00
	Refunds					
	Telecom. Tax	3500	2606	3200	2890.84	\$ 3,200.00
	other					
	Garbage Service Collections	50000	36070	50000	40218	\$ 50,000.00
	Rent Received	1800	1800	2800	1800	\$ 6,500.00
	Misc Revenue	1000	440	500	440.5	\$ 500.00
	Sub Total Project Revenue	242390	189128	235300		
	Grant for MDT					\$ -
	TE21 Grant	3440	2824	3440	2824	\$ -
	Area Dev. Grant	1200	1200	1200	1200	\$ 1,200.00
	Total Project Revenue	247030		239940		
	Insurance Proceeds	27000		15000	14349.75	\$ 11,000.00
	Re Deposit			6100	1304.61	
	Total	274030		261040		\$ 265,610.00
	Funding New City Building Grant & Loan					\$ 368,000.00
						\$ 633,610.00

GENERAL
2011

1-1

General Government		2011/2012	actual	Amended	2012/2013
				2011/2012	
	Advertising	1500	632	1000	\$ 800.00
	Auto Expenses				
	Fuel				
	Other				
	Total Auto Expenses				
	Bank Serv charge	300	314	350	\$ 400.00
	Commissioners fee	7800	6500	7800	\$ 7,800.00
	Computer Expenses	1000	55	500	\$ 1,000.00
	Continuing Education	500			
	Contact Services				
	Lab Testing				
	O&M				
	Roads				
	Other	3000			
	Total Contract Services				\$ 500.00
	Disconnection Fee				
	Dues & Subscriptions	1000	1096	1100	\$ 1,100.00
	Insurance Expense				
	Bonds	1000		1000	\$ 1,000.00
	Gen. Liability	9500	8155	9500	\$ 9,500.00
	Health Insurance				
	Life and disability				
	Vehicle				
	Workers Comp	500	1390	1500	\$ 1,500.00
	Other		1764	3000	
	Total Insurance Exp				
	Interest Expense		15	15	\$ 20.00
	Job Materials	1000	266	400	\$ 500.00
	Meals	700			
	Meter Readings				
	Office Supplies	2000	1662	2500	\$ 2,200.00
	Park&Recreation	3500	3912	4000	\$ 3,500.00
	Payroll Expense				
	Social Security				
	State Unemploy	150	133	150	\$ 150.00
	Wages	16000	10000	16000	\$ 17,000.00
	Other	1600	821	1200	\$ 1,200.00
	Total Payroll Exp.				
	Tax Collection Fee(Sheriff)	2850	1551	2200	\$ 1,800.00
	Postage & Delivery	300	100	200	\$ 200.00
	Professional Fees				
	Attorney	3700	4050	4500	\$ 3,600.00
	Auditor	6000	3800	4000	\$ 4,000.00
	CPA	7000	7000	7000	\$ 4,000.00
	Engineer				
	Total Prof Fees				
	Repairs and Maint.				

Feb 12/2013

Buildings		90000	0	0		
Sewer plant & Lift Stations						
Total Repairs Maint.		1000		500		
Returned Checks						
Sales and Use Tax						
Sludge Removal						
Travel Expenses		600	327	600		\$ 800.00
Uncategorized Exp						
Utilities						
Electric		3000	2867	3000		\$ 3,600.00
Gas		650	567	650		\$ 600.00
Street & Traffic Light		10000	6645	9000		\$ 9,500.00
Telephone & Interenet		1500	1226	1600		\$ 1,600.00
Water		360	260	360		\$ 400.00
Other rent		7200	4200	5400		\$ 7,200.00
Total Utilities						
Loan Principal						
Interest						
Sub Total Expenses		185210	69308	89025		\$ 85,470.00
TE21 Grant		4128		4128		\$ -
Garbage Dept		50000	31540	50000		\$ 50,000.00
Police Dept		82100	38634	51000		\$ 55,800.00
Road Dept		63200	37110	61600		\$ 53,100.00
Total Expenses		384638	176592	255753		\$ 244,370.00
Casualty Expenses			1872	5000		\$ 11,000.00
Total Expenses			178464	260753		
SS Water Project						\$ 10,000.00
New City Building						\$ 368,000.00
						\$ 633,370.00

Gen 116

2/12

Garbage Department					
				2011/2012	2012/2013
Revenue					
	Utility Collections			50000	50000
	Misc Rev				
Total Revenue				50000	50000
Expenses					
	Contract Services			46500	46500
	Office Supplies			500	500
	Misc Exp.			3000	3000
	Bad Debt				
Total Expenses				50000	50000

Roads Department Budget		2011/2012	Amended 2011/2012	2012/2013		
Payroll Expenses						
	Wages		3600	14000		\$ 26,600.00
	Social Sec					
	Medicare					
Insurance	Liability		126	200		\$ 200.00
	Vehicle	2400	3441	3500		
	Workers Comp		557	600		\$ 800.00
Road Materials					2011	2012
	Street Paving	25000	0	12000	\$ 12,000.00	12246.01
	Blacktop Hot Mix				\$ 1,500.00	
	Road Salt				\$ 2,500.00	
	Signs				\$ 2,000.00	
	Gravel		1304	1800	\$ 3,000.00	
Fleet Expenses						
	Fuel		425	700		\$ 1,200.00
	Auto parts/repair		17	550		\$ 1,500.00
Equipment						
	Snow Blade					
	Salt Spreader					
	New Tractor & mower					
Job Materials						
	Tools			800		\$ 800.00
	Misc.		371			\$ 1,000.00
Contract Services						
	R&R	13400	9941	10000		
	O&M	22400	16311	16350		
Casualty Expenses			1017	1100		
Total Road Department Expenses		63200	37110	61600	\$ 53,100.00	

Police Department Budget		2011/2012	actual	Amended	Actual	2012/2013
					Thru June 1st	
Salary Full Time Officer		30,000	25,000	33000		38,000.00
Salary-Full Time Officer		30,000		0		
Salary-Part Time Officer						
Overtime Salary						
Employee Insurance						
Social Security						
Workers Compensation		2.500	936	1500		1100
Medicare						
Computer Expenses						
Insurance/Bond/Liability		6,000	5,046	5100	3800	5200
Contracted Services			371	450		
Utilities/phone/internet		1,100	1,127	1500	1325	1500
Fuel		12,000	3,832	6000	4337	6000
Training/Travel		500		500		500
Uniforms		1,000	1,163	1400	1163	1000
Drug Investigations (petty) Cash						
Police Equipment						
Supplies		1,500	651	1000		1000
Cruiser Repair/Maintance/Cleaning		1,500	508	550	900	1500
Casualty Expenses			0		1017	
Total Police Department		86,100	38,634	51000		55,800.00

City of South Shore

	<i>2012/2013</i>
Revenue General Government	
USDA Rural Development	\$ 50,000.00
USDA Rural Development (City Hall) Loan	\$ 318,000.00
Expenses General Government	
New City B Adm Fee	
Contract Services	\$ 368,000.00
Professional Fees	
<hr/>	
KIA Fund B Loan Water Purchase Project	\$ 1,600,000.00
Water Purc Purchase from SS Water Co.	\$ 1,400,000.00
Professional Fees	\$ 175,000.00
Start up Funds	\$ 25,000.00
Total Expenditures Water Project	\$ 1,600,000.00

Sewer Revenue	2011/2012 Actual		Amended	Actual	2012/2013
			2011/2012	thru June 1st	
Sewer Taps		2000	2000	2000	\$ 2,000.00
Time & Materials					
Sewer Tap Other					
Total Sewer Tap					
Interest Earned	225	211.16	250	229.96	\$ 250.00
Adm&Disc Fee	3000	3960	5000	4070	\$ 5,000.00
Penalties Collected		3658.12	4000	4037.82	\$ 4,000.00
Re-deposit		4710.41	4800		\$ 1,000.00
Sewer Utility Collection	477780	352,546.00	485000	392246.5	\$ 485,000.00
Sub Total	481005	367,085.69	501050		\$ 497,250.00
Grant Revenue					\$ 1,025,000.00
KIA Loans					\$ 3,006,000.00
TOTAL SEWER REVENUE	481005		501050		\$ 4,528,250.00
Sewer Expenses					
Advertising	1000	193.5	250	795.5	\$ 1,600.00
Total Automobile Expenses\					
Fuel		74.53	400	349.96	\$ 1,200.00
Auto-Other		12.98	350	93.92	\$ 1,200.00
Bank Service charge			250		\$ 300.00
Computer Expenses	1000		300		\$ 500.00
Continuing Education		190	200		\$ 300.00
Chemicals					\$ 19,000.00
Total Contract Services					
Lab Testing		1462	4000	2871.5	\$ 15,000.00
O&M	236100	154025.69	154025.7	15402570	
R&M	25000	34481.69	51000		
Contract Serv. Other	1000	6000	10000	500	\$ 60,000.00
Disconnection fee	3000	3372	4500	3662	\$ 4,200.00
Dues and Subscriptions			450	400	\$ 850.00

2012-2013

Total Insurance Expenses										11369.26		11369	
	Bonds												
	Gen Liability			6500				12000					\$ 12,000.00
	Health												
	Life & Disability												
	Vehicle												\$ 900.00
	Worker's Comp							3430	985				\$ 4,200.00
	Other- Ins												
Interest Expense				10000	3725.2			8000	6731.71				\$ 7,000.00
Job Materials					4635.8			8600	6557.91				\$ 5,000.00
New Equipment													\$ 18,000.00
Meals								200					\$ 400.00
Meter Readings				13000	9630			13000	10700				\$ 10,700.00
Office Supplies				2500	1698.66			2000	1897.82				\$ 4,500.00
Postage & Delivery				3000	2558.86			3000	3112.14				\$ 4,000.00
Professional Fees													
	Attorney			2250	450			900	450				\$ 2,700.00
	Auditor			4000	1000			1000	1000				\$ 6,000.00
	CPA				4000			4000	4000				\$ 6,000.00
	Engineer			1000				1000					
Total Repair & Maintenance													
	Building							300					\$ 500.00
	Plant & Lift stations				5152			5500	5639				\$ 7,000.00
	Other Repairs								500				
Returned Checks													
Sales & Use Taxes				5040	3000			5000					\$ 5,500.00
Sludge Removal					1314.24			2000	2055				\$ 12,000.00
Travel Expense								350	387				\$ 1,000.00
Total Utilities													

Sewer 207.3

2012/2013

				4313.41		10400	7729.79	\$	41,000.00
	Electric								
	Gas			101.56		300	177.56	\$	2,400.00
	Telephone			533.18		800	691.42	\$	4,000.00
	Water			396.89		2400	753.8	\$	4,200.00
	Cell phone					600	595	\$	1,250.00
Uniforms				161.15		1200	890.57	\$	4,200.00
Payroll Expenses									
	Social Sec						100	\$	200.00
	State Unemploy						25000	\$	65,000.00
	Wages		12000	13953.61				\$	600.00
	Payroll processing fees						3800	\$	10,000.00
Purchases	Large						1000	\$	2,400.00
Rent							0		
Sinking Fund Sludge Press			4000					\$	20,000.00
Sinking Fund O&M			22000	22500			30000	\$	129,000.00
KIA Payment	principal		128000	64000			128000	\$	495,800.00
Sub Total			480390	354306.21			499605.7	\$	2,006,000.00
Collection System Rehab project								\$	2,000,000.00
WWTP Rehab project								\$	25,000.00
Sewer Line work and Renovations								\$	4,526,800.00
Total Expenses									

Source 3 of 3

Projects	2011/2012		2012/2013
Grant Revenue			
Coal Severance equip/upgrade/plant 10560	0		0
Storm Water Drainage	0		0
Sewer Collection Repairs IDEF	0		0
Sewer Collection Repairs HB 680	16265	36265	0
Sewer Collection Repairs CDBG 09-059	18100	18100	0
Sewer Collection Rehab Project CDBG			\$ 1,000,000.00
DLG Grant for Sewer lines and building renovations			\$ 25,000.00
Total Grants	34365	54365	\$ 1,025,000.00
CWSRF Loan KIA Sewer Rehab Collection System			\$ 1,006,000.00
CWSRF Loan KIA Sewer Rehab to Plant			\$ 2,000,000.00
Total Loans			\$ 3,006,000.00
Revenue Grants & Loans			\$ 4,031,000.00
Expenses			
Sewer Work and Renovations SN 2012			\$ 25,000.00
Equip/upgr Professional Fees			
Equipment purchased			
Sewer Collk Adm Fee			
Contract Services			0
Professional Fees	16265	36265	0
	16100	16100	0
Sewer Collk Consultant Fee CDBG 09-059	2000	2000	0
			\$ 2,006,000.00
Sewer Collection Rehab Project			\$ 2,000,000.00
Sewer Plant Upgrade Project			
Total Expenses	34365	54365	\$ 4,031,000.00



Steven L. Beshear
Governor

KENTUCKY INFRASTRUCTURE AUTHORITY
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601
Phone (502) 573-0260
Fax (502) 573-0157
<http://kia.ky.gov>

John E. Covington III
Executive Director

August 7, 2012

Honorable Cheryl Moore, Mayor
City of South Shore
500 Main Street
South Shore, KY 41175

KENTUCKY INFRASTRUCTURE AUTHORITY
INFRASTRUCTURE REVOLVING LOAN FUND
CONDITIONAL COMMITMENT LETTER (B12-09)

Dear Mayor Moore:

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. On August 2, 2012, the Authority approved your loan for the Acquisition of South Shore Water Works project subject to the conditions stated below. The total cost of the project shall not exceed \$1,600,000 of which the Authority loan shall provide \$1,600,000 of the funding. The final loan amount will be equal to the Authority's portion of estimated project cost applied to the actual project cost. Attachment A incorporated herein by reference fully describes the project.

An Assistance Agreement will be executed between the Authority and the City of South Shore upon satisfactory performance of the conditions set forth in this letter. A period of twelve months from the date of this letter (8/7/2013) will be allowed for you to meet the conditions set forth in this letter and enter into an Assistance Agreement. A one-time extension of up to six months may be granted for applicants that experience extenuating circumstances. Funds will be available for disbursement only after execution of the Assistance Agreement.

The Assistance Agreement and this commitment shall be subject, but not limited to, the following terms:

1. The Authority project loan shall not exceed \$1,600,000.
2. The loan shall bear interest at the rate of 0.75% per annum commencing with the first draw of funds.

3. The loan shall be repaid over a period not to exceed 20 years from the date the loan is closed.
4. Interest shall be payable on the amount of actual funds received. The first payment shall be due on June 1 or December 1 immediately succeeding the date of the initial draw of funds, provided that if such June 1 or December 1 shall be less than three months since the date of the initial draw of funds, then the first interest payment date shall be the June 1 or December 1 which is at least six months from the date of the initial draw of funds. Interest payments will be due each six months thereafter until the loan is repaid.
5. Full principal payments will commence on June 1 or December 1 immediately succeeding the date of the last draw of funds, provided that if such June 1 or December 1 shall be less than three months since the date of the last draw of funds, then the first principal payment date shall be the June 1 or December 1 which is at least six months from the date of the last draw of funds. Full payments will be due each six months thereafter until the loan is repaid.
6. A loan servicing fee of 0.20% of the annual outstanding loan balance shall be payable to the Authority as a part of each interest payment.
7. Loan funds will be disbursed after execution of the Assistance Agreement as project costs are incurred.
8. The final Assistance Agreement must be approved by ordinance or resolution, as applicable, of the city council or appropriate governing board.

The following is a list of the standard conditions to be satisfied prior to execution of the Assistance Agreement or incorporated in the Assistance Agreement. Any required documentation must be submitted to the party designated.

1. Upon completion of final design of the facilities in the attached project description, favorable approval shall be obtained of such design by all appropriate parties as required by Kentucky statute or administrative regulation.
2. Applicant must provide certification from their legal counsel stating that they have prepared construction specifications in accordance with all applicable state or federal wage rate laws, and that the procurement procedures, including those for construction, land, equipment and professional services that are a part of the project, are in compliance with applicable federal, state and local procurement laws.

3. Documentation of final funding commitments from all parties other than the Authority as reflected in the Attachment A description shall be provided prior to preparation of the Assistance Agreement and disbursement of the loan monies. Rejections of any anticipated project funding or any new sources of funding not reflected in Attachment A shall be immediately reported and may cause this loan to be subject to further consideration.
4. Upon receipt of construction bids a tabulation of such bids and engineer's recommendations on compliance with bid specifications and recommendation for award, shall be forwarded to the Authority for final approval and sizing of this loan and the project.
5. Based on the final "as bid" project budget, the community must provide satisfactory proof, based on then existing conditions, that the revenue projections in the attached descriptions are still obtainable and that the projections of operating expenses have not materially changed. The "as bid" project budget shall be reviewed and approved by your consultant engineer
6. Any required adjustment in utility service rates shall be adopted by ordinance, municipal order or resolution by the appropriate governing body of the Borrower. Public hearings as required by law shall be held prior to the adoption of the service rate ordinance, order, or resolution. Any required approvals by the Kentucky Public Service Commission shall be obtained.
7. All easements or purchases of land shall be completed prior to commencement of construction. Certification of all land or easement acquisitions shall be provided to the Authority.
8. The loan must undergo review by the Capital Projects and Bond Oversight Committee of the Kentucky Legislature prior to the state's execution of the Assistance Agreement. The committee meets monthly on the third Tuesday. At this time we know of no further submission required for their review; however, they may request information as needed.
9. Documentation of Clearinghouse Endorsement and Clearinghouse Comments.
10. The Borrower must complete and return to the Authority the attached "Authorization For Electronic Deposit of Vendor Payment" Form.

CITY OF SOUTH SHORE
B12-09 - \$1,600,000

Checklist of Required Documents to Send to KIA

1. Conditional Commitment Letter:
 - a. Send original signed Conditional Commitment Letter to KIA
 - b. Send original signed Electronic Funds Transfer Form

2. Send copies of Public Service Commission approval.

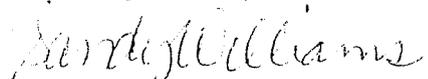
Mayor Cheryl Moore
August 7, 2012
Page 4

11. Implement the Kentucky Uniform System of Accounting (KUSoA), or an alternative approved by the Authority and assure that rates and charges for services are based upon the cost of providing such service.
12. Final Design Plans in an AutoCAD Drawing File Format (DWG), referenced to the appropriate (North, South or Single) Kentucky State Plane Coordinate System (NAD83-Survey Feet) on a Compact Disc (CD). If there is a significant deviation from the Final Design Plan during construction, As-built plans shall also be provided to the Authority in the same format.

Any special conditions listed below and/or stated in Attachment A must be resolved.

Please inform the Authority of any changes in your financing plan as soon as possible. We will assist you in a final evaluation of the financing plan when construction bids are available. We wish you every success for this project which will benefit both your community and the Commonwealth as a whole.

Sincerely,



Sandy Williams
Financial Analyst

Attachments

cc: Bryan Kirby, Community & Economic Development Associates, Inc. (CEDA)
Dirk Bedarff, Peck, Shaffer & Williams LLP
State and Local Debt Office, DLG
Borrower File - City of South Shore - B12-09

Please sign and return a copy of this letter indicating your acceptance of this commitment and its terms. Also attach the completed "Authorization For Electronic Deposit of Vendor Payment" Form.

Cheryl Moore
Accepted

10-16-12
Date

RESOLUTION # 73-2012

Authorizing Resolution of the City of South Shore for Filing of Loan Application and Appointing Mayor and Successors-in-Title as Official Project Representative of South Shore Water System Project.

NOW THEREFORE, BE IT RESOLVED by the City of South Shore that the Mayor and Successors-in-Title are hereby authorized to execute and submit an application through KIA (Kentucky Infrastructure Authority) with such assurances and required supporting data as is necessary to obtain loan assistance from KIA for purchase and/or implementation of a water system and are hereby authorized as the City of South Shore's Official Project Representative to carry out necessary negotiations for and administer the loan assistance the applicant may obtain for KIA.

Adopted this 17th day of January 2012

The vote taken on said Resolution, the result being as follows:

Motion Carried - Yes No

Cheryl Moore, Mayor
Mayor
City of South Shore

Linda Potter
Attest

RE: questions

From: Bryan Kirby <bryan@cedainc.net>
To: coss@zoomnet.net
Subject: RE: questions
Date: Jul 26, 2012 8:21 AM

I was out Wednesday so missed this. No, I hand-delivered the SSWWC-Fund B application on Monday. KIA Board-August meeting in the 2nd, at 1:00 p.m. We are waiting to hear back from Mark; once we connect, we can finish the forms in less than an hour & get them to you.

Bryan

-----Original Message-----

From: coss@zoomnet.net [mailto:coss@zoomnet.net]
Sent: Wednesday, July 25, 2012 8:11 AM
To: Bryan Kirby
Subject: questions

Bryan,

I will be in Frankfurt Wednesday for 100 meeting. With HMB anything you need me to deliver to anyone?

Do you know the date & time of the August KIA Board meeting for the Water Works Project?

Have you spoke with Mark Tanner about the budget for the City Building and what pages of the USDA application are left to fill out?? I am getting the letter together about us not being able to find a lower interest rate here locally.

Thanks,
Mayor Moore

RE: KIA Board Meeting

From: "Williams, Sandy (KIA)" <Sandy.Williams@ky.gov>
To: coss@zoomnet.net
Subject: RE: KIA Board Meeting
Date: Aug 1, 2012 12:46 PM

Great news. Travel safely and we will see you tomorrow!!

Sandy Williams
Financial Analyst
Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340
Frankfort, KY 40601
Phone: 502-573-0260
Fax: 502-573-0157
Email: sandy.williams@ky.gov

-----Original Message-----

From: coss@zoomnet.net [mailto:coss@zoomnet.net]
Sent: Wednesday, August 01, 2012 11:25 AM
To: Williams, Sandy (KIA)
Subject: RE: KIA Board Meeting

I plan on attending the meeting.
Thank you for all your help.
Mayor Moore

-----Original Message-----

>From: "Williams, Sandy (KIA)" <Sandy.Williams@ky.gov>
>Sent: Aug 1, 2012 11:11 AM
>To: coss@zoomnet.net
>Subject: RE: KIA Board Meeting

>

>Mayor,
>
>South Shore's loan request for the water system purchase is on the agenda for the KIA Board meeting tomorrow. I hope to see you if you can make it. Of course Bryan positively represents the City too if you are unable to make it.

>

>Sandy Williams
>Financial Analyst

>Kentucky Infrastructure Authority
>1024 Capital Center Drive, Suite 340
>Frankfort, KY 40601
>Phone: 502-573-0260
>Fax: 502-573-0157
>Email: sandy.williams@ky.gov

>

>

>-----Original Message-----

>From: coss@zoomnet.net [mailto:coss@zoomnet.net]
>Sent: Wednesday, August 01, 2012 11:02 AM
>To: Williams, Sandy (KIA)
>Subject: KIA Board Meeting

>

>Sandy,

>

>Just wanting to make sure that the SS Water project loan is on the KIA boards
agenda for tomorrow at 1:00 pm August 2nd.

>

>

>Please confirm this for me.

>

>Thank you,

>Major Moore

>

Re: Resolution for Purchase of Water Works

From: "Williams, Sandy (KIA)" <Sandy.Williams@ky.gov>
To: coss@zoomnet.net
Subject: Re: Resolution for Purchase of Water Works
Date: May 3, 2012 4 10 AM

Mayor Moore,

You are correct. The city can apply for \$1.6 million but does not have to draw all of the funds if they are not needed.

Sandy Williams
Sent from My iPhone

On May 2, 2012, at 10:40 PM, "coss@zoomnet.net" <coss@zoomnet.net> wrote:

Received auto response from Kasi, so I forwarded this on to you.
Mayor Moore

-----Forwarded Message-----

From: coss@zoomnet.net
Sent: May 2, 2012 10:20 PM
To: "White, Kasi (KIA)"
Subject: RE: Resolution for Purchase of Water Works

Kasi,

Purchase price is 1.4 million but was looking at some of the initial costs (attorney fee's, etc.) being in the range of less than \$200,000.

Could the city apply for 1.6 million and only draw on what we will actually need?

Please advise,

Thank you,
Mayor Moore

-----Original Message-----

>From: "White, Kasi (KIA)"
>Sent: Apr 11, 2012 3:16 PM
>To: coss@zoomnet.net
>Cc: "Abshire, Jeff (KIA)", "Williams, Sandy (KIA)"
>Subject: RE: Resolution for Purchase of Water Works
>
>Mayor:
>
>That's wonderful to hear. Please reply to this email with the loan amount you are requesting so that we can verify availability of funds.
>
>Regarding the application process, you will need to go to our website and pull down the Fund B application, checklist and instructions (see the Resources Column on the page). The weblink for the website page follows: <http://www.kia.ky.gov/loan/fundb.htm>
>

>Have a wonderful day and we look forward to receiving the application

>

>Kasi White

>Financial Analyst

>Kentucky Infrastructure Authority

>1024 Capital Center Drive, Suite 340

>Frankfort, Kentucky 40601

>(p) 502-573-0260

>(f) 502-573-0157

>kasi.white@ky.gov

>

>-----Original Message-----

>From: coss@zoomnet.net [mailto:coss@zoomnet.net]

>Sent: Wednesday, April 11, 2012 3:06 PM

>To: White, Kasi (KIA)

>Subject: Resolution for Purchase of Water Works

>

>Kasi,

>

>Find attached Resolution #73-2012 for South Shore Water System Project.

>

>Let us know what is required to start the application process

>

>Thank you,

>

>City of South Shore

>Cheryl Moore, Mayor

**EXECUTIVE SUMMARY
KENTUCKY INFRASTRUCTURE AUTHORITY
FUND B, INFRASTRUCTURE
REVOLVING LOAN FUND**

Reviewer: Sandy Williams
Date: August 2, 2012
KIA Loan Number: B12-09
WRIS Number: n/a

BORROWER: CITY OF SOUTH SHORE
GREENUP COUNTY

BRIEF DESCRIPTION:

This project is for the purchase of the assets of the privately owned South Shore Water Works Company (SSWW) which serves approximately 2,300 customers in the City and outlying areas of northwestern Greenup and northeastern Lewis Counties

PROJECT FINANCING:

Fund B Loan \$ 1,600,000

TOTAL \$ 1,600,000

PROJECT BUDGET

Administrative Expenses \$ 20,000
Legal Expenses 30,000
Contingency 150,000
Asset Purchase 1,400,000
TOTAL \$ 1,600,000

REPAYMENT

Rate 0.75% Est. Annual Payment \$ 89,500
Term 20 years 1st Payment 6 Mo. after first draw

PROFESSIONAL SERVICES

Engineer 0

Bond Counsel Peck, Shaffer, & Williams

PROJECT SCHEDULE

Estimated Closing Date 6 months after application for PSC approval

DEBT PER CUSTOMER

Existing \$ 61
Proposed \$ 708

OTHER DEBT

See Attached

OTHER STATE-FUNDED PROJECTS LAST 5 YRS

See Attached

RESIDENTIAL RATES

	Users	Avg. Bill
Current	2,259	\$ 29.84 (for 4,000 gallons)
Additional	0	\$ 29.84 (for 4,000 gallons)

REGIONAL COORDINATION

This project is consistent with regional planning recommendations.

CASHFLOW

	Cash Available for Debt Service	Debt Service	Income after Debt Service	Coverage Ratio
PSC 2008	114,941	16,852	98,089	6.8
PSC 2009	79,919	18,169	61,750	4.4
PSC 2010	128,067	24,702	103,365	5.2
PSC 2011	93,824	23,786	70,038	3.9
Projected 2012	192,341	0	192,341	n/a
Projected 2013	324,498	89,500	234,998	3.6
Projected 2014	330,996	89,500	241,496	3.7
Projected 2015	337,653	89,500	248,153	3.8
Projected 2016	344,475	89,500	254,975	3.8

Reviewer: Sandy Williams
Date: August 2, 2012
Loan Number: B12-09

**KENTUCKY INFRASTRUCTURE AUTHORITY
INFRASTRUCTURE REVOLVING LOAN FUND (FUND "B")
CITY OF SOUTH SHORE, GREENUP COUNTY
PROJECT REVIEW**

I. PROJECT DESCRIPTION

The City of South Shore is requesting a Fund B loan in the amount of \$1,600,000 for the acquisition of the assets of South Shore Water Works (SSWW). SSWW is a private water system that is regulated by the Public Service Commission. The owner wishes to retire and the purchase will assure the public of a dependable and affordable finished water supply.

All equipment, personal property, real estate, easements, leases and interests in real estate that are owned by SSWW or a separate realty company that is owned by the SSWW stockholder will be purchased by the City. The City will not assume any existing liabilities of the existing SSWW operation. The business was appraised by Raftelis Financial Consultants in 2006. The appraisal was based on an evaluation of the business' ability to generate income, a market review for other water company sales, and an estimate of the asset value of the business.

SSWW was organized in 1954 and serves customers in the City of South Shore and outlying areas of northwestern Greenup and northeastern Lewis Counties. The design capacity of the treatment plant is 920,000 gallons per day and the plant operates at about 50% of capacity. From 2008 through 2011 the customer count was stable at 2,259 while gallons of water sold ranged from a low of 116 million in 2011 to a high of 129 million in 2008. Reported water loss each year was about 15%. Disruptions of water service are typical due to the age of the distribution system.

II. PROJECT BUDGET

	<u>Total</u>
Administrative Expenses	\$ 20,000
Legal Expenses	30,000
Contingency	150,000
Asset Purchase	<u>1,400,000</u>
Total	\$ 1,600,000

III. PROJECT FUNDING

	Amount	%
Fund B Loan	\$ 1,600,000	100%
Total	\$ 1,600,000	100%

IV. KIA DEBT SERVICE

Amortized Loan Amount	\$ 1,600,000
Interest Rate	0.75%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 86,300
Administrative Fee (0.20%)	\$ 3,200
Total Estimated Annual Debt Service	\$ 89,500

V. PROJECT SCHEDULE

The estimated closing date for the purchase is six months after application for PSC approval.

VI. RATE STRUCTURE

A. Customers

Customers	Current
Residential	2,116
Commercial	140
Industrial	3
Total	2,259

B. Rates

	Current	Prior
Date of Last Rate Increase	08/12/2011	08/01/2007
Minimum (1,000 Gallons)	\$13.07	\$9.95
Next 9,000 Gallons	5.59	4.25
Over 10,000 Gallons	3.92	2.98
Cost for 4,000 gallons	\$29.84	\$22.70
Increase %	31.5%	
Affordability Index (Rate/MHI)	1.6%	

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2006-2010, the City's population was 1,314 with a Median Household Income (MHI) of \$22,297. The median household income for the Commonwealth is \$41,576. The project will qualify for a 0.75% interest rate.

VIII. FINANCIAL ANALYSIS (See Exhibit 1)

Financial information was taken from PSC filings for the years ended December 31, 2008 through 2011. The utility will adopt a June 30 year end after the purchase is complete. Balance sheets for the legacy entity are not presented since the existing structure will not survive the asset purchase.

HISTORY

Revenues increased 3.5% from \$658,640 in 2008 to \$681,775 in 2011 while operating expenses increased 10% from \$501,679 to \$551,947. A 31.5% rate increase became effective in mid August 2011 and will generate about \$200,000 in additional revenue each year. Cash flow before debt service ranged from a low of \$79,919 in 2009 to a high of \$128,067 in 2010. The debt coverage ratio exceeded 3.9 each year.

PROJECTIONS

Approximately \$110,000 in expenses will be eliminated (2013 compared to 2011) including sales, property and income taxes; rent on leased properties that are included in assets to be purchased, private legal services, some salary and benefit costs, and shareholder dividends.

Projections are based on the following assumptions:

- 1) Revenues will be flat for growth but will increase to offset inflation
- 2) Expenses will increase 2.5% per year for inflation
- 3) A replacement reserve of \$4,000 will be funded annually for ten years.
- 4) Debt service is estimated at \$89,500 annually
- 5) Debt service coverage is 3.6 in 2013 when principal and interest repayments begin. Cash flow after debt service is projected at about \$225,000 and will increase slightly each year thereafter (assuming rates are regularly increased to offset inflation). This will give the City the financial capacity to address some of the aging infrastructure issues.

Based on the proforma assumptions, the utility shows adequate cash flow to repay the KIA Fund B loan.

REPLACEMENT RESERVE

The annual replacement cost is \$4,000. This amount should be added to the

replacement account each December 1 until the balance reaches \$40,000 and maintained for the life of the loan.

IX. DEBT OBLIGATIONS

None

X. OTHER STATE OR FEDERAL FUNDING IN PAST FIVE YEARS

<u>Project Title</u>	<u>Funding Source</u>	<u>Amount</u>
Lift Station Upgrade	CDBG	325,000
Lift Station Upgrade	IEDF	200,000

XI. CONTACTS

Applicant	
Name	City of South Shore
Address	500 Main Street South Shore, KY 41175
County	Greenup
Contact	Cheryl Moore
Phone	(606) 932-6144
Email	coss@zoomnet.net

Applicant Contact	
Name	Community & Economic Development Associates, Inc. (CEDA)
Address	P.O. Box 855 Richmond, KY 40476
Contact	Bryan Kirby
Phone	(859) 624-3396
Email	bryan@cedainc.net

XII. RECOMMENDATIONS

KIA staff recommends approval of the loan with the standard conditions.

CITY OF SOUTH SHORE
BALANCE SHEETS

ASSETS	City At Closing	City End of Year One
Current Assets		
Cash	0	169,000
Special Deposits	6,060	6,060
Temporary Investments	0	0
Accounts Receivable	32,250	67,000
Prepaid	0	0
Total Current Assets	38,310	242,060
Restricted Assets		
KIA (R&M) Reserve	0	4,000
Total Restricted Assets	0	4,000
Utility Plant		
Land, System, Building and Equipment	1,600,000	1,600,000
Less Accumulated Depreciation ()	0	(80,000)
Net Fixed Assets	1,600,000	1,520,000
Total Assets	1,638,310	1,766,060
LIABILITIES		
Current Liabilities		
Accounts Payable	0	27,500
Customer Deposits	6,060	6,060
Accrued Interest	0	1,000
Tax Collections Payable	0	0
Deferred Income Taxes	0	0
Stockholder Loan (6%, demand)	0	0
C P KIA Loan	0	74,998
Deferred Income (Collection Charges)	32,250	0
Total Current Liabilities	38,310	109,558
Long Term Liabilities		
Mortgage (6.5%, 12-15-2017)	0	0
Proposed KIA Loan	1,600,000	1,450,563
Total Long Term Liabilities	1,600,000	1,450,563
Total Liabilities	1,638,310	1,560,121
Retained Earnings:		
Common Stock / Invested in Capital Assets (net)	0	(5,561)
Other Paid In Capital	0	0
Retained Earnings	0	211,500
Contributions In Aid of Construction (CIAC)	0	0
Amortization (CIAC)	0	0
Total Retained Earnings	0	205,939
Total Liabilities and Equities	1,638,310	1,766,060
Balance Sheet Analysis		
Current Ratio	1.0	2.2
Debt to Equity	n/a	7.6
Working Capital	0	132,502
Percent of Total Assets in Working Capital	0.0%	7.5%
Days Sales in Accounts Receivable	14.1	28.5

EXHIBIT 1
CITY OF SOUTH SHORE
CASH FLOW ANALYSIS

	PSC	%	PSC	%	PSC	%	PSC	Projected	Projected	Projected	Projected	Projected
	2008	Change	2009	Change	2010	Change	2011	2012	2013	2014	2015	2016
Operating Revenues												
Water Revenues	658,640	-2%	645,687	1%	649,812	5%	681,775	815,403	835,788	856,683	878,100	900,053
Total Revenues	658,640	-2%	645,687	1%	649,812	5%	681,775	815,403	835,788	856,683	878,100	900,053
Operating Expenses												
Operating Expenses	501,679	3%	518,821	5%	543,937	1%	551,947	565,746	579,890	594,387	609,247	624,478
Operating Expense Reductions	0		0		0		0	0	(50,000)	(50,000)	(50,000)	(50,000)
Depreciation	64,147	23%	78,976	3%	81,079	15%	93,643	95,000	80,000	80,000	80,000	80,000
Taxes Other Than Income	32,202		33,366		44,370		37,816	37,816	0	0	0	0
Income Taxes	27,951		24,805		(31,457)		6,413	25,000	0	0	0	0
Replacement Reserve	0		0		0		0	0	4,000	4,000	4,000	4,000
Total Expenses	625,979	5%	655,968	-3%	637,929	8%	689,819	723,562	613,890	628,387	643,247	658,478
Net Operating Income	32,661	-131%	(10,281)	-216%	11,883	-168%	(8,044)	91,841	221,898	228,296	234,853	241,575
Non-Operating Income and Expenses												
Interest Income	2,050		1,588		1,229		965	1,000	100	200	300	400
Non Utility Income	34,083		23,794		39,036		24,359	22,500	22,500	22,500	22,500	22,500
Other Income / (Expenses)	0		12,840		12,840		0	0	0	0	0	0
Gain / (Loss) on Property Disposition	0		0		0		900	0	0	0	0	0
Dividends	(18,000)		(26,998)		(18,000)		(17,999)	(18,000)	0	0	0	0
Total Non-Operating Income & Expenses	18,133	-38%	11,224	213%	35,105	-77%	8,225	5,500	22,600	22,700	22,800	22,900
Add Non-Cash Expenses												
Depreciation	64,147	23%	78,976	3%	81,079	15%	93,643	95,000	80,000	80,000	80,000	80,000
Cash Available for Debt Service	114,941	-30%	79,919	60%	128,067	-27%	93,824	192,341	324,498	330,996	337,653	344,475
Debt Service (enter as positive #'s)												
Existing Principal	9,221		12,099		20,769		18,806	0	0	0	0	0
Existing Interest	7,631		6,070		3,933		4,980	0	0	0	0	0
Proposed KIA Loan	0		0		0		0	0	89,500	89,500	89,500	89,500
Total Debt Service	16,852		18,169		24,702		23,786	0	89,500	89,500	89,500	89,500
Income After Debt Service	98,089		61,750		103,365		70,038	192,341	234,998	241,496	248,153	254,975
Debt Coverage Ratio	6.8		4.4		5.2		3.9	n/a	3.6	3.7	3.8	3.8

INFRASTRUCTURE REVOLVING LOAN FUND (Fund B) LOAN APPLICATION

I. GENERAL PROJECT SUMMARY

1. PROJECT TITLE Acquisition of South Shore Water Works Company

PROJECT NUMBER not applicable
(WX or SX #)

2. LEGAL APPLICANT

Applicant Name: City of South Shore

Street/P.O. Box: 500 Main Street

City, State & Zip Code: South Shore, KY 41175

Telephone: 606/932-6144

County: Greenup

Contact Person: Mayor Cheryl Moore

3. APPLICATION CONTACT PERSON (Consultant, Area Development District, etc.)

Name: Bryan Kirby

Title: Project Consultant/Administrator

Firm: Community & economic Development Associates,
Inc. (CEDA)

Street/P.O. Box: P.O. Box 855

City, State & Zip Code: Richmond, KY 40476

Telephone: 859/624-3396

4. ENGINEERING FIRM

Name: not applicable; acquisition only

Street/P.O. Box: _____

City, State, Zip Code: _____

Telephone: _____

Contact Person: _____

5. BRIEF DESCRIPTION OF PROJECT (Attach project maps)

The City proposes to gain control of the private water system, South Shore Water Works Company (SSWWC), that serves 2,259 residential, commercial and industrial customers in the City and outlying areas of northwestern Greenup County and northeastern Lewis County. SSWWC is operating aging infrastructure and line breaks are frequent. In order to assure the public of dependable, affordable finished water, South Shore has chosen to acquire 100% of the controlling interest in the SSWWC and take over the ownership and operation of all treatment and distribution systems.

All assets are to be acquired: common stock, land, easements, 0.92 MGD water plant, wells, storage tanks, pump station, 65 miles of various size lines, office database, software, materials inventory and rolling stock. The water system is in good condition: WTP treats an average of 50% of its rated capacity, there are no outstanding Notices of Violation, water loss is 8-11% and there are no pending legal issues. In 2006, Raftelis Financial Consultants of Charlotte NC conducted an appraisal of the SSWWC assets and liabilities and established the fair market value of this property.

6. FINANCING PACKAGE PROPOSED

Source	Amount	Type Loan/Grant	Rate%	Term	Status
Fund B	1,600,000	Loan			Application
TOTAL	\$1,600,000				

Attach evidence of commitment from other funds.

7. **CERTIFICATION**

To the best of my knowledge and belief, the information contained in this application is true and correct.

Cheryl Moore, Mayor
Typed Name and Title
Chief Executive Officer

Cheryl Moore, Mayor
Signature

July 17, 2012
Date

KENTUCKY INFRASTRUCTURE AUTHORITY
 PROJECT BUDGET
 PROJECT #

Cost Classification		Infrastructure Revolving Loan (Fund B)	Other Funding Source A	Other Funding Source B	Other Funding Source C	Local Funds	Total Project Cost
1	Administrative Expenses (Including Interim Financing)	20,000					20,000
2	Legal Expenses	30,000					30,000
3	Land, Appraisals, Easements, Right-of-Way						
4	Relocation Expense & Payments						
5	Planning						
6	Engineering Fees - Design						
7	Engineering Fees - Construction						
8	Engineering Fees - Inspection						
9	Construction						
10	Equipment						
11	Contingency	150,000					150,000
12	Other- Acquisition of the South Shore Water Works Company	1,400,000					1,400,000
	Total	1,600,000					1,600,000

Funding Sources	Amount	Date Committed
A		
B		
C		

Please identify all sources and amounts of Local Funding		Amount
1		
2		
3		

Cheryl Moore
 Signature
Mayor
 Title
July 17, 2012
 Date

II. GENERAL PROJECT INFORMATION

1. Have business closings or disruptions occurred due to infrastructure inadequacy or failure?

Yes No
If yes, describe.

Disruptions of water service are typical due to infrastructure inadequacy (line breaks) due to the aging of the distribution system.

2. Is the applicable infrastructure system under sanction from any enforcement agency?

Yes No N/A

If yes, describe (include deadlines, fines imposed and whether the project will satisfy sanction order.)

3. Are easements or land acquisition needed for the project?

Yes No Number of Parcels

Explain status of each parcel.

4. If applicant has obtained the necessary land, indicate if by:

Leasehold interest Fee simple title Other (Specify)

5. Have plans and specifications been reviewed and approved by the Division of Water?

Yes No N/A; acquisition only

If no, explain status.

6. Does the Public Service Commission have jurisdiction over this project?

Yes No

If yes, describe their role and estimated schedule of review.

PSC must review and approve of sale; review time is estimated to be 6 months.

III. CURRENT INFRASTRUCTURE SYSTEM ANALYSIS

Answer each question as it relates to the system affected by the proposed infrastructure development.

1. Number of existing customers, if any:

Residential	<u>1,943 + 173 multiple family dwellings</u>
Business	<u>140</u>
Industrial	<u>3</u>
Total	<u>2,259</u>

2. System capacity:

Type of system	<u>Reverse osmosis system</u>
Design	<u>0.92 MGD</u>
Current	<u>0.47 MGD</u>
Peak	<u>0.68 MGD</u>
Proposed	<u>No expansion proposed</u>

3. Method of treatment employed. If a new method is proposed, describe.

Reverse osmosis system, filter media employed, 12 drilled wells as raw water source

4. Operator Certification:
 Number of certified operators required for system One
 Level of certification required Class II
 Number of operators employed by system One
 Are all operators properly certified Yes No

IV. FINANCIAL ANALYSIS

1. Are revenues and expenses for this system accounted for separately from other utility services?

Yes No
 If no, explain.

2. Identify all revenues, other than service fees, which are dedicated to the system.

A. Fire Protection \$6,550
 B. _____ \$ _____
 C. _____ \$ _____

3. Is there outstanding debt on the system? Yes No

NOTE: this is an Asset Only Acquisition, so all outstanding debt shall be Satisfied by Seller

A. Source Loan & Demand Note
 B. Principal outstanding \$77,489 & \$60,000
 C. Annual debt requirement \$21,500 & \$1,800
 D. Date of final payment 12-15-2017 & Demand

Attach a copy of debt service schedule(s).

4. Has a rate study been prepared in anticipation of a rate increase?

Yes No
 If yes, attach a copy.

Company

% Service Revenue

8. Compare rates with other providers in your area.

City of Greenup \$29.00/4,000 gal.

City of Wurtland \$16.50/4,000 gal.

City of Raceland \$22.22/4,000 gal.

9. Operation and Maintenance.

	<u>Year</u>	<u>Cost</u>
A. Annual operation and maintenance costs for last 3 years.	<u>2011</u>	<u>\$551,947</u>
	<u>2010</u>	<u>\$543,934</u>
	<u>2009</u>	<u>\$518,821</u>
B. Estimated total cost after project completion.	<u>2012</u>	<u>\$500,000*</u>

*Savings realized from ending disbursements for State & local property tax, private legal services, billing to City for water meter reading fee (in order for City to calculate sewer billings), water-disconnect fees, rent and pension for Owner.

C. Current annual funding requirements for depreciation, and operation and maintenance reserves.

None

D. Are operation and maintenance payments required by prior bond or ordinance?

 Yes X No

If yes, are you in compliance? Yes No

If no, explain.

E. Are operation and maintenance functions assigned to another party?

 Yes X No

If yes, provide details of the agreement.

F. Provide a copy of the current operating budget of the system affected by this proposed funding.

10. Tap fee amounts.
- A. Residential \$945
 - B. Commercial \$945
 - C. Other Actual cost of installation
 - D. How collected Payment due before service is started

11. Outline the applicant's plan for producing revenues sufficient to cover debt service and operations.

The system cash flows are adequate to cover new debt service and operations, presuming the savings realized from the deletion of disbursements for State & local property tax, private legal services, billing to City for water meter reading fee (in order for City to calculate sewer billings), water disconnect fees, rent and pension for Owner.

12. List any security available to support the proposed debt, if applicable. This may include liens on mortgages or projected revenues.

Projected revenues shall support proposed debt

V. IMPLEMENTATION SCHEDULE

1. Anticipated engineering design time required (including plan review).

N/A

2. Anticipated number of contracts. Please list contracts below:

<u>Contract #/Name/Description</u>	<u>Estimated Amount</u>
_____	\$ _____
_____	\$ _____
_____	\$ _____

3. Anticipated bid advertising date(s). N/A

4. Anticipated bid opening date(s). N/A

5. Anticipated construction start date(s). N/A

6. Anticipated construction completion date(s). N/A

7. Will force account labor be used?

 Yes X No

If yes, list activities.

8. List any construction or bid requirements related to other funding sources, which could affect timely implementation. N/A

VI. MANAGEMENT CAPACITY

These questions relate to compliance with statutory mandates placed on each type of applicant. Answer each question as appropriate.

1. Audit Requirement.

A. Is applicant required to have annual audit performed?

 X Yes No

If no, explain.

B. Date of last audit completed: 6-30-2010

C. Attach four (4) of the most recent financial statements, current year-to-date unaudited financials and current budget.

2. All Other Applicants

A. Explain designation of responsibility for financial accountability and personnel administration.

B. Have any public meetings been held on the proposed project or service fee increases in the last six months?

_____ Yes No

If yes, provide minutes.

VII. CAPITAL INVESTMENT

Federal/State Funding History.

List all federal and state funding (grant and loan) awarded to the jurisdiction during the last five (5) years for infrastructure or economic development projects.

YEAR	PROJECT	SOURCE	AMOUNT
2006	Stormwater & Sanitary Replacement	IEDF	\$680,000
2009	Lift Station Upgrade	CDBG	\$325,000
2008		IEDF	\$200,000

FW: Southshore

From: Nancy Wylie <nancy@klc.org>
To: "'coss@zoomnet.net"
Subject: FW: Southshore
Date: May 11, 2012 10:24 AM
Attachments: [Estimated 20 Year Transaction - South Shore.pdf](#) [Estimated 25 Year Transaction - South Shore.pdf](#)

Mayor Moore – Here are the payment schedules we discussed the other day for the water company. They were prepared by our Financial Advisor, Ross Sinclair. If you have any questions or need additional information please let me know. Also, if you would like, we would be happy to come over to discuss specifics in person.

Hope you are able to enjoy this beautiful day!

Thanks,

Nancy C. Wylie
Municipal Finance Manager
Kentucky League of Cities
100 East Vine Street, Suite 800
Lexington, KY 40507-3700
800-876-4552 (toll free)
859-977-3768 (office)
859-230-7833 (cell)
859-977-3703 (fax)

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Your City. Your Future.*

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Chose loan with KLA

Kentucky Bond Corporation

Financing Program Revenue Bonds

Estimated 20 Year Transaction - South Shore

Net Debt Service

Date	Principal	Coupon	Interest	Total P+I	Expenses	Net New D/S
06/30/2012	-	-	-	-	-	-
06/30/2013	80,000.00	1.250%	37,923.33	117,923.33	3,233.34	121,156.67
06/30/2014	65,000.00	1.450%	55,885.00	120,885.00	4,425.00	125,310.00
06/30/2015	65,000.00	1.650%	54,942.50	119,942.50	4,262.50	124,205.00
06/30/2016	65,000.00	1.950%	53,870.00	118,870.00	4,100.00	122,970.00
06/30/2017	70,000.00	2.150%	52,602.50	122,602.50	3,937.50	126,540.00
06/30/2018	70,000.00	2.550%	51,097.50	121,097.50	3,762.50	124,860.00
06/30/2019	70,000.00	2.850%	49,312.50	119,312.50	3,587.50	122,900.00
06/30/2020	75,000.00	3.100%	47,317.50	122,317.50	3,412.50	125,730.00
06/30/2021	75,000.00	3.350%	44,992.50	119,992.50	3,225.00	123,217.50
06/30/2022	75,000.00	3.550%	42,480.00	117,480.00	3,037.50	120,517.50
06/30/2023	80,000.00	3.750%	39,817.50	119,817.50	2,850.00	122,667.50
06/30/2024	85,000.00	3.850%	36,817.50	121,817.50	2,650.00	124,467.50
06/30/2025	85,000.00	3.950%	33,545.00	118,545.00	2,437.50	120,982.50
06/30/2026	90,000.00	4.050%	30,187.50	120,187.50	2,225.00	122,412.50
06/30/2027	95,000.00	4.150%	26,542.50	121,542.50	2,000.00	123,542.50
06/30/2028	95,000.00	4.200%	22,600.00	117,600.00	1,762.50	119,362.50
06/30/2029	100,000.00	4.250%	18,610.00	118,610.00	1,525.00	120,135.00
06/30/2030	105,000.00	4.300%	14,360.00	119,360.00	1,275.00	120,635.00
06/30/2031	110,000.00	4.350%	9,845.00	119,845.00	1,012.50	120,857.50
06/30/2032	115,000.00	4.400%	5,060.00	120,060.00	737.50	120,797.50
Total	\$1,670,000.00	-	\$727,808.33	\$2,397,808.33	\$55,458.34	\$2,453,266.67

Yield Statistics

All Inclusive Cost (AIC)	4.6392144%
Average Coupon	3.9164574%
Net Interest Cost (NIC)	4.0961883%

Kentucky Bond Corporation

Financing Program Revenue Bonds
Estimated 20 Year Transaction - South Shore

Sources & Uses

Dated 06/01/2012 | Delivered 06/01/2012

Sources Of Funds	\$1,670,000.00
Par Amount of Bonds	\$1,670,000.00
Total Sources	
Uses Of Funds	33,400.00
Total Underwriter's Discount (2.000%)	33,400.00
Costs of Issuance	1,600,000.00
Deposit to Project Construction Fund	3,200.00
Rounding Amount	
Total Uses	\$1,670,000.00

Kentucky Bond Corporation

Financing Program Revenue Bonds

Estimated 25 Year Transaction - South Shore

Net Debt Service

Date	Principal	Coupon	Interest	Total P+I	Expenses	Net New D/S
06/30/2012	-	-	-	-	-	-
06/30/2013	65,000.00	1.250%	41,511.67	106,511.67	3,233.34	109,745.01
06/30/2014	45,000.00	1.450%	61,455.00	106,455.00	4,462.50	110,917.50
06/30/2015	45,000.00	1.650%	60,802.50	105,802.50	4,350.00	110,152.50
06/30/2016	45,000.00	1.950%	60,060.00	105,060.00	4,237.50	109,297.50
06/30/2017	50,000.00	2.150%	59,182.50	109,182.50	4,125.00	113,307.50
06/30/2018	50,000.00	2.550%	58,107.50	108,107.50	4,000.00	112,107.50
06/30/2019	50,000.00	2.850%	56,832.50	106,832.50	3,875.00	110,707.50
06/30/2020	50,000.00	3.100%	55,407.50	105,407.50	3,750.00	109,157.50
06/30/2021	55,000.00	3.350%	53,857.50	108,857.50	3,625.00	112,482.50
06/30/2022	55,000.00	3.550%	52,015.00	107,015.00	3,487.50	110,502.50
06/30/2023	55,000.00	3.750%	50,062.50	105,062.50	3,350.00	108,412.50
06/30/2024	60,000.00	3.850%	48,000.00	108,000.00	3,212.50	111,212.50
06/30/2025	60,000.00	3.950%	45,690.00	105,690.00	3,062.50	108,752.50
06/30/2026	65,000.00	4.050%	43,320.00	108,320.00	2,912.50	111,232.50
06/30/2027	65,000.00	4.150%	40,687.50	105,687.50	2,750.00	108,437.50
06/30/2028	70,000.00	4.200%	37,990.00	107,990.00	2,587.50	110,577.50
06/30/2029	75,000.00	4.250%	35,050.00	110,050.00	2,412.50	112,462.50
06/30/2030	75,000.00	4.300%	31,862.50	106,862.50	2,225.00	109,087.50
06/30/2031	80,000.00	4.350%	28,637.50	108,637.50	2,037.50	110,675.00
06/30/2032	80,000.00	4.400%	25,157.50	105,157.50	1,837.50	106,995.00
06/30/2033	85,000.00	4.450%	21,637.50	106,637.50	1,637.50	108,275.00
06/30/2034	90,000.00	4.500%	17,855.00	107,855.00	1,425.00	109,280.00
06/30/2035	95,000.00	4.550%	13,805.00	108,805.00	1,200.00	110,005.00
06/30/2036	100,000.00	4.600%	9,482.50	109,482.50	962.50	110,445.00
06/30/2037	105,000.00	4.650%	4,882.50	109,882.50	712.50	110,595.00
Total	\$1,670,000.00	-	\$1,013,351.67	\$2,683,351.67	\$71,470.84	\$2,754,822.51

Yield Statistics

All Inclusive Cost (AIC)	4.8440829%
Average Coupon	4.2068152%
Net Interest Cost (NIC)	4.3454715%

Estimated 25 Year Transac | SINGLE PURPOSE | 5/11/2012 | 8:42 AM



Public Finance - BSkinner

Kentucky Bond Corporation
Financing Program Revenue Bonds
Estimated 25 Year Transaction - South Shore

Sources & Uses

Dated 06/01/2012 | Delivered 06/01/2012

Sources Of Funds

Par Amount of Bonds

\$1,670,000.00

\$1,670,000.00

Total Sources

33,400.00

Uses Of Funds

Total Underwriter's Discount (2.000%)

33,400.00

Costs of Issuance

1,600,000.00

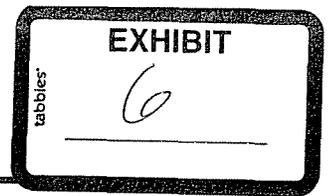
Deposit to Project Construction Fund

3,200.00

Rounding Amount

\$1,670,000.00

Total Uses



Bryan Kirby

From: Howe, Jill (Heritage Council) [Jill.Howe@ky.gov]
Sent: Tuesday, May 22, 2012 1:37 PM
To: Bryan Kirby
Subject: RE: South Shore acquisition

Thanks so much for the quick response – this is super helpful.

Sometimes when I can see business names in Google street view, I'll look them up to try to locate something else based on address numbers. I picked up on some of what you're mentioning – odd and even numbers on the same side of the street – and decided it would just be easier to e-mail and ask. ☺

Hope all is well with you, too --

Jill A. Howe

Kentucky Heritage Council
P (502) 564-7005, ext. 121
F (502) 564-5820

From: Bryan Kirby [mailto:bryan@cedainc.net]
Sent: Tuesday, May 22, 2012 1:34 PM
To: Howe, Jill (Heritage Council)
Subject: RE: South Shore acquisition

Hi Jill, hope all is well with you.

It is approximately 100 yards west of the intersection of US 23 & SR 7. The only landmark I can think of is the City Hall, located at 500 Main Street. Oddly enough, they are both on the same side of Main Street but one has an even-number address & the other is an odd-number address.

Hope this helps.

Bryan

From: Howe, Jill (Heritage Council) [mailto:Jill.Howe@ky.gov]
Sent: Tuesday, May 22, 2012 12:48 PM
To: bryan@cedainc.net
Subject: South Shore acquisition

Hi, Bryan-

Your e-mail was provided as part of the clearinghouse app for the City of South Shore acquisition of the Water Works Company building. I'm having trouble accurately placing this building on a map. Can you provide me with any information that might help orient me to its location? Nearby intersecting roads, nearby business names, etc. would be helpful.

Thanks for any assistance you can provide!

Jill A. Howe
Environmental Review Coordinator
Kentucky Heritage Council

300 Washington St.
Frankfort, KY 40601
P (502) 564-7005, ext. 121
F (502) 564-5820

Bryan Kirby

From: George Hannah [ghannah001@yahoo.com]
Sent: Monday, July 09, 2012 11:10 AM
To: Bryan Kirby
Subject: Re: Acquisition of Water System

Thanks Bryan

From: Bryan Kirby <bryan@cedainc.net>
To: 'George Hannah' <ghannah001@yahoo.com>
Sent: Monday, July 9, 2012 10:32 AM
Subject: RE: Acquisition of Water System

OK, that's good to know on the interconnection agreement because the PSC info I found still has them listed as an interconnected party; no problem, though.

Thanks for the other data. We are prioritizing the submittal of this KIA request for funding & will keep you posted on its course thru the process.

Bryan Kirby

From: George Hannah [mailto:ghannah001@yahoo.com]
Sent: Friday, July 06, 2012 9:41 AM
To: Bryan Kirby
Subject: Re: Acquisition of Water System

Forgot the attachments

From: George Hannah <ghannah001@yahoo.com>
To: Bryan Kirby <bryan@cedainc.net>
Sent: Friday, July 6, 2012 9:39 AM
Subject: Re: Acquisition of Water System

Attached is the water rate schedule, Tap fee schedule with nonrecurring charges, the tap fee for larger than 1 inch is actual cost.

Greenup has refused to enter into a contract with this company because they would be under PSC jurisdiction on rates and service to a regulated utility. Keeping in mind the customers are the 3rd party beneficiary of a government grant for this connection. We are currently nothing more than a customer. South Shore City would not be under the PSC, so perhaps a contract with them may be possible. At this time there is not need for Greenup emergency supply due to a new larger water well replacing one that was aged last year.

Should you need anything else, let me know.

Joe Hannah

From: George Hannah <ghannah001@yahoo.com>
To: Bryan Kirby <bryan@cedainc.net>
Sent: Thursday, July 5, 2012 8:05 PM
Subject: Re: Acquisition of Water System

Bryan, I will copy and email you the info requested in the morning. Just happen to be checking email at 8 PM.

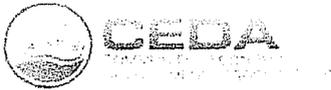
From: Bryan Kirby <bryan@cedainc.net>
To: ghannah001@yahoo.com
Cc: coss@zoomnet.net
Sent: Thursday, July 5, 2012 3:23 PM
Subject: Acquisition of Water System

Mr. Hannah, our firm is assisting the City with the application for the KIA funds to be used to purchase the water system. We just need a couple of items from you:

- Rate schedule, residential & commercial
- Tap fee schedule, residential & commercial
- Copy of the SSWWC & Greenup water purchase agreement

Just for your information, once we receive this information, we will be ready to submit this application to KIA and get things moving on the financing. Call with any questions. Thanks

Bryan Kirby



P.O. Box 855
Richmond, KY 40476
Phone: 859-624-3396
Fax: 859-575-4175
www.cedainc.net

Bryan Kirby

From: Abshire, Jeff (KIA) [jeff.abshire@ky.gov]
Sent: Thursday, July 26, 2012 2:16 PM
To: coss@zoomnet.net; bryan@cedainc.net
Cc: Williams, Sandy (KIA)
Subject: Credit Analysis - South Shore (B12-09)
Attachments: Credit Analysis (B12-09).PDF

Mayor Moore and Bryan:

Attached is a draft credit analysis for the proposed asset purchase. Please call if you have any questions or propose changes.

Thank you,

Jeff Abshire
Financial Analyst
Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340
Frankfort, KY 40601
Phone: 502-573-0260
Fax: 502-573-0157
Email: jeff.abshire@ky.gov

Bryan Kirby

From: coss@zoomnet.net
Sent: Thursday, August 16, 2012 9:57 AM
To: Bryan Kirby
Subject: Re: FW: Acquisition of South Shore Water Works

Bryan,

Is it ok if I forward this email to Joe Hannah and have his attorney prepare the PSC joint transfer application, then our attorney will review it.

Please let me know,
Thaks,
Mayor Moore

-----Original Message-----

From: Bryan Kirby
Sent: Aug 8, 2012 10:26 AM
To: coss@zoomnet.net
Subject: FW: Acquisition of South Shore Water Works

From: Wuetcher, Jerry (PSC) [<mailto:JWuetcher@ky.gov>]
Sent: Friday, August 03, 2012 5:28 PM
To: coss@zomnet.net; bryan@cedainc.net
Subject: Acquisition of South Shore Water Works

As we discussed yesterday, KRS 278.020(5) and (6) require Public Service Commission approval of South Shore's acquisition of the South Shore Water Works. Attached is a sample application for approval of transfer of ownership and control of a public utility. I recommend that the City's application contain at least the following info: (1) information regarding the number of persons who will serve as the system's certified water treatment and distribution system operators; (2) the city's intentions regarding the rates and any possible rate adjustment; (3) the city's intentions regarding the assessment of out-of-city rates; (4) financial statements that last two or three years; (5) how the city will govern the water system (e.g., as a department of city government, a water plant board); (6) details regarding the persons who will be administering/managing the system's business affairs. Ideally, the application for PSC approval should be joint application with the City and the current owner as joint applicants.

The pertinent legal authorities are:

KRS 278.020 – <http://www.lrc.state.ky.us/krs/278-00/020.PDF>
PSC Rules of Procedure: <http://www.lrc.state.ky.us/kar/807/005/001.htm>

If you have any questions regarding the PSC process or the application, please contact me. If you would like PSC Staff to review the City's application before it is filed to ensure it meets PSC filing requirements and to identify any possible problems or issues, please let me know.

Gerald E. Wuetcher
Executive Advisor/Attorney
Public Service Commission of Kentucky
gerald.wuetcher@ky.gov
Office: (502) 564-3940 x259

Cell: (502) 229-6500

RE: FW: Acquisition of South Shore Water Works

From: Bryan Kirby <bryan@cedainc.net>
To: coss@zoomnet.net
Subject: RE: FW: Acquisition of South Shore Water Works
Date: Aug 16, 2012 9:12 AM

Absolutely, it gives them guidance & contact info.

Bryan

From: coss@zoomnet.net [mailto:coss@zoomnet.net]
Sent: Thursday, August 16, 2012 9:57 AM
To: Bryan Kirby
Subject: Re: FW: Acquisition of South Shore Water Works

Bryan,

Is it ok if I forward this email to Joe Hannah and have his attorney prepare the PSC joint transfer application, then our attorney will review it.

Please let me know,
Thaks,
Mayor Moore

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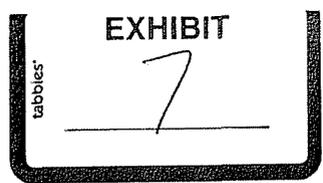
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Cell: (502) 229-6500



Regular Meeting - November 20, 2012

The South Shore Board of Commissioners met in regular session with the following members:

Present: Mayor Cheryl Moore, Mildred Bradley, Louie Bentley

Absent: Lance Warnock, David Piatt

Employees Present: City Clerk Linda Potter

Mayor Moore called meeting to order. Pledge to flag and a moment of Thanks

Minutes from Regular Meeting on October 16, 2012 were given to commissioners to look over and see if there were any changes or corrections that needed to be made. **Mr. Bentley made motion** to accept the minutes from October 16, 2012 as written. Mrs. Bradley seconded. All ayes and motion carried.

In Mr. Piatt's absence, Mayor Moore had commissioners look over the financial report and bills to be paid. **Mr. Bentley made motion** to accept the financial report and to pay the bills. Mrs. Bradley seconded. All ayes and motion carried.

In reporting on the sewer and collection system, Mr. Bentley said everything was OK. He did make a motion to give Tim Carter a pay raise. There was discussion and then the motion died for lack of a second.

In Mr. Warnock's absence, Mayor Moore said everything was OK in the police department.

Mrs. Bradley gave the roads report. She said the new signs are in and the men will begin putting them up this coming week. Some gravel has been put in places around the city. She thinks the alleys need some gravel before winter. The streets that are to be worked on when the sewer project begins will be paved when the work is done. There was some discussion about ditching that needs done in places.

In park committee news, Mrs. Bradley told about the Christmas parade to be held on December 8th at noon. The tree at the park will be trimmed, there will be singing, and cocoa and cookies, etc. will be available. They want people to bring decorations and help decorate the tree. There was also discussion about walking trails around in the park area.

In old business, Mayor Moore told commissioners that the land where the new city building is to be built had been checked for any historical value. Everything was a go for the building to be built. The historical society has to sign off on it. And the city attorney said there were no restrictions in the deed for building on that site. They Mayor brought commission up to date on the USDA Rural Development loan.

In new business, Mayor Moore told about the Greenup County Drug Free Coalition. There will be a kick off on December 1st. Banners will be put up on the overpass and on the tennis courts in the park. Flyers will be passed out and signs put up. There will be some public meetings on this also.

There was discussion about some items to be surplused. The city attorney reminded commission that there are certain steps to go through in order to do this. They looked at the items on the list to be surplused and decided to keep some of them. **Mr. Bentley made motion** to auction off the items they decided on. Mayor Moore seconded. All ayes and motion carried.

A one time pay raise was discussed for all employees. It will be \$200 per person for full time and part time employees and will be paid the 1st pay period in December. **Mayor Moore made motion** to pay this one time pay raise. Mr. Bentley seconded. All ayes and motion carried.

There will need to be a separate bank account opened for the water works project. **Mr. Bentley made motion** to open the separate bank account. Mrs. Bradley seconded. All ayes and motion carried.

Mr. Bentley made motion to raise the county clerks office rent \$200 per month. This would make the rent on the clerks office \$2400.00 per year. Mrs. Bradley seconded. All ayes and motion carried.

In comments from the floor, Dan Blevins, the assistant director of Helping Hands, introduced himself and thanked everyone for the help and support they have given Helping Hands. He said the backing from Mayor Moore and the ministerial association had been great. They are open on Mondays and Thursdays from 10-3 each week and on the 2nd Friday of each month they take larger donations. But for utility and medication help people still have to go to Greenup.

There was discussion about a small goat that Louie Bentley has in his yard. It is in a cage and considered a pet. The Mayor has been checking into this with the attorney, looking over the ordinances about animals in the city. A neighbor of Mr. Bentley's was in the audience and spoke about this. He said the goat bothered no one and that there was no smell and the pen was clean. Mayor Moore said because it is a complaint, it has to be dealt with.

There was a small discussion about Complete Streets but nothing was decided about it.

In other business, Fred Bales asked about putting an advertising bench on the corner of JE Hannah Drive and Main Street. The commission doesn't think it would be good to have these benches on city property. If a private business or company wants to let him, they can. The city attorney said that an ordinance about sidewalks needs to be discussed and done.

Mr. Bentley made motion to adjourn the meeting. Mrs. Bradley seconded. All ayes and meeting adjourned.

Linda Potter, City Clerk

Cheryl Moore, Mayor

Regular Meeting - October 16, 2012

The South Shore Board of Commissioners met in regular session with the following members:

Present: Mayor Cheryl Moore, Mildred Bradley, David Piatt, Louie Bentley

Absent: Lance Warnock

Employees Present: City Clerk Linda Potter

Mayor Moore called meeting to order. Pledge to flag and a moment of Thanks.

Minutes from Public Hearing on September 18, 2012 and minutes from Regular Meeting on September 18, 2012 were given to commissioners to look over and see if there were any changes or corrections that needed to be made. **Mr. Piatt made motion** to accept the minutes from Public Hearing on September 18, 2012 and Regular Minutes from September 18, 2012 as written. Mrs. Bradley seconded. All ayes and motion carried.

Amanda Tarr from Millhuff-Stang, CPA gave the post audit report. She gave copies of audit to commissioners and gave the final results of the audit. A few adjustments were made but no difficulties in doing the audit. There were a few requirements that the city had to comply with and will do in the coming year. She had sign sheets for the commissioners saying she had explained the audit to them. The city is caught up now – the next audit is due Feb. 2013. **Mr. Piatt made motion** to accept the audit. Mr. Bentley seconded. All ayes and motion carried.

Mr. Piatt gave financial report. Copies were given to commissioners and also bills that needed to be paid. **Mr. Bentley made motion** to accept the financial report and to pay the bills. Mrs. Bradley seconded. All ayes and motion carried.

Mayor Moore told commissioners that Sherri Collins, a CPA who previously worked for Reynolds & Co. is willing to work with the city to keep our financials up to date. She would charge \$25.00 per hour to do this on an as needed basis. Reynolds was supposed to have someone do this but it hasn't been done. **Mr. Bentley made motion** to hire Sherri Collins at \$25.00 per hour on an as needed basis. Mr. Piatt seconded. All ayes and motion carried.

In the police report, Mayor Moore reported everything was good.

In sewer and collection report, Mr. Bentley said he had no complaints. Things appeared to be good.

In roads report, Mrs. Bradley reported the men did a good job cutting brush on Coney and W. 1st Avenue. Mr. Bentley said the stop signs were good where the city moved them. Mrs. Bradley said the stop signs were ordered for across the tracks and would be put up when they came in. The salt contract for this year was discussed. North American Salt is where the city has been getting its salt. The city still has salt from last year stored in Greenup at the county garage. They decided to order 22 ton from North American Salt. Linda Winter with North American Salt will fax a new quotation for the 22 ton. The price should be approximately \$57.00 per ton. **Mayor Moore made motion** to order 22 ton from North American Salt. Mr. Piatt seconded. All ayes and motion carried.

In park committee report, 3 people have paid for trees and memorial plaques and the trees are already planted.

In old business, Kelly Ward with FIVCO was at the meeting and spoke about the \$1000.00 grant that was given to the city. This is for capital improvement and it will be used for playground projects, probably a slide for the park. Kelly said the grant is given to the city and it is not a matching grant but the city has to pay something along with the grant. The slide the city wants to purchase will probably be around \$1500.00, so they will pay some to go with the grant. **Mr. Bentley made motion** to use the FIVCO grant for capital projects at the park. Mr. Piatt seconded. All ayes and motion carried.

The Mayor tabled a Resolution concerning KIA loan #HB265.

An archeological survey done at the site of the new city building was conducted by CRA (Cultural Resource Analysis, Inc). The site where the city building is to be built is cleared to build on. The company is doing all the reports that are needed for this. The city will have to pay an additional \$1900.00 besides the original price of \$2985.00. This totals \$4885.00 the city will have to pay for this. **Mr. Piatt made motion** to pay the \$4885.00 for having this survey done. Mr. Bentley seconded. All ayes and motion carried.

The KIA has a commitment letter that the Mayor needs to sign in order to purchase the water company. This letter says that the city does want the money to buy the water company. It's a 20 year loan with 2 payments per year. **Mr. Bentley made motion** for the Mayor to sign the KIA commitment letter. Mr. Piatt seconded it. All ayes and motion carried.

In new business, Resolution # 83-2012 was presented. This is for payment to HMB Engineers in the amount of \$20,200.00 for design work on the collection system. **Mr. Bentley made motion** to approve Resolution #83-2012 paying HMB Engineers the \$20,200.00. Mr. Piatt seconded. All ayes and motion carried.

The Christmas parade was discussed. The fire department is going to help with this and the Homemakers also. They are planning the parade, music on the stage, hot cocoa, cookies, etc. Also decorating the tree in the park. This would be done on December 8th at noon. **Mayor Moore made motion** to have the Christmas parade on December 8th at noon. Mr. Bentley seconded. All ayes and motion carried.

Chrystal Hayes with the Ladies Auxiliary at the American Legion asked the commissioners for permission for a parade honoring veterans on November 10th at noon. It would run the regular parade route starting at the ballfield and ending at the legion. A ceremony honoring veterans would be held at the legion field and a dinner for veterans that evening. **Mr. Piatt made motion** to allow the Ladies Auxiliary to have a veterans parade on November 10th at noon. Mr. Bentley seconded. All ayes, motion carried. In comments from the floor, Pauline Farley mentioned Robert Timberlake's property. She said there are complaints about mice and roaches. She said something needed to be done with the situation. Mr. Bentley had complaints about rats in the city. Daniel Carter, sitting in for the city attorney, said he would look into the nuisance ordinance concerning these matters. Property owners will probably have to be cited. Also will check about abandoned property and what to do with it.

Mr. Piatt made motion to adjourn the meeting. Mr. Bentley seconded. All ayes and meeting adjourned.



Linda Potter City Clerk



Cheryl Moore, Mayor

Regular Meeting - September 18, 2012

The South Shore Board of Commissioners met in regular session with the following members:

Present: Mayor Cheryl Moore, Mildred Bradley, Louie Bentley, David Piatt

Absent: Lance Warnock

Employees Present: City Clerk Linda Potter

Mayor Moore called meeting to order. Pledge to flag and a moment of Thanks.

Minutes from Regular Meeting on August 21, 2012 were given to commissioners to look over and see if there were any changes or corrections that needed to be made. **Mr. Piatt made motion** to accept the minutes as written. Mr. Bentley seconded. All ayes and motion carried.

Mr. Piatt gave the financial report. The commissioners saw the report of the bills that needed to be paid. **Mr. Bentley made motion** to accept the financial report and to pay the bills. Mr. Piatt seconded. All ayes and motion carried.

In Mr. Warnock's absence, Mayor Moore stated that things in the police department looked good at this time.

Mr. Bentley stated that the sewer and collection system were good right now. Mayor Moore said that Bryan Kirby had a few questions that needed answered concerning the loan for the collection system.

Mrs. Bradley gave the roads report. The state has worked on the ditches along Rt. 23 and cleaned out the weeds and overgrown trees. Everyone says this looks really good now. There is a section in front of the park where the old city building was that still needs some brush and trees removed. Mrs. Bradley is in the process of getting signs replaced in the city. She is working on the ones across the railroad tracks first. She would like to remove a 4 way stop sign at W. 2nd Avenue and Holly Avenue and move it to W. 2nd Avenue and Hauser Avenue and put 2 speed limit signs on that street (W 2nd Avenue). Resolution # 82-2012 was presented to approve moving the stop sign from one street to the other. **Mayor Moore made motion** to approve Resolution # 82-2012 to move the 4 way stop sign at W. 2nd Avenue and Holly Avenue and move it to W. 2nd Avenue and Hauser Avenue. Mr. Piatt seconded. All ayes and motion carried. Mrs. Bradley would also like to place NO OUTLET signs on Ridge Street. There was some discussion about holes and street openings on some streets that need to be fixed. Most of these are from places the water works has worked on. Joe Hannah, with South Shore Water Works, has said he will take care of these. Mayor Moore reported the city is working on drainage pipes at Old Sunshine and also at the old Grandview parking lot. While the roads were being discussed, John and Tammy Nelson, who live at 98 W. 1st Avenue, spoke to the commissioners about their street. They said the street itself needs paved, but they know that the sewer lines will be replaced and then the street will be paved. They also complained about the brush, weeds and trees that need cut badly. The trees are hanging over the street and dragging on the tops of cars. Mr. Bentley said that the city workers need to take a chain saw and go and cut those things back. Also discussion about Darin Conrad property on JE Hannah Drive, where a ditch is blocked by bricks. The mayor said she would take care of this.

Mrs. Bradley gave a parks committee report. She said the park is about ready for the Quilt Festival which begins September 28th. Mr. Bentley asked about the tennis courts, if there were any grants out there to resurface them.

In old business, Ordinance # 315-2012 was given a 2nd reading. Paul Craft, city attorney, read the Ordinance, "AN ORDINANCE OF THE CITY OF SOUTH SHORE, KENTUCKY FIXING THE TAX RATE FOR THE CITY OF SOUTH SHORE, KENTUCKY FOR THE TAX YEAR 2012; ESTABLISHING SAID TAX RATE AT .2295 FOR EACH \$100.00 OF TAXABLE PROPERTY; ESTABLISHMENT OF DUE DATE AND PENALTY; AND OTHER MATTERS." **Mr. Bentley made motion** to adopt Ordinance # 315-2012, fixing the tax rate for the city for the tax year 2012. Mr. Piatt seconded. All ayes and motion carried.

City Attorney Paul Craft had questions concerning the water project and said some answers were needed from the commissioners. He is working with Joe Hannah's attorney concerning the water works for some information needed for the Public Service Commission. **Mayor Moore made motion** to go into executive session to discuss the water project. Mr. Piatt seconded. All ayes and motion carried. Mayor Moore called meeting back to order. No action taken.

In new business, the Area Development Grant project was discussed. Last year, this grant was used to buy springy horses for the park. The commissioners need to decide what this \$1,000.00 can be used for this year. **Mayor Moore made motion** to get a new sliding board for the park. Mr. Piatt seconded. All ayes and motion carried.

Holly West, with the Boyd County Health Department, working also with Chris Crum from the Greenup County Health Department, spoke on a program called COMPLETE STREETS. Laura Patrick with the Kentucky Heart Foundation was with her and together they explained this program to the commissioners. This program is to encourage healthy activities, such as biking and walking. And to see that the city has places for these activities. They both are grant writers, with access to grants that can be used for the purpose of walking trails and biking lanes. They said that South Shore could be one of the first small cities to adopt this project. But it does require an Ordinance in order to get the funding. All streets in the city would not have to be COMPLETE STREETS. If the commissioners would decide to do this, there could be exceptions in the ordinance. The city attorney would have to look this over in order to make sure it would be feasible for the city. Commissioner David Piatt stated he would like to see walking paths in the city park and eventually some bike lanes as projects are done to the city streets.

Pauline Farley asked if all political signs could be placed in the one area across from the old Laundromat on Taylor Avenue instead of all over the city. Also Mayor Moore stated that the city did get an extension from EMC Insurance concerning getting the rest of the insurance money for the new city building.

Mr. Piatt made motion to adjourn the meeting. Mr. Bentley seconded. All ayes and meeting adjourned.



Linda Potter, City Clerk



Cheryl Moore, Mayor

Regular Meeting - July 17, 2012

The South Shore Board of Commissioners met in regular session with the following members:

Present: Mayor Cheryl Moore, Mildred Bradley, Lance Warnock

Absent: David Piatt, Louie Bentley

Employees Present: Linda Potter

Mayor Moore called meeting to order. Pledge to flag and a moment of Thanks.

Minutes from Regular Meeting on June 19, 2012 were given to commissioners to look over and see if there were any changes or corrections that needed to be made. **Mr. Warnock made motion** to accept the minutes as written. Mrs. Bradley seconded. All ayes and motion carried.

In Mr. Piatt's absence, Mayor Moore had commissioners look over the financial report and the bills to be paid. She asked if there were any questions. **Mr. Warnock made motion** to accept the financial report and to pay the bills. Mrs. Bradley seconded. All ayes and motion carried.

Mr. Warnock gave police report. He said things were going fairly smooth. Chief Sword is working on some break-ins in the city. To follow up on a question asked in a previous meeting as to how often the ammunition should be changed, he said that Chief Sword had changed ammunition. He mentioned that the Chief was on vacation this week.

Mayor Moore spoke of the sewer and collection system. A bad storm had gone through about 3 weeks ago and some power was out. 2 lift stations were down a short time. A pump at a lift station had been struck by lightning and an insurance claim has been filed. She also said the e-coli has finally straightened up. She gave commissioners a map showing the plans for the rehab of sewer lines. Some lines will be dug up and replaced and some lines will be slip-lined. She thinks there should be some money left to blacktop some of the streets after this rehab is done. She said all will depend on the bids as to how much money there will be to spend on blacktop after the project is done.

Mrs. Bradley gave the roads report. She said there are still a few signs down. She said the city needs to start planning what signs will be needed to start coming into compliance with the new standards and they need to be ordered. She said a good job was done picking up limbs in the park after the big storm went through.

She also gave a park committee report. She said the committee would like to be able to sell a tree and a memorial brick together for one price; they were thinking \$100.00 for both. But this has not been completely decided yet. Also the new stage is under construction now. The Quilt Festival is being held in the park September 28th, 29th and 30th.

In old business, discussion about the new city building. The health department has said they do want to have space in the new city building. But first they would have to have a contract in place with the city to

make it official. **Mr. Warnock made motion** to include the health department in the floor plan for the new city building. Mrs. Bradley seconded. All ayes and motion carried.

In the January commission meeting, Resolution # 73-2012 was approved authorizing the Mayor to execute and submit an application through KIA for loan assistance for the purchase of South Shore Water Works. This application was submitted and \$1.6 million was approved for the KIA loan to buy the Water Works. The agreement has been signed and \$10,000.00 in earnest money has been put against the purchase of the Water Works. **Mr. Warnock made motion** to approve this KIA loan amount for the purchase of the Water Works. Mrs. Bradley seconded. All ayes and motion carried.

Also in old business, there is still some work to be done to settle with Veolia.

In new business, Mayor Moore said since the bad storm went through approximately 3 weeks ago, there is a lot of debris that city residents need to dispose of. She said in the budget there was some extra money that could be used for a city dumpster at this time, and still be able to do a fall clean up with a dumpster. **Mr. Warnock made motion** to approve a dumpster beginning July 23rd and running through August 3rd for a city clean up. Mrs. Bradley seconded. All ayes and motion carried.

In other new business, the 2012 tax rate was discussed. This needs to be done by September 1st. If 4% is done, a public hearing will have to be held. Mayor Moore recommended that the city not do the 4% this time. There was discussion about this. The Mayor and Commissioners will have the city attorney figure it and see what it would work out to be. Then a special meeting may have to be held to accept it and approve it.

In comments from the floor, Pauline Farley spoke again about private signs in the city that she had taken down. She mentioned that weeds were again coming back by the fence along the front side of the park. She thought perhaps it could be sprayed. Mayor Moore mentioned that Craft Pest Control had sprayed the park this month for insects, ticks, etc. Mrs. Farley also mentioned again about South Shore becoming a Purple Heart city.

Mr. Warnock made motion to adjourn the meeting. Mrs. Bradley seconded. All ayes and meeting adjourned.



Linda Potter, City Clerk



Cheryl Moore, Mayor

Special Meeting - June 12, 2012

At the City Building at 500 Main Street, South Shore, Kentucky at 6:30 PM

Present: Mayor Cheryl Moore, Mildred Bradley, Lance Warnock, Lou Bentley, David Piatt

Absent: None

Employees Present: Linda Potter

On the agenda for this meeting is a Budget Work Session and 1st Reading of Ordinance # 314-2012 for Annual Budget for July 2012 – June 2013

Mayor Moore called meeting to order.

A copy of this year's Budget was given to each commissioner.

Discussion on roads budget and police budget. Discussion on pay raises for clerk's office and police. City clerk rate of 9.90 an hour. Utility clerk and finance clerk rate of 8.80 an hour. Police chief rate of 13.20 plus KLEFPF. These raises are all 10% and are included in this budget. They are to take effect 7-1-2012. Also the one time raises that are paid in December was discussed, \$200.00 per employee, full-time and part-time.

Discussion on the garbage budget. It usually stays about the same. In future meetings, the next contract will be discussed.

Discussion about the part of the budget concerning Projects. Even though the city is approved for \$3,00,006.00 for the sewer rehab does not mean that much has to be used. And the loan for \$1,400,000.00 for the water project is included in the budget.

In going over the Sewer budget, was discussion about a raise for the coming year for Chad Clark, who is contracted to run the sewer plant. Some differences in the budget because now we pay the bills instead of it going through Veolia.

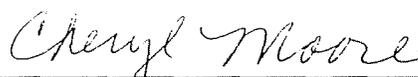
In General Government budget, was discussion about cell phones for the sewer and roads employees. Personnel policy needs to be redone concerning these things so that at next meeting, decisions can be made concerning the cell phones.

Had 1st reading of Ordinance # 314-2012, adopting the annual budget for 2012-2013. Commissioners will look over the budget before the regular meeting when a 2nd reading can be done.

Mr. Warnock made motion to adjourn the meeting. Mrs. Bradley seconded. Meeting adjourned.



Linda Potter, City Clerk



Cheryl Moore, Mayor

Regular Meeting – May 15, 2012

The South Shore Board of Commissioners met in regular session with the following members:

Present: Mayor Cheryl Moore, Mildred Bradley, Louie Bentley, David Piatt

Absent: Lance Warnock

Employees Present: City Clerk Linda Potter

Mayor Moore called meeting to order. Pledge to flag and a moment of Thanks.

Minutes from Regular Meeting on April 17, 2012 and minutes from Special Meeting on April 26, 2012 were given to commissioners to look over and see if there were any changes or corrections that needed to be made. **Mr. Piatt made motion** to accept the minutes from the Regular Meeting on April 17, 2012 and the minutes from the Special Meeting on April 26, 2012. Mr. Bentley seconded. All ayes and motion carried.

Mr. Piatt gave the financial report and went over the bills to be paid. **Mr. Bentley made motion** to accept the financial report and to pay the bills. Mr. Piatt seconded. All ayes and motion carried.

In Mr. Warnock's absence, Mayor Moore gave police report. She said things seem to be quiet for now. Had a discussion about arrest fees and seized properties.

Mayor Moore and Mr. Bentley said things were good at the sewer plant. Have had no spills at the plant. Mayor Moore said the DMR's for April were good.

Mrs. Bradley spoke about the roads. The state just blacktopped SM Roberson today. New risers were put in the manholes before the blacktopping. Some discussion about the water coming off the hill close to Jim Bob Osman's home on SM Roberson and what can be done about it. Mayor Moore will contact the State Highway Department to see what can be done. Also was mentioned that ditches need to be cleaned out on SM Roberson. Mrs. Bradley gave a park report. There was no meeting in April (this month) because of lack of a quorum. But was mentioned that South Shore Subway gave a % of their earnings from April 14th to the city's park committee. Commissioners also mentioned that it was looking good in the park, the overpass and South Shore Drive.

In old business, City Attorney Paul Craft had 2nd reading of Ordinance # 313-2012, "An Ordinance of the City of South Shore, Kentucky, Amending Annual Budget for the Fiscal Year July 1, 2011 Through June 30, 2012, by Estimating Revenues and Resources and Appropriating Funds for the Operation of City Government". **Mr. Bentley made motion** to adopt Ordinance # 313-2012. Mr. Piatt seconded. All ayes and motion carried.

KIA had sent a conditional commitment letter to the City for Mayor Moore to sign. This is needed to proceed with the agreement between KIA and the City of South Shore since KIA approved the loan for

the Sewer System and Wastewater Treatment Plant Rehabilitation on April 12, 2012. **Mr. Piatt made motion** for the mayor to sign the conditional commitment letter for KIA to proceed with the loan agreement. Mr. Bentley seconded. All ayes and motion carried.

Mayor Moore made motion to go into executive session for land acquisition. Mr. Bentley seconded. All ayes and motion carried.

Mayor Moore called meeting back to order.

David Piatt made motion to purchase the assets of South Shore Water Works Company for \$1.4 million dollars and to enter into the asset purchase agreement with the South Shore Water Works Company and George J. Hannah. Mr. Bentley seconded. All ayes and motion carried.

David Piatt made motion to enter into collection agreement with South Shore Water Works Company after completion of purchase of assets of South Shore Water Works Company consistent with the contract reviewed at the meeting; further to authorize the mayor to sign any and all documents necessary to facilitate the transaction. Mr. Bentley seconded. All ayes and motion carried.

In new business, commissioners discussed a truck that had been seized in 2007 for a drug arrest and has been held by the city since then. City Attorney Paul Craft said they needed to auction it off and would have to advertise for this. **Mr. Piatt made motion** to advertise and auction off the truck. Mr. Bentley seconded. All ayes and motion carried.

The ladies at the American Legion Post in South Shore want to sell poppies on May 19th for National Poppy Day for veterans. They filled out a special permit application asking for permission to sell these within the city. **Mr. Piatt made motion** to allow the American Legion Post to sell the poppies within the city on May 19th. Mr. Bentley seconded. All ayes and motion carried.

Resolution # 75-2012 was presented. It authorizes the filing of a 2012 CDBG grant application for the city in the amount of \$1,000,000.00 **Mr. Piatt made motion** to approve Resolution # 75-2012 to authorize the filing for the CDBG grant application for \$1,000,000.00 Mr. Bentley seconded. All ayes and motion carried.

Resolution # 76-2012 was presented to approve the payment of Akins Excavating, Inc for camera work in the amount of \$35,442.20 and the City of South Shore for \$213.04 for reimbursement of advertising. **Mr. Piatt made motion** to accept Resolution #76-2012 to pay Akins Excavating, Inc \$35,442.20 and the City of South Shore \$213.04. Mr. Bentley seconded. All ayes and motion carried.

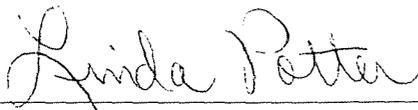
In comments from the floor, Pauline Farley mentioned a big hole at the corner of Main Street and 4th Avenue where water stands. Mr. Bentley said the backhoe needs to be used to clean up that corner. Mrs. Farley also mentioned that the state would like all cities to be Purple Heart cities. If the commission wants to do this, something needs to be signed by the mayor. Mrs. Farley is to bring paperwork to the

mayor to sign to do this. **Mr. Bentley made motion** for the mayor to sign Resolution # 77-2012 adopting a proclamation declaring May 2012 as the month to remember and recognize veterans who are recipients of the purple heart medal **AND** officially designating the City of South Shore, KY as a Purple Heart City. Mrs. Bradley seconded. All ayes and motion carried.

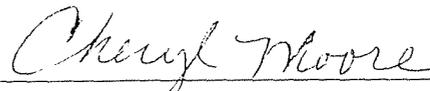
Mrs. Farley also spoke about the Greenup County Board of Education wanting to provide lunches this summer for children in Vacation Bible School in the county. She said all the churches should be contacted to do this. Mr. Piatt said the city should send a letter to the School Board commending them for this program. Mrs. Farley also spoke about the brown bag program that the schools have to send food items home with children on Friday evenings for the weekends.

In other business, Mrs. Bradley mentioned that the Greenup County Homemakers are having a sale at the extension office this Saturday, May 19th from 9-2. Mr. Piatt spoke about memorial stones for the park. He had one that will be for Bob Bradley when it's inscribed.

Mr. Piatt made motion to adjourn the meeting. Mr. Bentley seconded. All ayes and meeting adjourned.



Linda Potter, City Clerk



Cheryl Moore, Mayor

Regular Meeting – April 17, 2012

The South Shore Board of Commissioners met in regular session with the following members:

Present: Mayor Cheryl Moore, Mildred Bradley, David Piatt, Louie Bentley

Absent: Lance Warnock

Employees Present: Linda Potter

Mayor Moore called meeting to order. Pledge to flag and a moment of Thanks.

Minutes from Regular Meeting on March 20, 2012 were given to commissioners to look over and see if there were any changes or corrections that needed to be made. **Mr. Piatt made motion** to accept the minutes from Regular Meeting on March 20, 2012 as written. Mr. Bentley seconded. All ayes and motion carried.

Mr. Piatt gave the financial report. He went over the financial sheets and spoke about the bills that needed to be paid. **Mr. Bentley made motion** to accept the financial report and to pay the bills. Mr. Piatt seconded. All ayes and motion carried. They talked about the UFIR being due May 1st. And the budget has to be together to present to commissioners in June. It needs to be done by July. Also the CD (Sewer O & M) at American Savings Bank was up for renewal. Mr. Piatt checked rates at other financial institutions and left it at American Savings.

Mayor Moore gave the police report in Mr. Warnock's absence. She said there had been some complaints of thefts but it seems like this has slowed down.

Mayor Moore gave sewer & collection system report in Chad Clark's absence. He had schooling he had to attend but he sent Mr. Bentley a copy of the log for the month and a letter that was given to all the commissioners. The new pump is now in and working, lines in Forest Heights has been worked on and the last of the camera work is being done. She reported that at the KIA meeting last week, the city was approved for \$3,006,000 for the sewer plant and rehab project. They do not have to take the full \$3,0006.000. Now the city will apply for matching CDBG funds of \$1,000,000 for the collection system. She told commissioners that a new sewer tap had been installed this past week. Also she reported that Kenny Liles is going to take his test for Class II operator's license May 22-25. **Mr. Bentley made motion** for the city to send Kenny Liles to take the test for his Class II operator's license and to pay for his lodging and his meals. Mr. Piatt seconded. All ayes and motion carried.

Mrs. Bradley gave roads report. Was discussed that the county had run out of cold mix for the streets but we can get hot mix but have to pay for it. Mrs. Bradley said JE Hannah, in front of McDonald's Pharmacy, needed paved badly. **Mr. Piatt made motion** to bid out a section of JE Hannah Drive from Main Street to just past the old post office to fix the potholes. Mr. Bentley seconded. All ayes and

motion carried. Mr. Bentley asked if A & A Paving, owned by Rick Brown, was still in business. He always did a good job. Mrs. Bradley will call someone about A & A Paving and will let commission know. The backhoe was discussed at the last meeting and decided to go ahead and fix it. Rick Gifford has worked on it but there are still a few things to do to it. **Mr. Bentley made motion** to go ahead and finish the work on the backhoe. Mr. Piatt seconded. All ayes and motion carried. Mike Mullins has brought inmates down several times to work in the park and around the city. It seems that they are doing a good job. Mrs. Bradley and Mr. Bentley said the overpass needs cleaned. The fencerow from Taylor Street down to Foodland on the state's right-of-way needs cleaned out. Mayor Moore had contacted the state to see when they might clean it but they have not returned the call. Mowing the grass along Rt. 23 in the city limits was discussed. Usually the state will mow it the first time and in the past the city has kept it mowed during the summer. Commissioners will look at the budget and see if the city can mow it this year. Some new signs are needed for the city but will have to look at the budget to see what can be ordered.

Mrs. Bradley and Mayor Moore gave a park committee report. The restrooms are open and clean. And last Saturday, there was a clean-up day at the park. They are still looking to plant some trees back in the park. They put some mulch out, moved a grill or two and did some other maintenance work. Mrs. Bradley said the park committee is looking at a small slide to buy for the park.

In old business, Mayor Moore opened the one bid that was submitted for the SM Roberson sewer project. That was from Womack Excavating and the bid was for \$178,000.00. The commissioners decided not to act on it yet, as they need to look at the funding for the project. It does need to be done because the state is waiting to blacktop that road.

The utility truck for the sewer department was discussed. The city has been using a truck from Denny's Autos in order to try it out. It seems basically to be a good vehicle but the front end needs fixed. Mayor Moore had offered to buy the truck for \$3500.00. Denny had said he would fix the front end but he wanted \$3800.00 for it. Mr. Bentley said the truck should have dual wheels on the back. **Mr. Piatt made motion** to buy the utility truck from Denny's Autos for \$3800.00 if he could fix the front end and put dual wheels on it. Mr. Bentley seconded. All ayes and motion carried.

There was discussion about the bed on the dump truck needing to be painted. **Mr. Piatt made motion** to sandblast the dump truck bed and paint it. Mr. Bentley seconded. All ayes and motion carried.

Mayor Moore told commissioners that Green Valley landfill wanted the city to sign a 3 year sludge contract. The commission did not want to sign a 3 year contract. Right now we can take it to Big Run for 3 years for \$21.00 per thousand without signing a contract. So it was decided not to sign Green Valley's contract.

In new business, Resolution # 74-2012 was presented to the commissioners. This is for the procurement of planning consultant for the CDBG grant. There were 3 consulting firms who had applied. CEDA, FAHE and Mayes, Seddererth & Etheredge. CEDA was rated the best. **Mr. Piatt made motion** to accept CEDA as the planning consultant firm for the CDBG grant. Mr. Bentley seconded. All ayes and motion carried.

Mayor Moore told commissioners the city needs to look into insurance for employees for the future now that there are enough employees for a group. She will check some companies out for this and report back to them.

Mr. Piatt had talked to an individual who does the groundwork for Bellefonte Hospital at their 2 large buildings. Loren Quillen. Mr. Quillen gave him a price of \$1600.00 per month to mow and pick up debris and trash all over the city in the summer months. He does have liability insurance. But nothing was decided on this right now. The city is using inmates to help with the city clean-up.

In comments from the floor, Pauline Farley once again mentioned taking down signs that are not supposed to be all over the city. She mentioned specifically at the end of Indianola Avenue where you go into Bellefonte clinic. There are at least 6 or 7 signs advertising Quality Business Machines. They are on the state right-of-way but look really bad. The mayor said she would call him and see if he would take them down. Damian Gallaher, the attorney who was at the meeting in place of Paul Craft, said once signs are on state property, they are considered abandoned and could be taken down.

Mr. Piatt made motion to go into executive session for land acquisition, litigation and hiring. Mr. Bentley seconded. All ayes and motion carried.

Mayor Moore called meeting back to order. No action taken.

Mr. Piatt made motion for Mayor Moore to sign to enter into a contract with Joe Hannah for the acquisition of South Shore Water Works, contingent on the meeting tomorrow between the city and Mr. Hannah. Mr. Bentley seconded. All ayes and motion carried.

Mr. Bentley made motion to hire a new sewer employee, recommending Tim Carter for the job. Mr. Piatt seconded. All ayes but Mayor Moore opposed. The motion carried.

The new city building was discussed with the commissioners looking at plans and prices by TSHD. **Mr. Bentley made motion** to authorize the mayor to sign to go ahead with the tentative floor plan that TSHD (Tanner Assoc.) prepared in order to go ahead with the funding for the new city building. Mr. Piatt seconded. All ayes and motion carried.

Mr. Bentley made motion to adjourn the meeting. Mr. Piatt seconded. All ayes and meeting adjourned.



Linda Potter, City Clerk



Cheryl Moore, Mayor

Regular Meeting – March 20, 2012

The South Shore Board of Commissioners met in regular session with the following members:

Present: Cheryl Moore, Mildred Bradley, David Piatt, Louie Bentley

Absent: Lance Warnock

Employees Present: Linda Potter

Mayor Moore called meeting to order. Pledge to flag and a moment of Thanks.

Minutes from Regular Meeting on February 21, 2012 were given to commissioners to look over and see if there were any changes or corrections that needed to be made. **Mr. Piatt made motion** to accept the minutes from February 21, 2012 as written. Mr. Bentley seconded. All ayes and motion carried.

Natalie Millhuff-Stang with Millhuff-Stang, CPA, who did the 2009-2010 audit, spoke to the commissioners about the just completed audit. She went over the final results of the audit, explaining their findings and the city's response. There was some discussion and Mr. Bentley asked her if the city was the problem with the audits being so late. She responded that there had been problems back in 2009 with the financials that slowed everything down and that now things were being done more timely and the audits should be done more quickly now. She had the commissioners and Mayor Moore sign that she had presented the audit to them.

Mr. Piatt went over the financial sheets and spoke about the bills that needed paid. Each commissioner was given an inventory sheet for their respective departments, to prepare for the new budget that will have to be set. Mr. Piatt said that he and the mayor had gotten cell phones for the 2 city workers in sewer and roads and also for Chief Sword. They had also purchased for the sewer plant office a microwave, fridge, a copier/fax and miscellaneous items needed to operate there since Veolia left. They asked Chad Clark, who is contracting to run the sewer plant, if anything was needed at this time for the plant. He said at this time that they did not need anything. **Mr. Bentley made motion** to accept the financial report and to pay the bills. Mrs. Bradley seconded. All ayes and motion carried. Mayor Moore said that the budget needed to be done by June 1st and that a budget work session would need to be held.

In Mr. Warnock's absence, Mayor Moore spoke about the police department. She said things had been fairly quiet at this time. Still nothing on hiring another officer.

Chad Clark, the contractor hired to run the sewer plant, spoke. He told the commissioners a little about his background and his credentials. He said that right now, everything was good at the plant and that there had been no spills. He did say he didn't understand why certain things were done at the plant during Veolia's presence. He reported that the new pump is ready to be put in after a gasket comes in.

Mayor Moore mentioned that there are some problems in Forest Heights and on Christopher Drive. Some line needs to be replaced and the city is planning to do this. She also told commissioners that Akins Excavating has already done \$14,000.00 in camera work and \$1798.00 in cleaning lines. Bids have been let out for fixing lines on SM Roberson so that the state can go ahead and pave that road.

Mrs. Bradley, roads commissioner, spoke about the city doing some paving, especially in front of McDonald Pharmacy. This needs to be bid out. She also wants to send nuisance letters to citizens that have uncut grass, weeds and junk on their property. There was some discussion about a citizen on KZ Ratliff concerning his driveway and a storm drain. Mrs. Bradley has spoken with him. When Akins Excavating are back they need to go up there and camera it. Mrs. Bradley gave a Park Committee report. There will be a clean up day at the park on April 14 and they will do some painting. She said there are still some trees that need to be cut as they are very dangerous.

In old business, Mayor Moore spoke to Mark Tanner. He said he would work with the city on what size city building they need and also work with them to get the funding. If the city doesn't get the funding, then there would be no obligation to pay him. **Mr. Bentley made motion** to sign a letter of understanding that if funding does become available the city would hire Tanner Associates (TSHD) to work on this. Mrs. Bradley seconded. All ayes but Mr. Piatt opposed. The motion carried.

Mayor Moore made motion to go into executive session for hiring of personnel. Mr. Piatt seconded. All ayes and motion carried.

Mayor Moore called meeting back to order. **Mayor Moore made motion** to adopt a new pay classification for roads and sewer. Mr. Piatt seconded. All ayes and motion carried. **Mayor Moore made motion** that the 2 employees (Kenny Liles & Mike Mullins) hired back by the city after Veolia left should keep their original hire date and their sick days (they were originally with the city when Veolia hired them). Mr. Bentley seconded. All ayes and motion carried.

John Bentley with Bentley Associates had given a quote for a new Financial Computer in the amount of \$1397.00 with accident coverage for 3 years at an additional \$49.00. And he will install it and set up the system for \$350.00. **Mr. Louie Bentley made motion** for the city to go ahead and purchase the computer and have Mr. John Bentley to install it. Mr. Piatt seconded. All ayes and motion carried. This computer will be paid for with insurance money that the city received when city hall burned.

The commissioners discussed a utility truck for the sewer plant. Mayor Moore has looked at some trucks already but will continue to look and if she finds a good one, she can call a special meeting to discuss it with the commissioners. She said the city needs to purchase a new weed eater and chain saw. These also can be paid for with insurance money. She will check several places. Discussed the backhoe. Someone needs to look at it to see what is wrong with it.

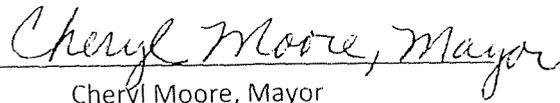
In comments from the floor, Pauline Farley spoke about some places down the alley from her that the yards look terrible. A lot of junk laying around. This can be addressed when Mrs. Bradley has the clerk send nuisance letters.

Paul Craft, city attorney, spoke just a moment about how the purchase of South Shore Water Works was coming. He just wanted to advise them where everything stood right now.

Mr. Bentley made motion to adjourn the meeting. Mr. Piatt seconded. All eyes and meeting adjourned.



Linda Potter, City Clerk



Cheryl Moore, Mayor

Regular Meeting – January 17, 2012

The South Shore Board of Commissioners met in regular session with the following members:

Present: Mayor Cheryl Moore, Mildred Bradley, David Piatt, Lance Warnock, Louie Bentley

Absent: None

Employees Present: Linda Potter

Mayor Moore called meeting to order. Pledge to flag and a moment of Thanks.

Minutes from Regular Meeting on December 20, 2011 were given to commissioners to look over and see if there were any changes or corrections that needed to be made. **Mr. Piatt made motion** to accept the minutes as written. Mr. Bentley seconded. All ayes and motion carried.

Rocky Bentley with Debcon, Inc. spoke to the commissioners concerning planning for the new city building. He gave them information about erecting this building. He suggested doing what was best for the city in the long term. His company can do this project in house, doing the architectural part and building the building itself. If they would do the job, they would get all the permits, etc. that would be needed for the project. He also told them they could check out other architectural and engineering firms and see what others may tell them.

Mayor Moore made motion to go into executive session to discuss litigation. Mr. Bentley seconded. All ayes and motion carried.

Mayor Moore called the meeting back to order. No action taken.

Mr. Piatt gave the financial report, going over the financial sheets and the bills to be paid. He said the real estate property taxes had been coming in. Millhuff-Stang CPA is working on 2010 audit and Reynolds & Co., CPA is working on the financials for 2011. All loans and state money, etc. are all based on these audits being completed. He said it was costing a little more than was expected to do these, but they have to be done. **Mr. Bentley made motion** to accept the financial report and to pay the bills. Mr. Warnock seconded. All ayes and motion carried.

Mr. Warnock gave police report. Said things had been pretty calm. He is still looking at a second police officer. He reported that Chief Sword had twisted his ankle in a foot chase but nothing was broken and he was back on duty in a day or so. Said this was where a second officer was needed. The cars with no tags that had been parked on the street around Main and JE Hannah Drive have been moved. It was also mentioned that the end of E. 4th Street had been cabled off. Mayor Moore spoke with people at the legion and they agreed it could be done. Also the garbage truck that had been parked on Wheeler Street has been moved after a letter was sent to them per commissioners request from last meeting. A letter sent to Greg Caudill about a tree on JE Hannah was not responded to.

Concerning the sewer, after the last meeting, Keith Adkins from Veolia had given a report to the Mayor and she had copies made & gave them to each commissioner. He then gave a current report to them. There was still discussion about flooded areas on Main Street. And was mentioned that Main & 1st Street needs the drain found and unstopped. Mayor Moore told Mr. Adkins that the safety switch for the sludge press and the flowmeter needed to be installed. It was mentioned about a grease problem at Holly Manor Apartments and also problems at Forest Heights with grit.

Roads Commissioner Mrs. Bradley mentioned that in the spring new street signs would be needed. There are a lot missing. Also mentioned some stop signs that need fixed or replaced. Mayor Moore asked if the city wanted metal signs or signs from the county. Discussion also about no house numbers or correct numbers on houses in the city. City Attorney Paul Craft said that the City of Worthington had an ordinance that required citizens to put the correct house number on their houses where it could be seen for emergencies, etc. He will work on this.

Mrs. Bradley spoke about the park. Said there were 10 more trees that needed taken out. Also the park committee is checking with Subway to have a day selected that proceeds from a certain sandwich sold would go to the city for the park. This had been discussed in a previous meeting and the commissioners had voted to do this. Also the park committee is checking on grants that can be used for improvements in the park.

There was discussion also about garbage pick up in the city. Most of it is picked up from the alleys, but was some discussion about it being picked up in front of the houses.

In old business, concerning the new city building, Mr. Piatt does not think a pole barn type structure would be good. Mr. Warnock thinks we need a regular building, from wood, etc. A fire proof room, etc. is needed for sure. Mr. Warnock thought Tanner Associates should come to speak. Mayor Moore mentioned that the longer this process goes on, the less funding there will be from USDA.

The Asset Management Assessment for the city was discussed. This has to be done by July 1, 2012. Veolia is supposed to do this in house at no additional charge.

In a previous meeting it was approved for Veolia to do camera work for the I and I Study. But it was never done. And it needs to be done. **Mr. Warnock made motion** to authorize Mayor Moore to look into other options to get this done. Mr. Bentley seconded. All ayes and motion carried.

In new business, the sewer plant permit needs to be done within 180 days. The plant operator is to do this. *Veolia will take care of this per Keith Adkins from Veolia.*

Pat Hieneman, the county clerk had asked Mr. Piatt to check with commission as to whether voting precincts Fullerton 1 and 2 could be consolidated into 1 precinct. No one working in the elections would lose their jobs due to this, since two people are not able to do the work any more. Even if the commission makes this recommendation, Pat Hieneman would make the final decision. **Mr. Piatt made**

motion to endorse Pat Hieneman to combine Fullerton 1 & 2 precincts into one precinct. Mr. Warnock seconded. All ayes and motion carried.

Mayor Moore explained that on February 1st, there is another meeting in Frankfort concerning the CWSRV I & I Project. It is not certain yet that she would need to attend that meeting but if she has to, she asked commissioners for permission to have city clerk Linda Potter attend with her. **Mr. Bentley made motion** for Mayor Moore and city clerk Linda Potter to attend this meeting, if needed, concerning the CWSRV I & I Project. Mr. Warnock seconded. All ayes and motion carried.

In comments from the floor, Julie McKinney Craycraft spoke about the garbage truck getting into the yard at her mother's house on corner of JE Hannah and Taylor Avenue. She said the yard is damaged and that some of it could be avoided if large bushes from the house behind on the alley were trimmed. They are out in the alley and it's hard for the garbage truck to get up the alley. Also the alley needs more gravel put on it. She brought pictures of the yard. Commission will see what can be done.

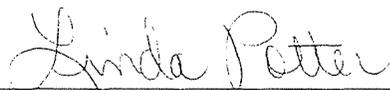
Thanks to the ladies from the First United Methodist Church for the wonderful snacks, cookies, etc. they provided for this evening. A letter of thanks will be sent to them from the commissioners.

Mr. Piatt made motion to go into executive session for acquisition of property. Mr. Warnock seconded. All ayes and motion carried.

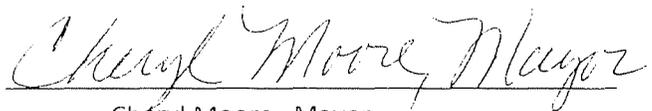
Mayor Moore called meeting back to order

Resolution # 73-2012 was discussed. This Resolution authorizes the Mayor to execute and submit an application through KIA for loan assistance for the purchase and/or implementation of a water system and to carry out necessary negotiations for and administer the loan assistance the applicant may obtain. **Mr. Warnock made motion** to approve Resolution # 73-2012 authorizing the Mayor to execute and submit an application through KIA for loan assistance for the purchase and/or implementation of a water system and to carry out necessary negotiations for and administer the loan assistance the applicant may obtain. Mr. Bentley seconded. All ayes and motion carried.

Mr. Bentley made motion to adjourn the meeting. Mr. Piatt seconded. All ayes and meeting adjourned.



Linda Potter, City Clerk



Cheryl Moore, Mayor

Regular Meeting - November 15, 2011

The South Shore Board of Commissioners met in regular session with the following members:

Present: Mayor Cheryl Moore, Mildred Bradley, David Piatt, Lance Warnock

Absent: Louie Bentley

Employees Present: Linda Potter, City Clerk

Mayor Moore called meeting to order. Pledge to flag and a moment of Thanks.

Minutes from Regular Meeting on October 18, 2011 were given to commissioners to look over and see if there were any changes or corrections that needed to be made. **Mr. Piatt made motion** to accept the minutes as written. Mr. Warnock seconded. All ayes and motion carried.

Mr. Piatt gave the financial report. Commissioners looked over the financial sheets they were given.

Mayor Moore made motion to accept the financial report and to pay the bills. Mrs. Bradley seconded. All ayes and motion carried.

Mr. Warnock gave the police report. Said there had been a few break-ins but nothing major. Chief Sword is patrolling more in certain areas. Mr. Warnock is looking at prices for equipment for police officer to take statements, etc. (video camera, voice recorder, etc.).

Keith Adkins from Veolia presented the monthly sewer report. The commissioners looked over the report. He was asked if the salt spreader was fixed yet and he said they have the motor to do it but it is not done yet.

Mrs. Bradley gave roads report. She asked again about IC Fannin & Coney and when the culverts would be installed at those places. Keith Adkins said now that the gravel was almost finished they could do the culverts. Mrs. Bradley told commission that she had received complaints about the new car lot at corner of JE Hannah and Main Street that the cars were parked too close to the street toward the bank parking lot and out in the street so that cars could not see pulling out. She also asked again about the tree on JE Hannah that is real close to the street. The owner has refused to let it be cut. Mr. Craft, city attorney, will find out what options the city has to trim the tree or cut it. Mrs. Bradley gave a park committee report also. She said that there would be cookies and hot chocolate at the park following the Christmas parade on December 10th and the homemakers will provide the cookies. Mayor Moore reported that 10 trees had been ordered for the city park from Arbor Day.com at no cost for the trees and that Reese Bentley (working on his Eagle Scout badge) will plant them when they come. Mr. Piatt spoke about tennis court nets that would be auctioned this coming Friday at Shawnee State. He is going to see if he can get them for the park. Commissioners did not vote for any money yet. They are waiting to see if he is able to get them for the city. There was discussion about sewer easements the city has and the city attorney said that he could take care of that for the city from the courthouse.

In old business, Mayor Moore asked commissioners if they would want the new city building to be detached from a community building or have one attached to it. With a CDBG grant they can't be

together but with the USDA money they can be together. For the USDA loan, the city has to first submit the plans they are going to use with prices and then the loan can be made. Mr. Piatt had talked to Morton Builders about a wood and metal shell that they would put up and the city would then have to have the inside finished. Mr. Warnock asked about a poured concrete building. It was decided that at the December meeting, Mr. Piatt would get Morton Builders to come and talk to commission about a building.

Mayor Moore spoke about the SM Roberson sewer project. There is \$13,000 left in grant money and Bryan Kirby said it could be used for camera work on this project. There needs to be a change order for this for Veolia to do the work. **Mr. Warnock made motion** to give Mayor Moore permission to sign the change order for Veolia to do the work. Mr. Piatt seconded. All ayes and motion carried.

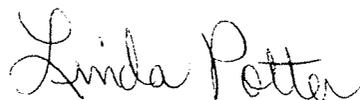
In new business, Mr. Piatt spoke about the Red Cross. They need a satellite station in the western end of Greenup County that would be able to give out expense cards to persons who are burned out. This would be done through guidelines of the Red Cross. Mr. Piatt will find out more about this part and the city attorney will check out the city's responsibility and will let commissioners know at December meeting. Also 911 is asking city to appoint someone to serve on a 911 Financial Board because it could be disbanded if they can't get people on the board. Mayor Moore said that she would serve if commission wanted her to. **Mr. Piatt made motion** for Mayor Moore to be the city representative to serve on the 911 Financial Board. Mrs. Bradley seconded. All ayes and motion carried. This would only be if the current board is disbanded and the new board would start.

Mayor Moore said that the old gas cans from the sewer plant had been given to the county. She also announced that she had ordered 7 snowflake Christmas lights and that they should be coming this week.

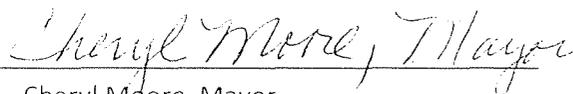
Mayor Moore made motion to go into executive session for proposed land acquisition. Mr. Piatt seconded. All ayes and motion carried.

Mayor Moore called meeting back to order. **Mr. Piatt made motion** asking the mayor to enter into non-binding discussions with South Shore Water Works regarding sale of the water works to the city. Mr. Warnock seconded. All ayes and motion carried.

Mr. Piatt made motion to adjourn the meeting. Mrs. Bradley seconded. All ayes. Meeting adjourned.



Linda Potter, City Clerk



Cheryl Moore, Mayor

APPRAISAL OF
SOUTH SHORE WATER WORKS COMPANY

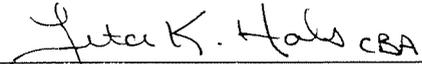
SUMMARY AND CONCLUSION

The opinion of value in this report is that of Raftelis Financial Consultants, Inc. ("RFC"), specifically Leta K. Hals, CBA. Given the information available at the date of this report, and using valuation methods described and subject to the assumptions and limiting conditions incorporated herein, the fair market value of a 100 percent controlling interest in the South Shore Water Works Company, as of August 31, 2006 is:

- ONE MILLION AND FIVE HUNDRED AND FOUR THOUSAND DOLLARS (\$1,504,000) for the Invested Capital in the Company;
- ONE MILLION THREE HUNDRED AND SIXTY-SIX THOUSAND DOLLARS (\$1,366,000) for the Equity in the Company.

APPRAISERS' CERTIFICATION

1. To the best of the appraisers' knowledge, the statements of fact contained in the report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are the appraisers' personal, unbiased professional analyses, opinions and conclusions.
3. The appraisal was performed on a basis of non-advocacy, including a statement that the appraisers have no present or contemplated interest in the property appraised and have no personal bias with respect to the parties involved.
4. The appraisers' engagement and compensation are not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, the report.
5. The appraisers' analyses, opinions, and conclusions were developed and the report has been prepared in conformity with the Business Appraisal Standards of the Institute of Business Appraisers and with the Uniform Standards of Professional Appraisal Practice.
6. No one provided significant professional assistance to the persons signing the report.



Leta K. Hals, CBA

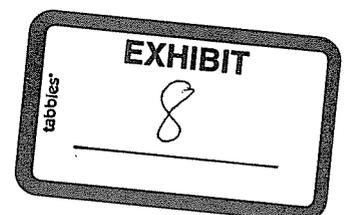


Table of Contents

SECTION 1: DESCRIPTION OF THE ASSIGNMENT	1
1.1 Subject of the Appraisal	1
1.2 Purpose, Use, and Intended Users of the Appraisal	1
1.3 Standard of Value	1
1.4 Date of Valuation	2
1.5 Ownership and Control	2
1.6 Terms and Definitions	2
1.7 Scope of Work	3
1.8 Principal Sources of Information	4
1.9 Extraordinary Assumptions and Hypothetical Conditions	4
SECTION 2: OVERVIEW OF REPORT AND VALUATION FACTORS TO BE CONSIDERED	7
2.1 Overview of Report	7
2.2 Factors Considered for Valuation	7
2.3 Nature and History of the Business	8
2.3.1 History	8
2.3.2 Description of Facilities	9
2.3.3 Water Produced, Sold, and Customer Base	10
2.3.4 Regulations and Environment	11
2.3.5 Future Growth Expectations	11
2.4 Factors Less Relevant	12
2.4.1 Status of the Economy	12
2.4.2 Financial Condition of the Business	13
2.4.3 Book Value of the Stock and Dividend Paying Capacity	13
2.4.4 Prior Sales of Stock	13
SECTION 3: STATUS AND CHARACTERISTICS OF THE WATER INDUSTRY	14
3.1 Size of Market	14
3.2 Water Utility Transaction Activity in the Marketplace	15
3.3 Environmental Regulation	15
3.4 Market Risks	16

3.5	Implications for the Subject Business	16
SECTION 4: RATE AND PRICING REGULATION IN THE WATER INDUSTRY		18
4.1	Regulation	18
4.2	Rate Setting for Privately Owned Water Utilities	19
4.3	Implications for the Subject Business	21
SECTION 5: OVERVIEW OF VALUATION APPROACHES		22
5.1	Income Approach	22
5.1.1	Multiple Period Discounting Method	22
5.1.2	Single Period Capitalization Method	22
5.1.3	Income Approach Used to Value SSWWC	23
5.2	Market Approach	23
5.2.1	Guideline Public Company Method	23
5.2.2	Direct Market Data Method	23
5.2.3	Market Approach Used to Value SSWWC	24
5.3	Asset Approach	24
5.3.1	Net Asset Value Method	24
5.3.2	Excess Earnings Method	25
5.3.3	Liquidation Method	25
5.3.4	Asset Approach Used to Value SSWWC	25
SECTION 6: APPLICATION OF INCOME APPROACH		26
6.1	Valuation of SSWWC Income	26
6.1.1	Earnings Stream for Capitalization	26
6.1.2	Long-Term Sustainable Growth Rate	26
6.1.3	Discount and Capitalization Rates	27
6.1.4	Normalized Earnings Stream	29
6.1.5	Calculation of Net Cash Flow and Value of the Invested Capital in SSWWC on a Liquid Basis	31
6.1.6	Value of Invested Capital and Equity in SSWWC on an Illiquid Basis	33
6.2	Income Approach from Municipal Perspective	34
SECTION 7: APPLICATION OF THE MARKET APPROACH		40
7.1	Selection of Guideline Companies for Use in Market Approaches to Valuation	40
7.2	Number of Appropriate Companies Needed to Perform Market Approach Analyses	41
7.3	Direct Market Data Method	42
SECTION 8: APPLICATION OF THE ASSET APPROACH		45
8.1	Net Asset Value Method	45

8.2	Excess Earnings Method / Economic Obsolescence	45
8.2.1	Calculation of the Economic Obsolescence	45
8.2.2	Regulation as the Driver for Economic Obsolescence	46

SECTION 9: RECONCILIATION OF VALUE 48

9.1	Weighting of the Income Approach	48
9.2	Weighting of the Market Approach	49
9.3	Weighting of the Asset Approach	50
9.4	Application of Weighting and Determination of Final Value	50

Appendices:

Appendix A – Terms and Definitions

Appendix B – Information Provided by South Shore Water Works Company

Appendix C – Routine Comprehensive Inspection Report, Performed by: Department for Environmental Protection, For: South Shore Water Works Company, February 14, 2006

APPENDIX D – Historical Financial Information Included In Annual Reports Provided to the Kentucky Public Service Commission

Appendix E – South Shore Water Works Company Rate Case Number 2003-00044

Appendix F – Supporting Data for Income Approach

Appendix G – Supporting Data for Market Approach

Appendix H – Supporting Data for Asset Approach

Section 1: Description of the Assignment

1.1 Subject of the Appraisal

The subject of this business appraisal is the South Shore Water Works Company (“SSWWC” or “Company”). SSWWC is a private company that provides water services to the City of South Shore, Kentucky (“City” or “City of South Shore”) and the surrounding area. SSWWC serves approximately 2,300 customers, and since the utility is privately owned, it is regulated by the state’s public service commission, the Kentucky Public Service Commission (“Kentucky PSC”). SSWWC’s main offices are located at 809 Main Street, South Shore, KY 41175.

Raftelis Financial Consultants, Inc. (collectively referred to as “RFC”) has been engaged by the City of South Shore to estimate the fair market value of one hundred percent of the controlling interest in SSWWC’s utility assets, both tangible and intangible, used in the supply, treatment, transmission and distribution of water. Specifically involved in this project has been Leta Hals, a Certified Business Appraiser (“CBA”) as designated by the Institute of Business Appraisers (“IBA”).

Since this appraisal is for the actual sale of the stock of the Company, the value determined will represent the value of the total equity capital in SSWWC, as of August 31, 2006.

1.2 Purpose, Use, and Intended Users of the Appraisal

The purpose of this appraisal is to estimate the fair market value of one hundred percent of the equity in SSWWC on a control, non-marketable, ownership interest basis. This formal appraisal report will be used by the City of South Shore in presenting the value of the Company during negotiations with SSWWC. It is RFC’s understanding that the intended users of the appraisal may include: the City, SSWWC, lending institutions, bond underwriters, financial advisors, bond counsel, underwriters counsel, feasibility consultants and engineering consultants.

1.3 Standard of Value

The standard of value used for this appraisal is fair market value. The Internal Revenue Service (“IRS”) created Revenue Ruling 59-60 to set guidelines for business valuation. Although it is intended for tax purposes, many experts look to this ruling for authoritative guidance when fair market value is appropriate for valuation purposes.

Revenue Ruling 59-60 defines fair market value as follows:

“the price at which the property would change hands between a willing buyer and a willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of relevant facts... In addition, the hypothetical buyer and seller are assumed to be able, as well as willing, to trade and to be well informed about the property and concerning the market for such property.”¹

State statutes and major business appraisal organizations define fair market value in a similar manner, but also add that the value should be in cash equivalents.

1.4 Date of Valuation

The effective date (or valuation date) of this appraisal is August 31, 2006. The opinion of value represented in this appraisal might change if the effective date were modified. However, RFC is not aware of any events after August 31, 2006 that would materially effect the appraisal of the Company. The date of this report is November 3, 2006.

It should be noted that Mr. Hannah, owner of SSWWC, indicated that SSWWC intends to purchase the property that it leases from Mr. Hannah for office space, prior to the sale of the utility, using a portion of SSWWC’s cash. The net impact of this transaction should not impact the overall value of the utility if SSWWC pays Mr. Hannah a fair price for the real property. (The value of the cash of SSWWC would decrease, but the value of the real property owned by SSWWC would increase by the same amount, resulting in no change to the assets of the company). However, as this transaction had not occurred as of the valuation date (August 31, 2006), the impact of this transaction is not demonstrated in the financials discussed in this report unless otherwise indicated.

1.5 Ownership and Control

Controlling interest in SSWWC is owned by George “Joe” Hannah, who owns 83.75 of the 88.75 outstanding shares in the Company. The remaining interest in the Company is owned by Morgan A. Hannah (1.6 shares), Joseph B. Hannah (1.7 shares), and Gabriel B. Hannah (1.7 shares).

1.6 Terms and Definitions

The definitions of the terms used in this report may be found in Appendix A. These terms are used only in the context defined.

¹ Internal Revenue Service, Revenue Ruling 59-60: 1959-1, Congressional Bulletin 237, Section 2.02.

1.7 Scope of Work

In preparing this appraisal report, RFC performed the following scope of work:

Task 1 - Data Collection and Review: RFC collected relevant data from SSWWC and the Kentucky PSC. Leta Hals of RFC visited SSWWC to tour the facilities and to speak with the owners/operators of the system in October of 2006. The data gathered included an assessment of:

- the nature and history of the Company;
- financial and economic conditions affecting the Company, its industry, and the general economy;
- past results, current operations, and future prospects of the Company;
- past sales of ownership interests in the Company;
- sales of similar businesses or capital stock of publicly held similar businesses;
- prices, terms, and conditions affecting past sales of similar business equity; and
- economic benefit of intangible assets.

Task 2 – Methodology Assessment: RFC determined the appropriateness of a variety of methodologies to be used to establish the Fair Market Value of SSWWC. RFC considered the following characteristics:

- appropriateness as a generally recognized, established valuation methodology;
- applicability for valuing the subject; and
- availability of relevant data.

Within this task, RFC investigated the possibility that the business enterprise may have a higher value by liquidation of all or part of the enterprise than by continued operation as is.

Task 3 – Identify Necessary Extraordinary Assumptions and Hypothetical Conditions: RFC determined if there were extraordinary assumptions or hypothetical conditions that are necessary to appropriately value the Company.

Task 4 – Calculation of Value: RFC used the data collected in Task 1 to calculate the value of the Company using the methodologies, assumptions and conditions determined in Tasks 2 and 3.

Task 5 – Reconciliation of Value: RFC reconciled the values indicated by different valuation methods to calculate a final determination of value.

Task 6 – Presentation of Findings in an Appraisal Report: RFC prepared this Appraisal Report compliant with Uniform Standards of Professional Appraisal Practice (“USPAP”) to document the appraised value of the Company.

Task 7 – Discussion of Appraisal Results: RFC will arrange a conference call to answer questions that the client may have regarding the appraisal results.

1.8 Principal Sources of Information

The following general sources of information were used to perform this appraisal:

- SSWWC 2001-2005 Annual Reports provided to the Kentucky PSC.
- Documents from the 2003 SSWWC Rate Case as reported by the Kentucky PSC.
- Written and verbal responses to information requests of SSWWC.
- U.S. Census Bureau, 2005 Population Estimates, 2000 Census, 1990 Census.
- The Handy-Whitman Index of Public Utility Construction Costs, Bulletin No. 162.
- Long-Term Inflation as projected by the Federal Reserve Bank of Philadelphia's Survey of Professional Forecasters, Third Quarter 2006.
- *Institute of Business Appraisers 8-Day Workshop: Mastering Appraisal Skills for Valuing the Closely Held Business.*
- Value Line's Selection and Opinion: Select Yields and Forecast for the U.S. Economy.
- SSBI Valuation Edition 2006 Yearbook.
- Value Line's Investment Survey.
- Dun & Bradstreet's 2005 Financial Profile of the Water Supply Service Industry.
- *Introduction to the Direct Market Data Method of Valuing Mid-Size and Smaller Closely Held Businesses.*
- Other sources as stated herein.

1.9 Extraordinary Assumptions and Hypothetical Conditions

The Uniform Standards of Professional Appraisal Practice ("USPAP") indicates that an extraordinary assumption is an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. USPAP also indicates that a hypothetical condition is that which is contrary to what exists but is supposed for the purpose of analysis.

The appraisal process requires such assumptions and must be limited by certain conditions. Although every effort is made to refine these assumptions and conditions, modifications may have material impact on the ultimate value. This appraisal is therefore subject to the following:

- The vast majority of the information used to prepare this report was obtained from the Kentucky PSC and from Mr. Hannah, owner of SSWWC. Although this information is considered to be reliable, it cannot be guaranteed to be accurate, and RFC accepts no liability for the accuracy of this information.
- The appraisal is valid only for the effective date specified herein. As such, no events that occurred after the effective date have been taken into consideration. However, RFC is not

aware of any events that would materially effect the appraisal other than those discussed previously in Section 1.4.

- This report documents RFC's opinion as to the fair market value of the SSWWC. This opinion is supported by the unbiased research and analysis performed in conjunction with and described in this report. However, the ultimate price may be established through negotiation. RFC is in no way responsible for any discrepancies between the negotiated or awarded value and the value determined herein.
- The forecasted data as presented in the report is assumed to be accurate for the purposes of this appraisal. However, the accuracy of any financial projection is dependent upon occurrences of future events that cannot be assured. Cost and revenue projections employed in this report should not be construed as a statement of current fact. There will usually be differences between the projected and actual results, because events and circumstances do not occur as expected, and those differences may be material.
- The opinion of value in this report is to a hypothetical buyer for cash or cash equivalents on usual and customary financing terms prevailing in the market. The effects on RFC's opinion of value, if any, for synergies of a specific buyer or seller, special financing arrangements, or other conditions of sale, have not been considered.
- This engagement does not include any services that may be required to defend this valuation report in litigation or before any third parties, including conferences, depositions, court appearances, and testimony. If these services are required, they will be billed at RFC's prevailing hourly rate in effect at the time for performing such services.
- The value conclusion assumes the business will continue to be operated in its present form as a water utility.
- State and federal statutes, regulations, and legal precedents impose different criteria and standards of value for different purposes. RFC's value conclusion applies only for the purpose stated herein (Section 1.2).
- The definition of fair market value implies that the parties are typically motivated and have the ability to buy or sell. This definition assumes marketable title to the ownership interest that is appraised without considering liens, encumbrances, pledges, or other restrictive agreements. No consideration has been given to such factors unless specifically referenced.
- Unless otherwise stated in this report, RFC has not considered the impact of unknown legal or other contingencies, taxes or costs payable on a sale, or loss of value caused by

contamination or hazardous waste. The value estimate assumes there are no such contingencies and no contamination or hazardous material on or in the property that would cause a loss in value. RFC assumes no responsibility for reporting such conditions or for knowledge required to discover them.

- RFC has no responsibility to update this report, or the value conclusion stated herein, for events and circumstances occurring or being discovered after the report date, unless specifically engaged to do so.
- RFC does not assume responsibility for the inability of the owner of the Company or the City to conclude a transaction or sustain an audit at the appraised value. In no event shall RFC be liable for consequential, special, incidental, or punitive loss, damage, or expense (including, without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.
- Authentic copies of this report are signed in blue ink. Any copy that does not contain a blue signature is unauthorized and may have been altered.
- RFC is not a legal, accounting, engineering, nor a real property appraisal firm. No opinion expressed in this report should be used for matters that require legal, accounting, engineering, or real property expertise.
- Total values in some exhibits may not total exactly due to rounding. Any rounding differential is immaterial to the appraisal analysis.
- No specific hypothetical conditions were assumed in this analysis.

Section 2: Overview of Report and Valuation Factors to Be Considered

2.1 Overview of Report

This report has been organized to communicate the key issues related to valuing SSWWC. The report will first discuss factors to be considered when valuing any going concern, and will primarily focus how these factors relate specifically to the water industry itself. The report will then provide an overview of the approaches used in valuation and will discuss the application of each appropriate valuation technique. Finally, the report will present a theoretical discussion on how the different methodologies are weighted to determine a final value for the Company.

The report has been organized in the following manner:

- Section 2: Overview of Report and Valuation Factors to Be Considered
- Section 3: Status and Characteristics of the Water Industry
- Section 4: Rate and Pricing Regulation in the Water Industry
- Section 5: Overview of Valuation Approaches
- Section 6: Application of the Income Approach
- Section 7: Application of the Market Approach
- Section 8: Application of the Asset Approach
- Section 9: Reconciliation of Value

The remainder of this section will focus on the factors that should be considered when valuing any going concern.

2.2 Factors Considered for Valuation

As mentioned previously, Revenue Ruling 59-60 provides authoritative guidance on determining fair market value. Specifically, Revenue Ruling 59-60 suggests certain factors that require careful analysis. These factors are listed in Exhibit 2-1 with the corresponding sections where they are discussed:

Exhibit 2-1: Factors Considered for Valuation²

Factor	Section
1. The nature of the business and the history of the enterprise from its inception.	2.3
2. a) The economic outlook in general and b) the condition and outlook of the specific industry in particular.	2.4 3 and 4
3. a) The book value of the stock and the financial condition of the business. b) The earning capacity of the company.	2.4 6
4. The dividend-paying capacity.	2.4
5. Whether or not the enterprise has goodwill or other intangible value.	6, 7, 8
6. Sales of the stock and the size of the block of stock to be valued.	2.4
7. The market price of stocks or corporations engaged in the same or a similar line of business having their stocks actively traded in a free and open market, either on an exchange or over-the-counter.	7

2.3 Nature and History of the Business

2.3.1 History

SSWWC was established in 1926 by James E. Hannah to provide water service to South Shore's subdivision. A book documenting the development of the surrounding area, *A Thirst for Land*, discusses the motivation behind the creation of SSWWC:

"James E. Hannah drilled a water well in the basement of the Fullerton Motor Co. Ford dealership building. Instead of drilling another well for Roberston's building, he ran a water line under Seventh Avenue. It became apparent to Hannah that it cost less money to run water lines than to drill a water well for each house and business building... Often when James would sell a lot, the buyer would ask him if they could hook up to his water wells. He would permit them to tap into the line and to have the service for free. James saw this as a great incentive to sell the lots in the subdivisions. In later years, Hannah would often not extend the water lines until he had acquired land in the area."³

Initially the water service was free, until after World War II when a flat, per tap, fee was implemented. In October of 1953, the company was incorporated and came under the regulation of the Kentucky PSC. The organizing stockholders were James E. Hannah and his sons Byron and Walter Hannah. A water treatment system was installed in 1953 for sand settlement and for chlorination.⁴

² Internal Revenue Service, Revenue Ruling 59-60: 1959-1, Congressional Bulletin 237, Section 4.01.

³ *A Thirst for Land – A History of Scioto County, Ohio, and Greenup County, Kentucky*. Francis Byrne and Joe Hannah. Shawnee State University Press, Portsmouth, Ohio, 2004. Page 149.

⁴ *Ibid.* Page 198-199.

Potentially due to the drilling of mining wells during the construction of U.S. 23 in the late 1970s, the change in the water table in South Shore necessitated the drilling of new wells in the 1980s. Water shortage has remained a concern for the area, and in 2001, SSWWC began serving an extension of residential customers along East Tygart Road, in exchange for a grant-funded supplemental water line between SSWWC and Greenup County's water system. However, the rates charged by Greenup County for wholesale water service to SSWWC have been a source of contention between SSWWC and Greenup County.⁵ On August 3, 2006, the mayor of the City of Greenup informed SSWWC that he has been advised by council not to provide emergency water supplement to SSWWC in the future.⁶

To meet expected water demand, SSWWC has indicated that a well could be drilled at the end of East Ridge Street that, based upon a Well Field Recharge Review conducted by Geologic/Environment consultants in 1994, would provide 250,000 gallons per day of quality water. The estimated cost, including the line to the treatment plant, is \$25,000.⁷

2.3.2 Description of Facilities⁸

Source of Supply and Treatment

SSWWC source of water supply is well water provided by 11 wells. The treatment plant has a capacity of 1 million gallons per day ("MGD"). There are 3 pressure filters with a rated capacity of 600 gallons per minute. The treatment system is comprised of chlorine gas, fluoridation with hydrofluosilicic acid, ph adjustment with soda ash, and filtration with green sand.

Average daily production is 485,000 gallons per day. SSWWC's peak month for 2005 was July with 14,938,000 gallons pumped, and its peak day for 2005 was April 20, 2005 with 605,000 gallons pumped.

Storage

There are approximately 532,500 gallons of storage capacity, with 5 steel reservoirs (176,000 gallons, 100,000 gallons, 38,500 gallons, 35,000 gallons and 33,000 gallons) and a clearwell with 150,000 gallons.

Transmission and Distribution

There are approximately 65 miles of water main transmission and distribution of various sizes. There are 23 fire hydrants and 4 private fire hydrants.

⁵ Ibid. Page 256.

⁶ Letter from Joe Hannah of SSWWC to Mayor Ron Stone of the City of South Shore, dated August 30, 2006.

⁷ Ibid.

⁸ SSWWC 2005 Annual Report to the Kentucky PSC and "The South Shore Water Works Company, Plant Statistics" as provided by Mr. Hannah.

2.3.3 Water Produced, Sold, and Customer Base

Exhibits 2-2, 2-3, and 2-4 detail the water produced, sold, and the number of customers of SSWWC as of 2005.⁹

Exhibit 2-2: SSWWC Water Produced and Purchased

	2001	2002	2003	2004	2005
Water Purchased and Pumped:					
Water Purchased For Resale	-	1,955	147	1,005	2,196
Water Pumped from Wells	180,581	174,449	177,017	187,794	183,631
Total Produced and Purchased	180,581	176,404	177,164	188,799	185,827

Exhibit 2-3: SSWWC Water Sales

	2001	2002	2003	2004	2005
Water Sales:					
Residential	112,084	104,253	102,400	106,791	102,363
Commercial	6,105	20,552	20,724	21,032	20,594
Industrial	20,459	8,598	8,445	7,133	8,278
Resale	-	1,047	492	-	-
Other Sales	1,437	-	-	-	-
Total Water Sales	140,085	134,450	132,061	134,956	131,235
Other Water Used:					
Utility/water treatment plant	11,316	13,228	13,337	14,507	15,935
System flushing	1,340	1,647	2,431	5,123	9,275
Fire department	264	528	-	552	552
Other	78	1,109	2,500	172	1,775
Total Other Water Used	12,998	16,512	18,268	20,354	27,537
Water Loss:					
Tank Overflows	-	-	-	75	250
Line Breaks	750	-	-	1,250	1,500
Line Leaks	-	-	26,835	2,500	3,000
Other	26,748	25,442	-	29,664	22,305
Total Line Loss	27,498	25,442	26,835	33,489	27,055
Water Loss Percentage	15.2%	14.4%	15.1%	17.7%	14.6%

⁹ SSWWC 2005 Annual Report to the Kentucky PSC.

Exhibit 2-4: SSWWC Water Customers

	2001	2002	2003	2004	2005
Customers:					
Residential Customers	1,928	1,943	1,943	1,940	1,943
Commercial Customers	137	140	143	141	140
Industrial Customers	3	3	3	3	3
Multiple Family Dwellings	173	173	173	173	173
Through Bulk Loading Stations	1	1	1	-	-
Total Metered Sales	2,242	2,260	2,263	2,257	2,259
Fire Protection Revenue:					
Public Fire Protection	18	20	21	21	21
Private Fire Protection	4	2	2	2	2
Total Fire Protection Revenue	22	22	23	23	23
Total Customers	2,264	2,282	2,286	2,280	2,282

More information on accounts provided by Mr. Hannah can be found in Appendix B, “The South Shore Water Works Company, Plant Statistics”.

2.3.4 Regulations and Environment

SSWWC is a company operating in a regulated industry where rates must be approved by the public service commission, known in Kentucky as the Kentucky Public Service Commission. The Kentucky PSC regulates the intrastate rates and services of investor-owned electric, natural gas, telephone, water and sewage utilities, customer-owned electric and telephone cooperatives, water districts and associations, and certain aspects of gas pipelines.

SSWWC is also regulated from an environmental perspective by the Department for Environmental Protection. SSWWC provided its latest Routine Comprehensive Inspection Report, performed on February 14, 2006 (Appendix C). Based on RFC’s knowledge of this industry, this report is not atypical for a small privately owned utility, and no adjustment has been made to the value of the utility based on this information.

2.3.5 Future Growth Expectations

There is little expected population growth for the City of South Shore. As demonstrated in Exhibit 2-5, the U.S. Census Bureau indicates that population decreased between 1990 and 2000, but leveled off and recovered slightly by 2005.

Exhibit 2-5: City of South Shore Census Data¹⁰

	1990	2000	2005
Population	1,318	1,226	1,243
% Change		-7.0%	1.4%

Exhibit 2-6 details historical growth in customers and water sales. Based upon this information, RFC assumed an annual growth rate in water demand of 0%

Exhibit 2-6: SSWWC Historical Growth¹¹

	Actual			
	2002	2003	2004	2005
Annual Growth in Customers	0.8%	0.2%	-0.3%	0.1%
Annual Growth in Water Sales	-4.0%	-1.8%	2.2%	-2.8%

2.4 Factors Less Relevant

There are several factors that are typically considered when valuing a business that do not have a material impact on the valuation of SSWWC.

2.4.1 Status of the Economy

An appraiser typically considers the status of the national, state, and local economies when performing a valuation analysis. Often the results of an economic analysis are factored into the ultimate value of the Company. However, water services are required by the general population, regardless of the state of the economy. Since there is no substitute for potable water, this commodity is considered an inelastic good, and economic indicators matter little when it comes to water demand. Although a recession might make an individual more aware of his/her use and water bill, it does not change the necessity of the service. Given the price of water and its general inelastic nature, the state of the economy has little effect on demand and use of water services.

The one exception would be how the economy could impact the specific population growth of a particular area. However, this issue has already been taken into account as discussed in Section 2.3.5.

¹⁰ U.S. Census Bureau, 2005 Population Estimates, Census 2000, 1990 Census.

¹¹ Based on SSWWC 2005 Annual Report to the Kentucky PSC.

2.4.2 Financial Condition of the Business

Another useful input for most appraisal assignments is the financial performance of the company itself. As such, audited financial statements are analyzed to identify trends relative to the company's history and the industry, challenges in terms of financial sufficiency, and other important issues. However, these issues are of less importance when discussing a hypothetical regulated utility. If a utility is basically financially stable, the value of the utility is more inherent in the regulatory parameters established by the regulatory agencies rather than in past financial performance. This is due to the fact that any time revenues do not meet revenue requirements, a utility has the option to apply for a rate increase to increase rates and revenues. Specifically, a utility is guaranteed recovery of its expenses (including operation, maintenance, depreciation, amortization, and taxes) and an appropriate rate of return on its investment or expenses through rates approved by the state public service commission. As such, the historical financial performance of a utility does not have a material effect on the ultimate value of the utility itself. More discussion in this regard is presented in Section 4. Nonetheless, historical financial information for SSWWC is presented in Appendix D.

2.4.3 Book Value of the Stock and Dividend Paying Capacity

The book value of the stock and the dividend-paying capacity are sometimes considered as indicators of value. The appraiser has determined that the future income generating potential of the Company is a better indicator of value than either the book value of the stock or the Company's dividend paying capacity.

2.4.4 Prior Sales of Stock

Prior sales of the stock/ownership of the Company are also to be considered when performing an appraisal. Given the history of the Company detailed in Section 2.3.1, there were no specific sales of SSWWC that could be analyzed to appropriately indicate a value that would be representative of current fair market value.

KEY OBSERVATIONS

- **The overall growth in water demand for SSWWC is assumed to be approximately 0% into perpetuity.**
- **The state of the economy has little effect on demand and use of water services since water is an inelastic, monopolistic commodity.**
- **The financial condition, current book value, and current dividend paying capacity of the owner do not have relevant impacts on the fair market value of the Company.**
- **There are no prior transactions of the Company to indicate current fair market value.**

Section 3: Status and Characteristics of the Water Industry¹²

The operations and management of water systems have changed significantly over the last 30 years. At one time, providing water operation services was reasonably simple. Water quality did not appear to be a high priority concern of most Americans. In the late 1950s, the public became increasingly concerned about protecting the environment. Through the efforts of many concerned Americans, the U.S. Environmental Protection Agency (“EPA”) was formed in December 1970 to address environmental quality issues. Since that time, there has been an increased focus on providing high-quality potable water. The Safe Drinking Water Act Amendments of 1986 also mandates significant requirements applying to thousands of public water purveyors across the country.

As a result of increased focus on environmental quality, the water industry has become more sophisticated. More technically advanced water treatment facilities have been constructed to provide high-quality potable water. More sophisticated equipment has been developed to provide better support to operations. Highly advanced information systems ensure that proper management and accounting information is provided to management, operators, and others involved in providing water services. More highly trained operators are necessary to run advanced equipment and utility facilities. Highly educated and experienced managers are required to deal with the complex management, financial, engineering, and political issues.

3.1 Size of Market

Exhibit 3-1 shows the breakdown in 2000 of the number of water utilities that are governmentally owned, privately owned, and ancillary (built specifically to serve a particular establishment). Although there are more than 50,000 water systems, the vast majority of these providers serve very small areas.

Exhibit 3-1: Summary of Water Utility Ownership – 2000¹³

<u>System Ownership</u>	Systems Serving <3,300 population		Systems Serving >3,300 population		Total Water Systems	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Government	17,768	34%	7,742	14%	25,510	48%
Private	14,994	29%	1,308	3%	16,302	32%
Ancillary	<u>10,374</u>	<u>20%</u>	<u>0</u>	<u>0%</u>	<u>10,374</u>	<u>20%</u>
Totals	43,136	83%	9,050	17%	52,186	100%

Notes:

Governmental — local or municipal government, federal government, and on Indian land.

Private — investor-owned, homeowners association or subdivision, and other.

Ancillary — utilities typically owned by user of utility (e.g., mobile home parks, institutions, schools, and other).

¹² Adapted from the 3rd Edition of RFC’s Comprehensive Guide to Water and Wastewater Finance and Pricing.

¹³ U.S. Environmental Protection Agency: Community Water System Survey 2000.

Even though only 48% of the approximately 52,000 systems are government owned, these municipal systems account for approximately 90% of the approximate \$32 billion expenditures in the water industry, which can be attributed to the greater number of customers that are served by governmental systems.¹⁴ Since 2000, it is estimated that the number of utilities and percentage by system ownership have not changed significantly.

3.2 Water Utility Transaction Activity in the Marketplace

Companies incorporated in Great Britain, France, and Germany have invested heavily in U.S. environmental-related industries, including water utility companies. In the past, Suez Environment, Veolia Water Systems, and RWE AG have acquired water companies in the United States. However, this trend may be waning, as evidenced by RWE's attempt to divest itself of American Water.

Inside the United States, there has been a great deal of reorganization and consolidation among large private utilities, such as the purchase of National Enterprises Inc. (Continental Water Company) by American Water Works Company, and Consumers Water Company by Philadelphia Suburban Water Company. Municipalities have also shown an interest in regionalization (e.g., Charlotte-Mecklenburg Utilities Department; City and County of Roanoke, VA; Metropolitan Water District of Southern California; Tampa Bay Water; Paducah-McCracken Joint Sewer Agency; Wake County, NC; City of Rock Hill and York County, SC; etc.).

Utilities the size of SSWWC are usually bought and sold between either local entities, such as developers and local municipalities, or by large utilities that have many small utility holdings, such as Aqua America and Utilities, Inc.

Transactions in the water utility marketplace specifically relevant to valuing SSWWC are analyzed and discussed in greater detail in Section 7.

3.3 Environmental Regulation

State environmental agencies regulate investor-owned, governmental, and dedicated systems for environmental compliance. Specifically, water utility operations are subject to multiple water quality and pollution control regulations including the Federal Safe Drinking Water Act, the Clean Water Act, Resource Conservation and Recovery Act, and sometimes the Comprehensive Environmental Response, Compensation and Liability Act ("Superfund"). In addition, several states, such as California and Florida, have more stringent regulations for water utilities.

¹⁴ Ibid.

Whether water supplies are from surface sources, groundwater, or purchased water, they are subject to extensive analysis to prove they have met all current water quality standards.

Environmental regulations are simultaneously mandating higher water quality standards and limiting or restricting available water supplies. Thus, water utilities are being required to invest in more sophisticated treatment facilities and to find alternative sources of water.

The costs of compliance with future regulatory requirements will be significant. Many small utilities will be unable to meet the regulatory requirements because of shortages of capital or operational expertise. As a result, these small utilities will either merge with larger utilities or sell their service areas to adjacent utilities.

Water utilities are also regulated from a rate and pricing perspective. This issue will be discussed in greater detail in Section 4.

3.4 Market Risks

Risks are mitigated by the nature of regulated utilities. The market is stable and mature, and will continue to exist long-term. Regulated pricing structures allow steady and predictable cash flow. Furthermore, both large profit margins and large continuous losses are not likely. Although costs from capital planning and environmental regulation may be significant in the future, utilities will be allowed to pass these costs on to consumers through future rate increases.

The major business risk to the water utility industry is the weather. Weather conditions impact water utilities' cash flow more than any other single factor. Utilities normally structure their rates to recover costs under normal weather conditions for the region. If weather conditions are normal, cash flow occurs in an uninterrupted and highly predictable manner. However, if too much rain occurs, especially during the summer season when outdoor water demands are highest, customers will use less water and revenues to the utility are reduced to a greater degree than its costs. Likewise, abnormally dry weather can boost a utility's revenues to a point. However, strict conservation measures during droughts can also reduce revenues to the utility.

3.5 Implications for the Subject Business

Typically, the status of the industry gives an appraiser insights into the costs and risks of a particular industry and a point of reference for the subject business. In this particular industry, however, risk is relatively minimal since there is no competition and the Company's commodity is a necessary and inelastic good. Further, any costs from regulation and weather patterns can be ultimately covered through a guaranteed pricing structure. As would be expected, the resulting

return on investment in this industry is lower than in non-regulated industries due to the decreased risk.

KEY OBSERVATIONS

- **Although expenses related to future capital expenditures and compliance with environmental regulation may be significant in the future, investors will be able to recover these costs through rates.**
- **Given a reliable customer base, a predictable income through regulation, and the ability to pass costs on to the consumer, the ultimate investment risk in the water industry is relatively low.**

Section 4: Rate and Pricing Regulation in the Water Industry

The water utility industry is unique in that it is a natural monopoly. For society to receive the greatest benefit from these natural monopolies, the utilities must be forced to price their services in a way that approximates the prices that would prevail if utilities were competitive enterprises.

The prices levied by natural monopolies are normally regulated by the public through one of two means:

- By elected or appointed officials who must answer to the voting populace for the decisions, activities, and prices of municipal, or governmentally owned, utilities; or
- By state-mandated public service commissions, like the Kentucky PSC, which regulate prices of investor-owned utilities through a formal ratemaking process.

Under either rate regulatory method, the target is to achieve optimal use of the utility's resources for the benefit of all of the utility's customers and investors. In other words, costs should be recovered from individual customers in proportion to the services provided. Private utilities receive an allowable rate of return on investment capital or expenses as regulated by state public service commissions. Although some municipalities may earn a small rate of return on their investments, most municipalities operate their system on a break-even basis.

4.1 Regulation

For most business appraisals, an appraiser judges the fair market value of a utility based on the premise that the buyer is a private investor, i.e., that the fair market value is the price the buyer is willing to pay for its investment assuming a certain level of risk.

In reality, there can be two types of buyers for a water utility: a private investor (such as an investor-owned utility), or a non-profit municipality. The perspectives of these two entities are significantly different. The private investor expects a return on its equity investment, whereas, most municipalities do not. Instead, municipalities are primarily interested in ultimate rate impacts on their customers and non-economic factors such as community growth.

The appropriate hypothetical buyer that should be considered when assessing fair market value is typically the private investor. There are two primary reasons for assessing the value from the investor-owned utility perspective.

First, although more systems in the U.S. are owned by government utilities, it is highly likely that there would be only one municipality interested in purchasing an investor-owned utility, and

that is the municipality being served by the water system. For example, it is unlikely that the City of Jacksonville, Florida or Phoenix, Arizona would be interested in buying the SSWWC. On the other hand, there are numerous American and international private contractors and investor-owned companies attempting to expand their territory and market share throughout the United States (i.e., Aqua America, Utilities, Inc., etc.). It is possible that any of these entities would be interested in purchasing the SSWWC.¹⁵

Second, most municipal buyers do not require a return on their equity investments. Instead, most municipal utilities typically operate long-term on a break-even cash basis, with rates set to cover operating and capital costs, including debt service. As such, the ultimate value under the income approach would be grossly undervalued if the utility's financials were analyzed from a municipal perspective.

As it is an operating company, failing to assess the earning potential of the utility is directly contrary to the premise underlined by the income approach to valuation. As described later in Section 9, the income approach is the most preferred approach for operating companies per IRS Revenue Ruling 59-60. As detailed in Exhibit 2-1, Revenue Ruling 59-60 also specifically lists the "earnings capacity of the company" as one of the factors to consider for valuation.

If a municipality were to purchase a water system, it would be for other reasons, such as improved efficiencies, greater control over service area development, to mitigate capital improvement costs, or to actually lower customer rates, rather than earning a return on its equity investment. As the purpose of an appraisal is to assess the value to a willing buyer and seller, it is unlikely that a willing seller would accept a price from a municipal perspective that undervalues the utility relative to the investor-owned perspective, where a return on equity is expected. Therefore, an appraiser must value the utility from an investor-owned perspective if the willing seller is to be appropriately considered.

However, to ensure that the value of the utility from a municipal approach is considered appropriately, an income approach under a municipal perspective is presented in Section 6.2.

4.2 Rate Setting for Privately Owned Water Utilities

Since the value is typically based on the most likely hypothetical buyer, a private investor, it is important to understand the regulatory nature of the private water industry. In Kentucky, the regulatory body is the Kentucky PSC. Specifically, the Kentucky PSC uses three methodologies for rate setting:

¹⁵ According to Mr. Hannah, American Water Works Company considered the purchase of SSWWC prior to its merger with RWE.

- 1) Rates set to allow recovery of operating expenses and an allowed return on investment (rate base);
- 2) Rates set to allow recovery of operating expenses, debt service, plus an appropriate level of coverage on debt service; and
- 3) Rates set to allow recovery of operating expenses plus an allowed margin above operating expenses based on an “operating ratio”.

The Kentucky PSC uses the “operating ratio” method for rate setting for SSWWC. According to the Kentucky PSC, an operating ratio is used to determine a utility’s revenue requirement where the utility has no debt and no means to perform a return on rate base calculation. To determine revenue requirements using this ratio, operating expenses are divided by a set operating ratio of 88 percent. The result is the total revenue requirement for the utility. To determine revenue required from rates, other operating revenues (revenue generated from sources other than rates for service i.e. turn on fees, late charges, return check fees, etc.) are deducted from the total revenue requirement.

Exhibit 4-1 shows the revenue requirement calculation performed for SSWWC in its latest rate case before the Kentucky PSC.

Exhibit 4-1 – Revenue Requirement Determination for SSWWC Test Year 2002¹⁶

	Test Year 2002
	New Rates
Revenue Requirement Determination	
Pro Forma Operating Expenses	
Total Utility O&M Expenses	\$ 380,486
Total Depreciation and Amortization	46,542
Taxes Other Than Income	26,332
Subtotal	\$ 453,360
Divided By: Operating Ratio	88%
Subtotal	\$ 515,182
Less: Pro Forma Operating Expenses	(453,360)
Net Operating Income After Income Taxes	\$ 61,822
Multiplied by: Gross-Up Factor	1.6118633
Net Operating Income Before Income Taxes	\$ 99,648
Add:	
Pro Forma Operating Expenses	453,360
Other Income & Deductions	3,943
Total Revenue Requirement	\$ 556,951
Less:	
Other Operating Revenues	(12,434)
Fire Projection - Hydrants	(2,408)
Revenue Requirement from Rates	\$ 542,109

¹⁶ South Shore Water Works Company Rate Case Number 2003-00044 (Appendix E).

4.3 Implications for the Subject Business

The regulatory nature of the water industry has significant impact on valuing water utilities. By allowing a regulated utility an appropriate margin above its operating expenses, regulatory agencies essentially build in a profit component to the rate structures of private utilities. As such, the income generating potential for a private utility must be considered in assessing the fair market value of a utility so that the utility is not undervalued, thereby decreasing the motivation of the willing seller.

KEY OBSERVATIONS

- **The most likely hypothetical buyer for purposes of assessing fair market value is typically a private investor such as a private water utility.**
- **In a regulated environment, the operating margin is established by the regulatory agency.**

Section 5: Overview of Valuation Approaches

Where ownership of an asset is publicly held and frequently traded in established financial markets, there is less controversy concerning value, since current exchange transactions offer a good indication of price. In the absence of specific, public market reference, there are three approaches for analyzing and estimating fair market value. These are referred to as the income approach, market approach, and asset approach.

In short, the income approach values a utility based on the present value of its earnings in the future; the market approach looks at the market place in order to value a utility; and the asset approach looks at the underlying value of the utility assets themselves. Each approach is comprised of specific methods that are more or less appropriate given the specific circumstances of the company to be valued.

5.1 Income Approach

The income approach is based on the premise that a utility, as is the case with any operating company, is worth the present value of its future earnings. To apply this method, the appropriate income or cash flow stream is used to estimate the distributable income of the company into perpetuity, discounted back to the valuation date using an appropriate discount rate. The income approach has both an intuitive and technical appeal in that the approach assumes that a company is worth what it will generate in income in the future.

There are two methods of the income approach to valuation. The two methods are as follows:

- Multiple Period Discounting Method and
- Single Period Capitalization Method.

5.1.1 Multiple Period Discounting Method

The Multiple Period Discounting Method is used when there is expected to be volatility in distributable income, or net cash flows, in the future. This method requires the projection of earnings, capital improvements, etc. over the volatile period, as well as the projection of a final (or “terminal” year) of financials that are materially representative of the stable financial future of the company into perpetuity. The resulting annual cash flows, and the terminal value, are discounted using the appropriate discount rate to determine the present value of the system.

5.1.2 Single Period Capitalization Method

The Single Period Capitalization Method is used when distributable income is currently, and can be expected to be, stable into perpetuity. This method requires the projection of only one year’s

financial data that is representative of the future, and the application of the capitalization rate (discount rate less expected annual long-term growth) to determine the resulting value.

5.1.3 Income Approach Used to Value SSWWC

Given that the fair market value of the SSWWC under the income approach typically assumes a hypothetical private owner that receives a stable income from the operations of the Company through exercising its ability to cover its expenses and earn a return on its utility operations on an ongoing basis, RFC has selected the Single Period Capitalization Method to determine the fair market value of the utility under the income approach.

For purposes of comparison, RFC has also performed an income approach assuming a municipal owner. As will be discussed further in Section 6.2, a multiple period discounting method is the most useful for determining the additional cash flow available under a municipal ownership scenario. Under a municipal approach, the excess “profit” generated by the utility is valued for the initial years until the municipality operates under a break even basis.

5.2 Market Approach

The market approach is based on the assumption that the value of a utility can be reasonably estimated based on the market value placed by investors on companies with similar risk.

There are two methods that are typically used to determine an appropriate market value:

- Guideline Public Company Method and
- Direct Market Data Method.

5.2.1 Guideline Public Company Method

The Guideline Public Company Method uses publicly traded utilities to establish value. When the market value (i.e., market capitalization including both common and preferred stock and long-term debt) is divided by financial indicators such as revenues, income, or net utility assets, a market multiple is derived that can be applied to the corresponding financials of the subject utility to provide a value.

5.2.2 Direct Market Data Method

The Direct Market Data Method assesses value based on specific utility transactions. Applicable transactions can be evaluated using purchase price as a multiple of earnings, revenues, net utility plant, and/or number of customers. These multiples enable the comparison of utilities with

varying size, growth rates, land holdings, and other characteristics. The multiple is applied to the corresponding financial information of the company under consideration to determine a value.

One should consider the size of other utilities when selecting applicable transactions. In addition, the more similar the investment risk of the comparable utilities, the more reliable the data and resulting valuation will be. One must also consider what synergies may have been involved in the comparable transactions. In some transactions, the buyer may be willing to pay its “investment value” for the system (the value to a specific buyer), rather than “fair market value” (value to marketplace). As such, the multiple developed in the Direct Market Data Method sometimes identifies the premium a willing buyer would pay above original investment in the purchased company.

5.2.3 Market Approach Used to Value SSWWC

RFC will perform the Direct Market Data Method, but will exclude the Guideline Public Company Method since publicly traded water companies are significantly larger than the SSWWC.

5.3 Asset Approach

In performing the asset approach, there are generally two methods that are used, in combination, to value a utility. First, the Net Asset Value Method is used to adjust the book value of tangible assets and liabilities to their fair market value. Then, the Excess Earnings Method is used to value intangible assets. There is also the liquidation method that should be used in the rare case that the business might be worth more liquidated than as a going concern.

5.3.1 Net Asset Value Method

Under the net asset approach, a value is determined for the tangible assets of a utility based upon the market value of those assets, with an adjustment for depreciation and/or economic obsolescence. In the utility industry, Reproduction Cost New Less Depreciation (“RCNLD”) is the method used for adjusting the accounting values represented on the balance sheet to estimate the actual replacement value of utility assets.

RCNLD is based upon reproduction cost, which is the cost today to replicate the system exactly as it now exists. Comprehensive reproduction cost estimation requires the preparation of a detailed inventory of the materials and equipment that comprise the existing system. Current prices for similar material, equipment, labor, overhead, and fees are then applied to the system inventory in order to estimate the cost of duplicating those assets that are necessary to the property as of the valuation date.

Given the costliness and time-consuming nature of this type of comprehensive analysis, appraisers also estimate the RCNLD value using industry indices to escalate the book value of the assets to today's dollars, and then estimate the depreciation based on book depreciation. This method is particularly useful for small utilities.

5.3.2 Excess Earnings Method

The Excess Earnings Method estimates the value of the intangible assets by calculating the difference between the value of the earnings and the value of the tangible assets. The amount by which earnings exceed the tangible asset value can be linked to the value of the intangible assets.

5.3.3 Liquidation Method

The Liquidation Method estimates the total sum of money that would be realized if the owner were to sell off all assets, piece by piece, and use the proceeds to pay off existing liabilities. Liquidation can either be "orderly", where time is allowed to find willing buyers for the assets, or "forced", where assets are disposed of as quickly as possible. Costs of the liquidation itself should be deducted from the proceeds of the asset sale. These costs can include commissions to sales agents, legal costs, accounting costs, and taxes on the proceeds.

5.3.4 Asset Approach Used to Value SSWWC

The purpose of this appraisal is to value the business as a going concern. It is the intention of the buyer to continue to operate the company on a sustainable basis. In addition, it is unlikely that this type of business would be allowed to liquidate since water supply is a necessity for the residents of this community. Furthermore, as the majority of the assets are underground, the liquidation of these assets would be cost prohibitive. For these reasons, the liquidation method has been rejected. However, the Net Asset Value Method will be used in conjunction with the Excess Earnings Method.

KEY OBSERVATIONS

- **The valuation approaches that will be used to determine the fair market value of SSWWC are:**
 - **Income Approach for Investor Owned Utility – Single Period Capitalization Method**
 - **Income Approach for Municipal Utility – Multiple Period Discounting Method**
 - **Market Approach – Direct Market Data Method**
 - **Asset Approach – Net Asset Value Method as adjusted by the Excess Earnings Method**

Section 6: Application of Income Approach

6.1 Valuation of SSWWC Income

In order to value a utility under the Single Period Capitalization Method, the following steps must be performed:

1. Select the appropriate earnings stream for capitalization.
2. Determine the long-term sustainable growth rate for capitalization of the net cash flow.
3. Develop the discount and capitalization rates.
4. Develop a normalized earnings stream.
5. Calculate resulting cash flow and value and apply appropriate premiums and/or discounts to determine final value.

6.1.1 Earnings Stream for Capitalization

In performing the Single Period Capitalization Method, the most appropriate earnings stream for valuing the SSWWC is net cash flow to invested capital. Although the City may assume the liabilities of the Company, the utility will first be valued as if debt free. By doing so, RFC is valuing the entire invested capital in the system, regardless of whether the investment was made with equity or debt. After the value to invested capital is established, the remaining outstanding interest-bearing debt of the Company will be deducted to value the equity of the Company.

To calculate the net cash flow to invested capital, SSWWC's net income is adjusted as follows to estimate the cash that is available from the business on an annual basis:

		Net Income
Plus:	+	Interest Expense
Plus:	+	Depreciation and Amortization (non-cash items previously deducted from Net Operating Income)
Less:	-	Capital Improvements
Less:	-	Change in Working Capital
Equals:	=	Net Cash Flow

6.1.2 Long-Term Sustainable Growth Rate

The long-term sustainable growth rate represents the annual growth in net cash flows into perpetuity. Although, as discussed in Section 2.3.5, growth in water demand is expected to be 0%, net cash flow is expected to at least grow by inflation as revenues and expenses can be

expected to grow by inflation. The long-term inflation rate projected by the Survey of Professional Forecasters is 2.5% (Appendix F). Combining expected growth in water sales and inflation produces an overall long-term sustainable growth rate of 2.5%.

6.1.3 Discount and Capitalization Rates

Since a single period approach is used to establish value, a capitalization rate must be applied to the normalized year earnings stream to estimate the income producing value of the company. This is accomplished by the following:

$$\text{Value of SSWWC} = \text{Earnings stream} / \text{Capitalization rate}$$

The appropriate capitalization rate is equal to the discount rate less the long-term sustainable growth rate. The relationship between the capitalization and discount rates can be described as follows:

“The discount rate used to convert future amounts into present value is a rate of return. A capitalization rate is a divisor used to convert income into value... In the Single Period Capitalization Method, the investor receives the rate of return through the numerator return stream acting as a proxy for the amount the owner will receive each year, plus the growth in that numerator return stream equal to the long-term sustainable growth rate proxy. This is why the long-term sustainable growth rate is subtracted from the rate of return, to prevent doubling the impact of the growth rate.”¹⁷

For purposes of valuing invested capital, the appropriate discount rate is equal to the weighted average cost of capital (“WACC”). The WACC considers both the cost of debt and equity in determining the appropriate discount rate.

Exhibit 6-1 shows the calculation of WACC and the resulting capitalization rate for the water utility marketplace. It is important to note that the “Modified” Capital Asset Pricing Model (“CAPM”) has been used to estimate the cost of equity portion of the WACC. The cost of equity for a hypothetical investor-owned utility can be expressed with the following:

Modified CAPM..... $R_E = R_F + (\beta * ERP) + SCP + SCR_P$ ¹⁸

¹⁷ Institute of Business Appraisers 8-Day Workshop: Mastering Appraisal Skills for Valuing the Closely Held Business, David M. Bishop, Chapter 3, Page 2. Excerpt provided in Appendix B.

¹⁸ Institute of Business Appraisers 8-Day Workshop: Mastering Appraisal Skills for Valuing the Closely Held Business, Chapter 8, page 10.

Where:

- R_E = Rate of return expected, the proxy for the market's required rate
 R_F = Risk-free rate of return, i.e., free of default risk
 β = Beta: a measure of the volatility of a given security in comparison to the volatility of the market as a whole
ERP = Equity risk premium: the risk premium expected for investing in large publicly traded common stocks
SCP = Small company premium: risk premium for investing in a small company
SCRIP = Specific company risk premium: risk premium for investing in this specific company

Exhibit 6-1: Discount and Capitalization Rates

COST OF DEBT CAPITAL	
Rate on Utility Bonds (1)	5.92%
Tax Rate (2)	<u>40.00%</u>
Post-Tax Cost of Debt	3.55%
COST OF EQUITY CAPITAL	
Risk Free Rate - Long-Term U.S. Treasury Bond Yield (3)	4.60%
Equity Risk Premium (3)	7.10%
Beta for Water Companies (4)	<u>0.775</u>
Adjusted Equity Risk Premium	5.50%
Small Company Risk Premium (5)	0.00%
Specific Company Risk Premium (5)	<u>1.00%</u>
Total Buildup of Cost of Equity Capital	11.10%
DEBT STRUCTURE (6)	
Debt as Percentage of Capital	54.9%
Equity as Percentage of Capital	45.1%
WEIGHTED AVERAGE COST OF CAPITAL (WACC)	
Weighted Cost of Debt	1.95%
Weighted Cost of Equity	<u>5.01%</u>
Weighted Average Cost of Capital	6.96%
DISCOUNT AND CAPITALIZATION RATES	
Net Cash Flow Discount Rate (Equal to WACC)	6.96%
Less: Long-Term Sustainable Growth Rate	<u>2.50%</u>
Net Cash Flow Capitalization Rate	4.46%

(1) Value Line's Select Yields - Utility (25/30-Year) A Bonds (Value Line Selection and Opinion, September 8, page 947) (Appendix F).

(2) Average tax rate for a water utility in the state of Kentucky per Tax Assessment (Appendix B).

(3) Key Variables in Estimating the Cost of Capital, SBBI Valuation Edition 2006 Yearbook (based on 2005 data) (Appendix F).

(4) Median beta for the 8 publicly traded water companies reported in the July 28, 2006 Value Line Investment Survey (Appendix F).

(5) Based on the appraiser's judgment and experience.

(6) Three year average (2003-2005) from Dun & Bradstreet's Financial Profile of the Water Supply Service Industry for all reporting companies (Appendix F).

The risk free rate (R_F) can be determined by looking at the yield on long-term U.S. treasury bonds. The return on risk associated with investing in equity (ERP) can be determined by comparing the return on equity investments versus the risk free rate. This analysis is performed by Ibbotson Associates each year. Beta (β) is determined based on the median beta for the 8 publicly traded water companies reported in the July 28, 2006 Value Line Investment Survey - Small and Mid-Cap Edition, Part 3-Ratings and Reports.

Although Ibbotson Associates also calculates the return on the risk of investing in smaller companies, these figures are typically associated with non-regulated, non-monopolistic companies. As mentioned previously, a utility provides a necessary good and, whether municipal or private, is allowed to cover any costs associated with providing this service to its customers. As such, risk associated with small utilities as compared with larger utilities is not significant and has been estimated at 0%. The same issue applies to the specific company risk premium, however, given the water supply issues noted in Section 2.3.1, a small specific company risk premium of 1.0% has been assigned.

6.1.4 Normalized Earnings Stream

In performing the Single Period Capitalization Method, it is important to select an earnings stream that is representative of the typical earning stream in the future. As mentioned in Section 6.1.1, the most appropriate earnings stream is the net cash flow to invested capital.

To calculate a normalized earnings stream for SSWWC, the utility's revenue requirement and resulting revenues should be calculated based on the methodology used by the Kentucky PSC described in Section 4.2. To perform this calculation, the Kentucky PSC starts with the financials of the utility and makes adjustments to accommodate the rate case's accounting standards. Exhibit 6-2 details the August 31, 2006 SSWWC expenses and the corresponding adjustments made based on the appraiser's assessment of adjustments taken by the Kentucky PSC in the latest rate case (Appendix E) and information provided by Mr. Hannah (Appendix B).

The resulting revenue requirement is then used to estimate the appropriate level of metered water revenue for SSWWC. Exhibit 6-3 shows the calculation of net income when this level of metered water revenue is considered for SSWWC, as opposed to the actual August 31, 2006 net income of SSWWC.

Exhibit 6-2: Adjusted August 31, 2006 Revenues and Expenses

	Unaudited Actual	Adjustments	Adjusted	Adjustment Reference
	Yr Ending 8/31/06		Yr Ending 8/31/06	
Operating Revenues				
Metered Water Revenue	\$ 523,061	\$ 26,703	\$ 549,764	(a)
Fire Protection Revenue	2,805		2,805	
Total Sales of Water	\$ 525,866	\$ 26,703	\$ 552,569	
Other Water Revenues	16,490		16,490	
Total Water Operating Revenues	\$ 542,356	\$ 26,703	\$ 569,058	
Water Utility Expense Accounts				
Salaries, Wages, Pensions and Benefits	220,213	(47,439)	172,774	(b)
Purchased Water	2,730		2,730	
Purchased Power	38,653		38,653	
Chemicals	9,842		9,842	
Materials and Supplies	42,205		42,205	
Contractual Services - Acct.	2,400		2,400	
Contractual Services - Legal	4,137	(4,137)	-	(c)
Rental of Bld./Real Property	11,171		11,171	
Insurance - Vehicle	3,986		3,986	
Insurance - General Liability	11,419		11,419	
Insurance - Worker's Compensation	3,442		3,442	
Insurance - Other	2,898	-	2,898	
Well Amortization Expense	8,346	(8,346)	-	(c)
Equipment Rentals	6,810		6,810	
Transportation Expenses	9,788		9,788	
Regulatory Commission Exp. - Amortization of Rate Case - Other	890		890	
Miscellaneous Expenses				
Total Utility O&M Expenses	\$ 378,929	\$ (59,922)	\$ 319,008	
Depreciation and Amortization				
Depreciation Expenses	\$ 55,928		\$ 55,928	
Amortization Expense		26,453	26,453	(d)
Total Depreciation and Amortization	\$ 55,928	\$ 26,453	\$ 82,381	
Taxes				
Taxes Other Than Income	\$ 77,514	\$ (9,146)	\$ 68,368	(b)
Income Taxes	12,882	26,313	39,195	(e)
Total Taxes	\$ 90,396	\$ 17,167	\$ 107,563	
Total Utility Operating Expenses	\$ 525,253	\$ (16,302)	\$ 508,951	
Utility Operating Income	\$ 17,103	\$ 43,004	\$ 60,107	
OTHER INCOME AND DEDUCTIONS				
Interest and Dividend Income	\$ 1,298		\$ 1,298	
Nonutility Income	10,351		10,351	
Miscellaneous Nonutility Expenses				
Total Other Income and Deductions	\$ 11,649	\$ -	\$ 11,649	
INTEREST EXPENSE				
Interest Expense	\$ (7,699)	\$ -	\$ (7,699)	
Total Interest Expense	\$ (7,699)	\$ -	\$ (7,699)	
NET INCOME	\$ 21,053	\$ 43,004	\$ 64,058	

Adjustments

- (a) Based on Revenue Calculation per PSC
- (b) Excess personnel
- (c) Amortized for rate case purposes
- (d) Amortization of expenses as specified for rate cases
- (e) Based on revenue calculation per PSC

Exhibit 6-3: Calculation of Revenue Requirement and Income Taxes

	Adjusted
	Yr Ending 9/30/06
Revenue Requirement Determination	
Pro Forma Operating Expenses	
Total Utility O&M Expenses	\$ 319,008
Total Depreciation and Amortization	82,381
Taxes Other Than Income	68,368
Subtotal	\$ 469,757
Divided By: Operating Ratio	88%
Subtotal	\$ 533,814
Less: Pro Forma Operating Expenses	(469,757)
Net Operating Income After Income Taxes	\$ 64,058
Multiplied by: Gross-Up Factor	1.6118633
Net Operating Income Before Income Taxes	\$ 103,252
Add:	
Pro Forma Operating Expenses	469,757
Other Income & Deductions	(3,951)
Total Revenue Requirement	\$ 569,058
Less:	
Other Operating Revenues	(16,490)
Fire Projection - Hydrants	(2,805)
Revenue Requirement from Rates	\$ 549,764
Calculation of State and Federal Income Taxes	
Total Revenue Requirement	\$ 569,058
Less: Recommended Operating Expenses Net Income	(469,757)
Net Income Before Interest & Income Tax	\$ 99,302
Less: Interest Expense	3,951
Net Income Before State & Federal Income Tax	\$ 103,252
Less: State Income Tax at 6%	6,195
Net Income Before Federal Tax	\$ 97,057
Less: Federal Income Tax at 34%	32,999
Net Income Based on Rate Case Analysis	\$ 64,058
Actual Net Income	\$ 21,053

Note: Operating Ratio and Gross-Up Factor determined by Kentucky PSC, not the appraiser.

The implication of this analysis is that rates would need to be raised by 5.1% to adequately cover the appropriate expenses and return for SSWWC.

6.1.5 Calculation of Net Cash Flow and Value of the Invested Capital in SSWWC on a Liquid Basis

To calculate net cash flow to invested capital, one begins with net income and then adds back interest expense and non-cash items that were part of the net income calculation (such as depreciation, amortization, etc.). Normalized cash items that would not be part of the net income calculation (such as capital improvements, changes in working capital, etc.) are then deducted.

As mentioned, an estimate of normalized capital expenditures is also subtracted from the net cash flows of the Company. In order to value the net cash flow of the Company into perpetuity, the appraiser must assume that the Company will be a viable business into perpetuity. For this to happen, there must be reinvestment into the infrastructure of the utility assets of the company on a regular basis, hence the requirement for a deduction for normalized future capital expenditures.

It is important to note that although items such as capital improvements may not be made technically with cash, RFC is first valuing this business as if it were debt free, and therefore assumes that capital outlays are made with liquid equity. Similarly, the interest expense is added back into the calculation as the business is assumed to be debt free.

Exhibit 6-6 shows the detailed calculation for net cash flow for the Company. To calculate the value of the Company as of August 31, 2006, the free cash flows must be normalized to August 31, 2007 using the long-term sustainable growth rate of 2.5%, since the capitalization formula discounts the net cash flows of the utility by one year. It is important to note, that this is not a forecast of 2007 financials, but a normalization of the financials for calculation of value.

Exhibit 6-6: Net Cash Flows and Fair Market Value to Invested Capital on a Liquid Basis

	Adjusted 8/31/2006 (1)	Normalized 8/31/2007 (2)
Net Income	\$ 64,058	\$ 65,659
Plus: Interest Expense	7,699	7,891
Net Income to Invested Capital	\$ 71,756	\$ 73,550
Plus: Depreciation Expense	55,928	57,326
Less: Capital Expenditures (3)	(57,605)	(59,046)
Less: Change in Working Capital (4)	(1,569)	(1,608)
Equals: Net Cash Flow to Invested Capital	\$ 68,510	\$ 70,223
Divided By: Capitalization Rate for Net Cash Flow to Invested Capital (5)		4.46%
Fair Market Value to Invested Capital On a Control, Liquid Basis		\$ 1,574,500

(1) Per Exhibit 6-2.

(2) Escalated from 8/31/2006 based on long-term sustainable growth rate of 2.5%.

(3) Normalized assuming capital expenditures at depreciation expense level plus 2.5%.

(4) Change in working capital based on 45 days of operating expenses.

(5) Per Exhibit 6-1.

As demonstrated in Exhibit 6-6, the fair market value of the invested capital in the Company is determined by applying the capitalization rate to the normalized net cash flow. As also shown in Exhibit 6-6, a value of \$1,574,500 for the invested capital in SSWWC can be derived by

applying the discount rate of 4.46% to the net cash flow normalized for August 31, 2007. It should be noted, however, this value is for the invested capital in the Company on a control, liquid basis.

6.1.6 Value of Invested Capital and Equity in SSWWC on an Illiquid Basis

Adjustment for Illiquidity

It is important to note that the rate of return, discount rate, and resulting capitalization rate developed in this analysis are reliant on information regarding the risk of the equity markets. The commodities in the equity markets are freely traded where equity can be converted into cash in a matter of days. The Company, however, is not nearly as liquid, and as such, is overvalued when using rates developed from the equity markets.

In this case, it is appropriate to take a discount for the lack of liquidity of the Company. Since the Company is being valued on a control basis, the discount for the lack of liquidity will be relatively small because the buyer would have control of the assets, and therefore the ability to sell the assets if so desired. Appraisers often look at the costs which result from the use of professionals for registering a closely held company to be sold on an exchange or sale of the controlling interest in a private transaction as indicative of lack of liquidity discount that might be taken for a controlling interest (10-20%).¹⁹ However, this is just a starting point of consideration and other factors related to the specific entity must be considered.

The following factors are particularly relevant to determining the appropriate discount for illiquidity in this instance:

Characteristics of SSWWC	Increase/Decrease To Illiquidity Discount
Water utility transaction activity has increased	Medium Decrease
Attractive investment with guaranteed return	Small Decrease
Attractive investment with lack of competition	Small Decrease
Unique commodity under public scrutiny and regulation	Medium Increase
Necessity for approval of Kentucky PSC for sale of assets	Small Increase
There is currently an active, willing buyer	Significant Decrease

Given these factors, RFC believes that the appropriate discount for illiquidity is 5%.

Another indicator of the discount for the lack of liquidity could be one minus the present value factor of the cost of equity for the company, discounted by the time required to market the company. Since there is a ready buyer for the company, the time to market the company would

¹⁹ Institute of Business Appraisers 8-Day Workshop: Mastering Appraisal Skills for Valuing the Closely Held Business, David M. Bishop, Chapter 7, Page 21-22.

be less than one year. Assuming the cost of equity of 11.1% (Exhibit 6-1), which if discounted by 0.5 years, would give a present value factor of 94.87%. Subtracting this from one, would give a discount for lack of liquidity of 5.13%. This supports RFC's belief that the discount for illiquidity can be significantly less than the aforementioned 10-20%. As such, the final discount for illiquidity to be used by RFC remains 5%.

As demonstrated in Exhibit 6-7, the fair market value of the Invested Capital of SSWWC on a control, illiquid basis, under the income approach, is \$1,496,000.

Exhibit 6-7: Fair Market Value of Invested Capital and Equity in SSWWC on a Liquid Basis

	Normalized 8/31/07
Fair Market Value to Invested Capital On a Control, Liquid Basis	\$ 1,574,500
Less: Discount for Lack of Liquidity (5%)	\$ (78,725)
Fair Market Value to Invested Capital On a Control, Illiquid Basis	\$ 1,496,000
Less: Interest Bearing Debt (as of August 31, 2006) (Appendix B)	\$ (138,048)
Fair Market Value to Equity On a Control, Illiquid Basis	\$ 1,358,000

Adjustment to Invested Capital Value to Determine Fair Market Value of Equity in SSWWC

As indicated, the value determined so far represents the fair market value of the invested capital in SSWWC. If the buyer of SSWWC were to assume the outstanding debt of SSWWC, this value would need to be adjusted to value the remaining equity in the Company. As demonstrated in Exhibit 6-7, reduction of the Invested Capital value by the interest-bearing outstanding debt in the company as of August 31, 2006 provides a fair market value of \$1,358,000 for the equity in SSWWC on a control, illiquid basis under the income approach.

It is important to note that the income producing nature of the intangible assets of SSWWC is included in the income that is generated for operating assets. As such, the value for intangible assets is inherently included in the value developed in this section.

6.2 Income Approach from Municipal Perspective

The income approach developed in Section 6.1 is based upon the hypothetical assumption that the owner of the utility is private. However, it is valid to question whether municipal ownership of the utility would result in a higher value under the income approach.

To assess this issue, RFC considered the operations and financial policies and objectives of most typical municipally owned utilities.²⁰ Municipal utilities are non-profit agencies that are typically run on a break-even basis. In any one year, they may generate small excess earnings, but municipal utilities typically reinvest those excess earnings in utility assets in future years. As such, most municipal utilities do not generate overall excess income.

However, when a private utility is purchased by a municipal utility, there can potentially be excess revenues generated, as rates are typically set to recover expenses necessary for the operation of private utilities, such as income taxes. Since these expenses are not present for municipal utilities, there exists the potential for excess cash flow that could be valued.

RFC has performed an analysis to determine the value of the excess cash that could be generated by a municipal purchase of SSWWC. In this analysis, rates are expected to remain constant while expenses are adjusted for municipal ownership, and then grown at the long-term expectation for inflation of 2.5% as discussed in Section 6.1.2. Eventually, the expenses are expected to grow to a point where excess cash is no longer generated, and rates must be raised to cover expenses on a break-even basis.

Exhibit 6-8 shows the adjusted expenses for municipal ownership.²¹ Adjustments were taken in the municipal ownership scenario for the following items:

- Excess personnel (similar to adjustment taken by PSC);
- Other expenses allowed by PSC, but which would likely be reduced by municipal owner;
- One-time expenses, typically amortized by the PSC, but which would likely not continue under municipal ownership; and
- Expenses that would not be applicable under municipal ownership.

Exhibit 6-9 shows the projected revenues and expenses over 15 years. As demonstrated in Exhibit 6-10, excess free cash flows is projected for the first 12 years. Afterwards, the projections indicate that rate increases would be necessary. Using the WACC for municipal utilities developed in Exhibit 6-11, the value of the positive free cash flows for 2007 through 2014 is approximately \$633,000.

²⁰ RFC has performed over 300 rate and pricing studies for municipal utilities across the United States.

²¹ It should be noted that an adjustment was taken for the removal of building lease expense. It is RFC's understanding that the building will be purchased with SSWWC cash on hand prior to the sale of the utility. Although this transfer will occur after the valuation date of this appraisal, RFC wanted to demonstrate the impact of this adjustment in this analysis for demonstration purposes. Removal of this adjustment decreases the value of the free cash flows under municipal ownership.

Exhibit 6-8: Adjusted August 31, 2006 Revenues and Expenses for Municipal Ownership

	Unaudited Actual	Municipal	Adjusted	Adjustment
	Yr Ending 8/31/06	Adjustments	Yr Ending 8/31/06	Reference
Operating Revenues				
Metered Water Revenue	\$ 523,061		\$ 523,061	
Fire Protection Revenue	2,805		2,805	
Total Sales of Water	\$ 525,866	\$ -	\$ 525,866	
Other Water Revenues	16,490		16,490	
Total Water Operating Revenues	\$ 542,356	\$ -	\$ 542,356	
Water Utility Expense Accounts				
Salaries, Wages, Pensions and Benefits	220,213	(47,439)	172,774	(a)
Purchased Water	2,730		2,730	
Purchased Power	38,653		38,653	
Chemicals	9,842		9,842	
Materials and Supplies	42,205	(2,714)	39,492	(b)
Contractual Services - Acct.	2,400		2,400	
Contractual Services - Legal	4,137	(4,137)	-	(c)
Rental of Bld./Real Property	11,171	(9,900)	1,271	(c)
Insurance - Vehicle	3,986	(1,601)	2,385	(b)
Insurance - General Liability	11,419		11,419	
Insurance - Worker's Compensation	3,442		3,442	
Insurance - Other	2,898	(2,898)	-	(a)
Well Amortization Expense	8,346		8,346	
Equipment Rentals	6,810	(6,810)	-	(b)
Transportation Expenses	9,788	(3,726)	6,062	(b)
Regulatory Commission Exp.				
- Amortization of Rate Case				
- Other	890	(890)	-	(d)
Miscellaneous Expenses				
Total Utility O&M Expenses	\$ 378,929	\$ (80,114)	\$ 298,815	
Depreciation and Amortization				
Depreciation Expenses	\$ 55,928		\$ 55,928	
Amortization Expense			-	
Total Depreciation and Amortization	\$ 55,928	\$ -	\$ 55,928	
Taxes				
Taxes Other Than Income	\$ 77,514	\$ (25,509)	\$ 52,006	(a), (d)
Income Taxes	12,882	(12,882)	-	(d)
Total Taxes	\$ 90,396	\$ (38,391)	\$ 52,006	
Total Utility Operating Expenses	\$ 525,253	\$ (118,505)	\$ 406,748	
Utility Operating Income	\$ 17,103	\$ 118,505	\$ 135,607	
OTHER INCOME AND DEDUCTIONS				
Interest and Dividend Income	\$ 1,298		\$ 1,298	
Nonutility Income	10,351		10,351	
Miscellaneous Nonutility Expenses				
Total Other Income and Deductions	\$ 11,649	\$ -	\$ 11,649	
INTEREST EXPENSE				
Interest Expense	\$ (7,699)		\$ (7,699)	
Total Interest Expense	\$ (7,699)	\$ -	\$ (7,699)	
NET INCOME	\$ 21,053	\$ 118,505	\$ 139,558	

Adjustments

- (a) Excess personnel
- (b) Other excess cost
- (c) One-time cost (non-continuing expenses)
- (d) Non-municipal expense

Exhibit 6-9: Projected Revenues and Expenses for Municipal Ownership

	Projected (August 31)														
	2007	2008	2008	2009	2009	2010	2010	2011	2011	2012	2013	2014	2015	2016	2017
Operating Revenues															
Metered Water Revenue	\$ 523,061	\$ 523,061	\$ 523,061	\$ 523,061	\$ 523,061	\$ 523,061	\$ 523,061	\$ 523,061	\$ 523,061	\$ 523,061	\$ 523,061	\$ 523,061	\$ 523,061	\$ 523,061	\$ 523,061
Fire Protection Revenue	2,805	2,805	2,805	2,805	2,805	2,805	2,805	2,805	2,805	2,805	2,805	2,805	2,805	2,805	2,805
Total Sales of Water	\$ 525,866	\$ 525,866	\$ 525,866	\$ 525,866	\$ 525,866	\$ 525,866	\$ 525,866	\$ 525,866	\$ 525,866	\$ 525,866	\$ 525,866	\$ 525,866	\$ 525,866	\$ 525,866	\$ 525,866
Other Water Revenues	16,490	16,490	16,490	16,490	16,490	16,490	16,490	16,490	16,490	16,490	16,490	16,490	16,490	16,490	16,490
Total Water Operating Revenues	\$ 542,356	\$ 542,356	\$ 542,356	\$ 542,356	\$ 542,356	\$ 542,356	\$ 542,356	\$ 542,356	\$ 542,356	\$ 542,356	\$ 542,356	\$ 542,356	\$ 542,356	\$ 542,356	\$ 542,356
Total Utility O&M Expenses	\$ 306,285	\$ 313,942	\$ 321,791	\$ 329,836	\$ 338,082	\$ 346,534	\$ 355,197	\$ 364,077	\$ 373,179	\$ 382,508	\$ 392,071	\$ 401,873	\$ 411,920	\$ 422,218	\$ 432,773
Depreciation and Amortization															
Depreciation Expenses	\$ 57,326	\$ 58,759	\$ 60,228	\$ 61,734	\$ 63,277	\$ 64,859	\$ 66,480	\$ 68,142	\$ 69,846	\$ 71,592	\$ 73,382	\$ 75,216	\$ 77,097	\$ 79,024	\$ 81,000
Amortization Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Depreciation and Amortization	\$ 57,326	\$ 58,759	\$ 60,228	\$ 61,734	\$ 63,277	\$ 64,859	\$ 66,480	\$ 68,142	\$ 69,846	\$ 71,592	\$ 73,382	\$ 75,216	\$ 77,097	\$ 79,024	\$ 81,000
Taxes															
Taxes Other Than Income	\$ 53,306	\$ 54,638	\$ 56,004	\$ 57,404	\$ 58,840	\$ 60,311	\$ 61,818	\$ 63,364	\$ 64,948	\$ 66,572	\$ 68,236	\$ 69,942	\$ 71,690	\$ 73,482	\$ 75,320
Income Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Taxes	\$ 53,306	\$ 54,638	\$ 56,004	\$ 57,404	\$ 58,840	\$ 60,311	\$ 61,818	\$ 63,364	\$ 64,948	\$ 66,572	\$ 68,236	\$ 69,942	\$ 71,690	\$ 73,482	\$ 75,320
Total Utility Operating Expenses	\$ 416,917	\$ 427,340	\$ 438,023	\$ 448,974	\$ 460,198	\$ 471,703	\$ 483,496	\$ 495,583	\$ 507,973	\$ 520,672	\$ 533,689	\$ 547,031	\$ 560,707	\$ 574,724	\$ 589,093
Utility Operating Income	\$ 125,439	\$ 115,016	\$ 104,332	\$ 93,382	\$ 82,157	\$ 70,652	\$ 58,860	\$ 46,773	\$ 34,383	\$ 21,684	\$ 8,667	\$ (4,675)	\$ (18,351)	\$ (32,369)	\$ (46,737)
OTHER INCOME AND DEDUCTIONS															
Interest and Dividend Income	\$ 1,298	\$ 1,298	\$ 1,298	\$ 1,298	\$ 1,298	\$ 1,298	\$ 1,298	\$ 1,298	\$ 1,298	\$ 1,298	\$ 1,298	\$ 1,298	\$ 1,298	\$ 1,298	\$ 1,298
Nonutility Income	10,351	10,351	10,351	10,351	10,351	10,351	10,351	10,351	10,351	10,351	10,351	10,351	10,351	10,351	10,351
Miscellaneous Nonutility Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Income and Deductions	\$ 11,649	\$ 11,649	\$ 11,649	\$ 11,649	\$ 11,649	\$ 11,649	\$ 11,649	\$ 11,649	\$ 11,649	\$ 11,649	\$ 11,649	\$ 11,649	\$ 11,649	\$ 11,649	\$ 11,649
INTEREST EXPENSE															
Interest Expense	\$ (7,699)	\$ (7,699)	\$ (7,699)	\$ (7,699)	\$ (7,699)	\$ (7,699)	\$ (7,699)	\$ (7,699)	\$ (7,699)	\$ (7,699)	\$ (7,699)	\$ (7,699)	\$ (7,699)	\$ (7,699)	\$ (7,699)
Total Interest Expense	\$ (7,699)	\$ (7,699)	\$ (7,699)	\$ (7,699)	\$ (7,699)	\$ (7,699)	\$ (7,699)	\$ (7,699)	\$ (7,699)	\$ (7,699)	\$ (7,699)	\$ (7,699)	\$ (7,699)	\$ (7,699)	\$ (7,699)
NET INCOME	\$ 129,390	\$ 118,967	\$ 108,283	\$ 97,333	\$ 86,108	\$ 74,603	\$ 62,811	\$ 50,723	\$ 38,334	\$ 25,634	\$ 12,618	\$ (725)	\$ (14,400)	\$ (28,418)	\$ (42,786)

Exhibit 6-10: Projected Net Cash Flows and Fair Market Value for Municipal Ownership

	Projected (August 31)														
	2007	2008	2008	2009	2009	2010	2010	2011	2011	2012	2013	2014	2015	2016	2017
Net Income (1)	\$ 129,390	\$ 118,967	\$ 108,283	\$ 97,333	\$ 86,108	\$ 74,603	\$ 62,811	\$ 50,723	\$ 38,334	\$ 25,634	\$ 12,618	\$ (725)	\$ (14,400)	\$ (28,418)	\$ (42,786)
Plus: Interest Expense (1)	7,699	7,699	7,699	7,699	7,699	7,699	7,699	7,699	7,699	7,699	7,699	7,699	7,699	7,699	7,699
Net Income to Invested Capital	\$ 137,088	\$ 126,665	\$ 115,982	\$ 105,031	\$ 93,807	\$ 82,302	\$ 70,509	\$ 58,422	\$ 46,032	\$ 33,333	\$ 20,316	\$ 6,974	\$ (6,702)	\$ (20,719)	\$ (35,087)
Plus: Depreciation Expense (1)	\$ 57,326	\$ 58,759	\$ 60,228	\$ 61,734	\$ 63,277	\$ 64,859	\$ 66,480	\$ 68,142	\$ 69,846	\$ 71,592	\$ 73,382	\$ 75,216	\$ 77,097	\$ 79,024	\$ 81,000
Less: Capital Expenditures (2)	(59,046)	(60,522)	(62,035)	(63,586)	(65,175)	(66,805)	(68,475)	(70,187)	(71,941)	(73,740)	(75,583)	(77,473)	(79,410)	(81,395)	(83,430)
Less: Change in Working Capital (3)	(921)	(944)	(968)	(992)	(1,017)	(1,042)	(1,068)	(1,095)	(1,122)	(1,150)	(1,179)	(1,208)	(1,239)	(1,270)	(1,301)
Equals: Net Cash Flow to Invested Capital	\$ 134,447	\$ 123,959	\$ 113,207	\$ 102,187	\$ 90,892	\$ 79,314	\$ 67,447	\$ 55,283	\$ 42,815	\$ 30,035	\$ 16,936	\$ 3,509	\$ (10,253)	\$ (24,360)	\$ (38,819)
Present Value of Net Cash Flow (4)	\$ 129,014	\$ 109,530	\$ 92,109	\$ 76,558	\$ 62,703	\$ 50,383	\$ 39,452	\$ 29,776	\$ 21,234	\$ 13,717	\$ 7,122	\$ 1,359	\$ (3,656)	\$ (7,998)	\$ (11,736)
Fair Market Value to Invested Capital (5)	\$ 632,957														

- (1) Per Exhibit 6-9.
- (2) Normalized assuming capital expenditures at depreciation expense level plus 2.5%.
- (3) Change in working capital based on 45 days of operating expenses.
- (4) Assuming discount rate based on municipal weighted average cost of capital developed in Exhibit 6-11.
- (5) Only for positive net cash flow years of 2007-2014.

Exhibit 6-11: Discount Rates for Municipal Scenario

COST OF DEBT CAPITAL	
Rate on Municipal Bonds (1)	4.53%
Tax Rate (2)	<u>0.00%</u>
Post-Tax Cost of Debt	4.53%
COST OF EQUITY CAPITAL	
Risk Free Rate - Long-Term U S Treasury Bond Yield (3)	4.60%
Equity Risk Premium (3)	7.10%
Beta for Water Companies (4)	<u>0.775</u>
Adjusted Equity Risk Premium	5.50%
Small Company Risk Premium (5)	0.00%
Specific Company Risk Premium (5)	<u>0.00%</u>
Total Buildup of Cost of Equity Capital	10.10%
DEBT STRUCTURE (6)	
Debt as Percentage of Capital	27.0%
Equity as Percentage of Capital	73.0%
WEIGHTED AVERAGE COST OF CAPITAL (WACC)	
Weighted Cost of Debt	1.22%
Weighted Cost of Equity	<u>7.38%</u>
Weighted Average Cost of Capital	8.60%

(1) Value Line's Select Yields - General Obligation Bonds (25/30-Year A) (Value Line Selection and Opinion, September 8, page 947).

(2) No tax for municipalities.

(3) Key Variables in Estimating the Cost of Capital, SBBI Valuation Edition 2006 Yearbook (based on 2005 data).

(4) Median beta for the 8 publicly traded water companies reported in the April 28, 2006 Value Line Investment Survey.

(5) Based on the appraiser's judgment and experience. Water supply issue would be less significant under municipal ownership.

(6) RFC/AWWA Water and Wastewater Rate Survey (for small "Group C" utilities).

Based upon this analysis, the value of the free cash flows under municipal ownership is less than the value of the free cash flows under private ownership of the utility. Therefore, this approach has been discarded for valuation purposes.

KEY OBSERVATIONS

- **The fair market value of the SSWWC under the Income Approach, assuming private ownership, on a control, illiquid basis is:**
 - **\$1,496,000 for the invested capital in SSWWC**
 - **\$1,358,000 for the equity in SSWWC**
- **The positive free cash flows under municipal ownership in 2007 through 2014 are valued at approximately \$633,000. As this figure is less than the fair market value of SSWWC assuming private ownership, this approach has been discarded.**

Section 7: Application of the Market Approach

In performing the market approach to determine fair market value, RFC considered the Direct Market Data Method.

7.1 Selection of Guideline Companies for Use in Market Approach to Valuation

As discussed in Section 5, the Direct Market Data Method assesses value based on sales of other water companies. This approach is based on the Principle of Substitution, which is as follows:

*The economic value of a thing tends to be determined by the cost of acquiring an equally desirable substitute.*²²

The Institute of Business Appraisers, Inc. (“IBA”) expands upon how the Principle of Substitution should be viewed:

“The key words here are ‘equally desirable.’ That is, the Principle of Substitution does not call for ‘identical’ business as substitutes for the target business. Instead, it calls for investments whose desirability is equal to that of the target business.”²³

In selecting companies to use in applying the Direct Market Data Method to valuation, it is the task of the appraiser to identify companies that are equally desirable in terms of investment. The IBA indicates that the companies chosen must be similar and relevant. The IBA defines similar as “engaged in the same business as the target company” and defines relevance as “the investment characteristics involving these guideline companies should meet the investment requirements of potential buyers for the business being appraised.”²⁴

Other references cite similar standards for selecting companies for use with the market approach. Shannon Pratt’s *Business Valuation Body of Knowledge* indicates that “the object is to find companies that experience similar risk characteristics.”²⁵

For reasons discussed at length in Section 4, the risk characteristics of investing in regulated water utilities are very similar for the vast majority of water utilities. Private investors in the

²²*Introduction to the Direct Market Data Method of Valuing Mid-Size and Smaller Closely Held Businesses*, The Institute of Business Appraisers, Inc., Copyright 2003 Publication P-409, Pages I-3 and I-4.

²³ Ibid.

²⁴ Ibid.

²⁵ *Business Valuation Body of Knowledge Second Edition*. Shannon Pratt. Copyright 2003 by John Wiley & Sons, Inc. Page 144.

water industry know that, regardless of the physical characteristics or the previous financial characteristics of a particular utility, they will earn a guaranteed rate of return on their investment. As compared with other industries, a private investor will have no risk from competition, and any expense risk, such as risks associated with environmental regulation, rising operation costs, etc., would be passed on to the rate payer, with the investors still earning their rate of return. Even if the previous owner did not make proper investments in the infrastructure or was not profitable, the new owner would have the ability to make necessary improvements and raise rates so that their allowed rate of return is achieved. In essence, the physical and financial characteristics of a utility should be relatively transparent to the investor since they have little or no impact on the investment risk.

There are some criteria, however, that do affect investment risk. First, not all investments in terms of size would appeal to a particular type of investor. Second, other factors such as ongoing litigation, current regulatory problems, or negative public perception might be viewed as more risky to the investor. These factors should be considered when selecting appropriate companies used in the various market approaches. This being said, the fact still remains that most utilities within a certain range of investment size have very similar investment risk characteristics and should be considered as appropriate companies.

7.2 Number of Appropriate Companies Needed to Perform Market Approach Analyses

The ultimate weight and credence accorded to the market approach analyses is highly dependent on the number of guideline transactions used for each analysis. Shannon Pratt's *Business Valuation Body of Knowledge* gives the following guidance related to number of companies:

- “The better the comparability, the fewer needed.
- One is better than none, but then the public guideline company method usually cannot be the primary valuation method.
- Three could be sufficient if the companies have very similar risk profiles.
- Five to seven good guideline companies is the goal.
- Number of good companies affects the weight accorded to the method.
- If more than 10 good guideline companies are available, criteria may be tightened to include only those most comparable.”²⁶

²⁶ Ibid. Page 145. Page 158 indicates that the criteria for selection for Direct Market Data Method is similar to publicly traded guideline company criteria.

7.3 Direct Market Data Method

The Direct Market Data Method examines sales of companies within the water industry. Transactions for water utilities can be valued using purchase price as a multiple to various financial data points such as revenues and net utility plant value.

Twelve transactions were obtained for estimating the value for SSWWC under the Direct Market Data Method. In order to determine the market multiples, data is gathered for the relevant transactions. The majority of the data is obtained from final orders approved by a regulatory commission, or through press releases specifying the terms of the sale. Orders and press releases usually specify the consideration paid, which includes the acquisition price (stock or cash) and any debt assumed by the buyer.

Various data points for each company being sold, such as net utility plant value, revenues, and number of customers are obtained from the information provided in each company's 10-K report filed with the SEC, 8-Ks filed with the SEC, the annual report filed with the regulatory commission, or press releases.

The ratio between the acquisition price and net utility plant value and revenues is calculated for each company. The median of these ratios are shown in Exhibit 7-1.²⁷ No relevant sales could be found for the state of Kentucky.

The medians of market value to net utility plant, revenues, and number of customers can be applied to the SSWWC's revenues, net utility plant value, and number of customers for the most recent fiscal year in order to determine a value. The results of this analysis are provided in Exhibit 7-2.

Based on the results of this analysis, an extremely wide range of values is indicated. This wide range is due to the fact that the relationship of the net utility plant to revenues to number of customers is very different for SSWWC as opposed to the other utilities.

To account for the discrepancy, RFC performed a regression analysis that created a formula that can be used to estimate the value for the utility using all three factors simultaneously. This formula was considered reliable as it provided an R square of 91%, indicating that 91% of the

²⁷ The sales price, or consideration paid, was the price paid for the utility's total invested capital, including both debt and equity.

Exhibit 7-1: Direct Market Data Ratios

Seller	Buyer	State	Year	Consideration Paid	Net Utility Plant Value	Sales Price/ Net Utility Plant Value	Revenues	Sales Price / Revenues	# of Customers	Sales Price / Customer
Adelphia Water Company	New Jersey American	New Jersey	1997	\$ 6,500,000	\$ 5,811,923	1.12	\$ 1,256,253	5.17	3,400	1,911.8
Spruce Creek South Utility, Inc	Florida Water Services Inc	Florida	2000	\$ 5,500,480	\$ 7,425,633	0.74	\$ 1,723,555	3.19	3,342	1,645.9
Adelphia Sewer Company	New Jersey American	New Jersey	1997	\$ 4,625,000	\$ 4,697,791	0.98	\$ 1,398,000	3.31	3,200	1,445.3
Maxim Sewerage Corporation	AquaSource Utility, Inc.	New Jersey	1998	\$ 2,653,000	\$ 1,834,186	1.45	\$ 1,553,354	1.71	2,540	1,044.5
United Waterworks, Inc.	Virginia-American Water Company	Virginia	1999	\$ 2,300,000	\$ 3,495,672	0.66	\$ 762,472	3.02	1,800	1,277.8
Southampton Sewerage Company	Middlesex Water Company	New Jersey	1994	\$ 1,600,000	\$ 2,449,416	0.65	\$ 447,095	3.58	2,162	740.1
Steeplechase Utility Co	Florida Water Services Inc	Florida	2001	\$ 1,500,000	\$ 1,064,359	1.41	\$ 333,386	4.50	1,533	978.5
United Water Vernon Valley Water	United Water New Jersey	New Jersey	1996	\$ 971,437	\$ 1,649,971	0.59	\$ 360,424	2.70	1,300	747.3
Homestead Treatment Utility, Inc	Applied Wastewater Mgmt	New Jersey	1999	\$ 940,000	\$ 2,266,301	0.41	\$ 353,041	2.66	850	1,105.9
Homestead Water	Mount Holly Water Company	New Jersey	1999	\$ 860,000	\$ 1,403,367	0.61	\$ 204,454	4.21	850	1,011.8
Hampton Lakes Water Company	Middlesex Water Company	New Jersey	1994	\$ 750,000	\$ 1,050,472	0.71	\$ 229,448	3.27	2,162	346.9
Long Cove Utilities	Sea Pines Public Service District	South Carolina	1995	\$ 610,000	\$ 362,490	1.68	\$ 208,187	2.93	321	1,900.3
						Median		3.23		1,075.19

Exhibit 7-2: Application of Direct Market Data Ratios to SSWWC Financials

	Net Utility Plant	Revenues	Customers
Median Ratio	0.73	3.23	1,075.19
SSWWC Financials	\$ 925,332	\$ 542,356	2,282
Implied Value to Invested Capital	\$ 675,492	\$ 1,751,809	\$ 2,453,584

variability of the price in these transactions can be explained by the three variables. The resulting formula is as follows:

$$\text{Value} = 0.506x + 0.694y + * 548z + -594,124$$

Where:

Value = Consideration to be paid for the invested capital in the utility

x = Net Utility Plant

y = Revenues

z = Number of customers

As demonstrated in Exhibit 7-3, the value for the invested capital in SSWWC is \$1,501,000 based on this formula. The detailed statistical data supporting this analysis is provided in Appendix G.

Exhibit 7-3: Application of Direct Market Data Ratios to SSWWC Financials

	Net Utility Plant	Revenues	Customers	Intercept
Formula Factor	0.5059	0.6943	547.9546	(594,124)
Multiplied by: SSWWC Financials	\$ 925,332	\$ 542,356	\$ 2,282	
	\$ 468,131	\$ 376,573	\$ 1,250,432	\$ (594,124)
Fair Market Value to Invested Capital on a Control, Illiquid Basis	\$ 1,501,012			
Less: Interest Bearing Debt (as of August 31, 2006)	\$ (138,048)			
Fair Market Value to Equity On a Control, Illiquid Basis	\$ 1,363,000			

No adjustments for illiquidity and control are necessary since these transactions are similar in character to the subject transaction. However, the consideration paid for each utility in this sample was for both the debt and equity of the utilities. Therefore, as the subject of this appraisal is the equity of SSWWC, the debt for SSWWC must be removed from this value to determine the fair market value of the equity. As indicated in Section 6.1.6, the interest-bearing debt for SSWWC is \$138,045, which provides a value of \$1,363,000 for SSWWC under the Direct Market Data Method of the market approach, as demonstrated in Exhibit 7-3.

KEY OBSERVATIONS

- **The fair market value of the SSWWC under the Market Approach on a control, illiquid basis is:**
 - **\$1,501,000 for the invested capital in SSWWC**
 - **\$1,363,000 for the equity in SSWWC**

Section 8: Application of the Asset Approach

8.1 Net Asset Value Method

Under the net asset approach, a value is determined for the tangible assets of a utility based upon the market value of those assets. There are generally two groups of assets for SSWWC: current assets for working capital and tangible utility assets.

To determine the reproduction cost new less depreciation (“RCNLD”) values for the SSWWC utility assets, RFC first escalated the original value of the SSWWC utility assets to current dollars utilizing the Handy Whitman Index. This value represents the cost to replace the assets new, or replacement cost new (“RCN”). The assets are then adjusted for a depreciation factor to estimate the RCNLD. To make this judgment RFC relied upon both the book depreciation of the assets and discussions with SSWWC staff. As shown in Appendix H, assets were generally assigned a percent condition (or percent depreciated) based on the depreciation indicated by their respective book depreciations. However, given that many assets may be fully depreciated, yet still functional, a percent condition of at least 50% was assigned to the assets.

Mr. Hannah reported that many of these assets were in good condition, however, given their general predictive and preventative maintenance program of “run to failure”, RFC believes the analysis performed in Appendix H is representative of the RCNLD value of the facilities.

8.2 Excess Earnings Method / Economic Obsolescence

The Excess Earnings Method estimates the value of the non-discrete intangible assets by calculating the difference between the value of the earnings and the value of the tangible assets. The amount by which earnings exceed the tangible asset value can be linked to the value of the non-discrete intangible assets, such as goodwill. However, if the tangible asset value exceeds the earnings, the economic obsolescence of these assets should be considered.

8.2.1 Calculation of the Economic Obsolescence

Exhibit 8-1 estimates the required return on the operating tangible and intangible assets using the required rate of return for private investors developed in Revised Exhibit 6-1. This required return is deducted from the 2004 earnings to estimate the income shortfall due to economic obsolescence. This figure is divided by the capitalization rate for excess earnings, which is the rate of return plus the long-term sustainable growth rate of 2.5% developed in Section 6.1.2. Based on the capitalized income shortfall, 58.4% of the value of the tangible and intangible

assets under the net asset value is obsolete for economic reasons (further discussed in Section 8.2.2). As a final step, those assets that are not tied to the production of income are added to the adjusted asset value. Based upon this analysis, the value of SSWWC under the asset approach is \$1,570,000.

Exhibit 8-1: Net Asset Value Adjusted for Economic Obsolescence

2007 Normalized Earnings (Free Cash Flow) (Exhibit 6-6)	\$ 70,223
Less: Return on Tangible and Intangible Assets	
Net Asset Value of Operating Assets	\$ 3,008,267
Working Capital as of August 31, 2006	<u>124,375</u>
	\$ 3,132,642
Rate of Return (Revised Exhibit 6-1)	6.96%
Total Required Return	<u>\$ 218,032</u>
Equals: Excess Earnings (Income Shortfall)	\$ (147,809)
Divided By: Direct Capitalization Rate (a)	<u>9.46%</u>
Equals: Capitalized Income Shortfall	\$ (1,562,465)
Economic Obsolescence Percent	-49.88%
(Shortfall/Net Asset Value of Operating Assets)	
Asset Value Adjusted for Economic Obsolescence (Rounded)	\$ 1,570,000
(Asset Value * (1+ Economic Obsolescence %))	
Total Value of Tangible and Intangible Assets to Investment Value after Adjustment for Economic Obsolescence	\$ 1,570,000
Less: Interest Bearing Debt (as of September 30, 2006)	\$ (138,048)
Fair Market Value to Equity Under Asset Approach	\$ 1,432,000

(a) Rate of Return for Tangible Assets plus Long-Term Growth Rate of 2.5%.

No adjustments for illiquidity and control are necessary since the asset approach considers the value of the individual assets themselves. However, the asset approach values the entire asset base, or invested capital in the entire Company. Therefore, as the subject of this appraisal is the equity of SSWWC, the debt for SSWWC must be removed from this value to determine the fair market value of the equity. As indicated in Section 6.1.6, the debt for SSWWC is \$138,048, which provides a value of \$1,432,000 for SSWWC under the asset approach.

8.2.2 Regulation as the Driver for Economic Obsolescence

Often times, the RCNLD value estimates the cost of entry into the utility business, moving the industry from a monopolistic to a competitive environment, where customers can choose from more than one utility in selecting water or wastewater service. However, competition in the water and wastewater industry is scarce. This is due to several barriers to entry such as the requirement for high capital expenditures associated with infrastructure, the existing connectivity

of customers to plants, and limited access to raw water resources and environmental permits. These barriers to entry facilitate the continuance of natural monopolies.

As a monopoly, private water utilities are regulated by public service commissions, like the Kentucky PSC, and are only allowed to charge rates to earn a fair rate of return on their expenses or investments, irrespective of the investment that would be required to replace the assets. Buyers of utilities in the marketplace are hesitant to pay values significantly over rate base since public service commissions typically only allow minor adjustments, if any, to the original rate base or set of expenses upon which the new owner will be able to earn a return. In essence, the rate base or expense base from a selling utility carries forward to the purchasing utility, irrespective of the price paid for the utility.

Public utilities are also regulated by elected or appointed officials who must answer to the voting populace for decisions, activities, and rate setting practices. In these instances, rates are typically set to cover the cost of operations and any new capital investments, and are not linked to the costs associated with replacing the entire system as a whole.

If a willing buyer, either private or public, were to consider purchasing a utility, it would evaluate the investment in terms of the expected return on the investment in relation to alternative investments available. Therefore, a willing buyer, with a certain level of risk tolerance, would not be able to recoup its investment if it paid a value for the utility similar to the pure RCNLD value developed for SSWWC of \$3 million, since the buyer could earn a greater return on their investment elsewhere at the same level of risk. This rational hypothetical buyer would, therefore, look elsewhere to invest his/her money. This is why this adjustment for economic obsolescence is necessary to properly value the utility under the asset approach.

- **The fair market value of the SSWWC under the Asset Approach on a control, illiquid basis is:**
 - **\$1,570,000 for the invested capital in SSWWC**
 - **\$1,432,000 for the equity in SSWWC**

Section 9: Reconciliation of Value

The following values have been developed under the various approaches:

Exhibit 9-1: Fair Market Value of SSWWC under Different Approaches

Approach/Method	Value of Invested Capital	Value of Equity
Income Approach		
Private Ownership (Section 6.1)	\$ 1,496,000	\$ 1,358,000
Municipal Ownership (Section 6.2)	633,000	495,000
Market Approach (Section 7.3)	\$ 1,501,000	\$ 1,363,000
Asset Approach (Section 8.2)	\$ 1,570,000	\$ 1,432,000

It is important to understand which approaches are most appropriate to valuing this specific set of assets under fair market value, and to appropriately weight each approach to determine the ultimate value of SSWWC.

9.1 Weighting of the Income Approach

As discussed in the Initial Appraisal Report, the income approach is particularly relevant for valuing SSWWC. As it relates to fair market value, the income approach is often seen as the preferred approach for valuing operating companies, including utilities. Revenue Ruling 59-60, which gives guidelines and insights for valuation under fair market value, states:

“In general, the appraiser will accord primary consideration to earnings when valuing stocks of companies which sell products or services to the public...”²⁸

Related to the appropriateness of the income approach, the Institute of Business Appraisers goes on to state:

“Revenue Ruling 59-60 states that earnings are preeminent for the valuation of operating companies. While there can be some debate over what precisely is meant by preeminent, there is little to no disagreement with the message that

²⁸ Internal Revenue Service, Revenue Ruling 59-60: 1959-1, Congressional Bulletin 237, Section 5.

earnings-driven methods should, generally speaking, be the primary method when valuing operating companies”²⁹

The income approach is particularly supportable when valuing regulated utilities. As monopolies, private water utilities are typically regulated since competition is not present to hold rates in check. Regulatory bodies use an allowed return on investment in the company, or “rate base,” to establish what type of income a private entity is allowed to earn. Due to this regulation, the utility is allowed to continue to operate as a monopoly and is generally guaranteed its recovery of reasonable costs and an appropriate return. Therefore, the income producing ability of a regulated utility is much more predictable than that of a non-regulated business.

Given these factors, RFC has assigned a weight of 80% to the income approach under private ownership. No weight has been assigned to the municipal approach as this approach undervalues the utility.

9.2 Weighting of the Market Approach

Generally speaking, the relevance and weighting of the various market approaches are dependent on the number of transactions and the quality of information that is gathered for the guideline public companies or for the utility transactions.

In general, if transactions with similar investment risks are located that are believed to not be affected by synergies of the buyer of the comparable utility, this method might receive significant overall weight. However, this weighting decreases as the investment risks are less similar, or if data is not available that would give additional information of potential synergies. Furthermore, the difficulties in assessing stock transactions can further complicate the application of a significant amount of weight on this method. To the extent there are several transactions, concerns related to synergies are mitigated by the size of the sample, and more weight can be accorded to this method.

Although there were an adequate number of transactions identified in the Direct Market Data Method, several of these transactions were relatively old, and it is difficult to determine, based on the data publicly available if these transactions were truly arms length with willing buyers and sellers without compulsion.

Given these factors, RFC has assigned a weight of 10% to the market approach.

²⁹ Institute of Business Appraisers 8-Day Workshop: Mastering Appraisal Skills for Valuing the Closely Held Business, Chapter 2, page 2.

9.3 Weighting of the Asset Approach

For a relatively new system, there is less controversy in calculating RCNLD since original costs and reproduction costs are not materially different. As a system ages, however, there is increased uncertainty as to the remaining life of facilities. In addition, estimating depreciation can become speculative, particularly when a majority of a system's assets are underground, and adjustments are often necessary for elements of functional obsolescence (assets not used and useful) and economic obsolescence (value that can not be economically justified).

In particular, the economic obsolescence calculation (Exhibit 4-2) has a significant impact on the value under the asset approach. The large discrepancy between the earnings of the system and the required return on the operating assets indicates that an investor could not pay the non-adjusted net asset value and recoup its investment. Instead the non-adjusted net asset value indicates the cost of entry into a monopolistic marketplace. This high RCNLD value in itself, explains why the water industry remains monopolistic.

Since such a large portion of the value of the assets is economically obsolete, little weight should be accorded to this method. Authoritative documents have weighed in on this issue. The Institute of Business Appraisers states:

“...total earnings are less than the market's required return on the investment of the tangibles; hence, they will not sell on a replacement cost fair market value basis as a going concern. The fact the tangibles could not be replaced for less than [the required return on the tangible assets] is not relevant as the report has concluded the fair market value buyer would not buy them for their replacement cost as that investment will not produce the required return. In other words, the buyer would know this material fact – I can get a higher return with this measure of risk or the same return with less risk in alternative investments. Remember the definition of fair market value, the parties have knowledge of the relevant facts and are acting without compulsion.”³⁰

As a result of the investor not being able to recoup such a large portion of his/her investment with significant adjustment for economic obsolescence, the asset method is accorded a weight of only 10%.

9.4 Application of Weighting and Determination of Final Value

Given the issues and relevant weightings discussed in this section, the application of the weighting of the various approaches and the ultimate value of the invested capital in SSWWC is displayed in Exhibit 9-2 and the value of the equity in SSWWC is displayed in Exhibit 9-3:

³⁰ Institute of Business Appraisers 8-Day Workshop: Mastering Appraisal Skills for Valuing the Closely Held Business, Chapter 8, page 10.

Exhibit 9-2: Weighting of Valuation Approaches to Develop Final Value to Invested Capital

Approach/Method	Value of Invested Capital	Weight	Weighted Value
Income Approach			
Private Ownership	\$ 1,496,000	80%	\$1,196,800
Municipal Ownership	633,000	0%	-
Market Approach	\$ 1,501,000	10%	\$ 150,100
Asset Approach	\$ 1,570,000	10%	\$ 157,000
Fair Market Value 100% Interest in Invested Capital of SSWWC on a Control, Illiquid Basis (rounded)			\$1,504,000

Exhibit 9-3: Weighting of Valuation Approaches to Develop Final Value to Equity

Approach/Method	Value of Equity	Weight	Weighted Value
Income Approach			
Private Ownership	\$ 1,358,000	80%	\$1,086,400
Municipal Ownership	495,000	0%	-
Market Approach	\$ 1,363,000	10%	\$ 136,300
Asset Approach	\$ 1,432,000	10%	\$ 143,200
Fair Market Value 100% Interest in Equity of SSWWC on a Control, Illiquid Basis (rounded)			\$1,366,000

- **The fair market value of the SSWWC on a control, illiquid basis is:**
 - **\$1,504,000 for the invested capital in SSWWC**
 - **\$1,366,000 for the equity in SSWWC**

APPENDIX A

TERMS AND DEFINITIONS

TERMINOLOGY

Appraisal Date	The date as of which the appraiser's opinion of value applies
Adjusted Book Value	The book value which results after one or more asset or liability amounts are added, deleted or changed from the respective book amounts
Book Value	(1) With respect to assets, the capitalized cost of an asset less accumulated depreciation, depletion or amortization as it appears on the books of account on the business enterprise. (2) With respect to the business enterprise, the difference between the total assets (net of depreciation, depletion and amortization) and total liabilities of a business enterprise as they appear on the balance sheet. It is synonymous with net book value, net worth and shareholders' equity.
Business Enterprise	A commercial, industrial or service organization pursuing an economic activity.
Capitalization Rate	Any divisor (usually expressed as a percentage) that is used to convert income into value.
Control	The power to direct the management and policies of a business enterprise.
Control Premium	The additional value inherent in the control interest, as contrasted to a minority interest, which reflects its power of control.
Direct Market Data Method	An appraisal method under the Market Approach in which the value of the subject business is estimated by comparing it with the entire market for businesses of the same general type as the subject business.
Discount Rate	A rate of return used to convert a monetary sum, payable or receivable in the future, into present value.
Economic Life	The period over which property may be profitably used
Economic Depreciation	The reduction in value resulting from reductions in economic life. This is commonly different than accounting depreciation, which is the recovery of an item's original cost, through periodic depreciation charges against the item and the earnings of the business enterprise. The pace at which the cost is so recovered is generally dictated by the Internal Revenue

Services' regulations regarding depreciation which are subject to change from time to time, without being motivated by any change in the economic life of the item.

Enterprise Value	The value of the entire business enterprise. It could be stated on a number of premises, including: (i) closely held; (ii) as is freely traded [such as shares in a publicly traded company on an exchange]; (iii) as a controlling interest, or (iv) as a minority interest, or some combination.
Equity	The owner's interest in property after deduction of all liabilities.
Goodwill	That intangible asset which arises as a result of a name, reputation, customer patronage, location, products and similar factors that have not been separately identified and/or valued but which generate economic benefits.
Going Concern	An operating business enterprise, as opposed to a collection of assets and liabilities.
Invested Capital	The sum of the debt and equity in a business enterprise. (Technically, this means debt and equity on a long-term basis, however, realizing the manner in which many closely held businesses use short-term borrowing, this term, unless stated otherwise, will be used to represent equity plus all debt.)
Lack of Control	The inability to control some aspect of either operational matters or matters outside the ordinary course of business due to a contractual restrictions, statutory limitations or concerns related to a possible reaction by other shareholders. (While this term can be used to encompass a minority interest discount, it can also reflect limitations in majority interests.)
Marketability Discount (Lack of)	An amount or percentage deducted from an equity interest to reflect lack of marketability and lack of liquidity.
Minority Interest	Ownership position less than 50% of the voting interest in a business enterprise.
Minority Interest Discount	The reduction, from the pro rata share of the value of the entire business enterprise, which reflects the absence of some or all of the power of control.
Net Assets	Total assets less total liabilities.

Net Tangible Assets	Total assets less intangible assets and total liabilities.
Non-marketable	An interest in a business enterprise for which a freely and actively traded market does not exist.
Normalized	Booked amounts, adjusted to remove elements which are nonrecurring, non-operating, or different than amounts estimated to represent the values which would be put upon them in the marketplace, or otherwise different than amounts estimated for the future.
Rate of Return	An amount of income (loss) and/or change in value realized or anticipated on an investment, during a specific period of time.
Report Date	The date of the report. May be the same or different than the appraisal date.
Working Capital	The amount by which current assets exceed current liabilities.

APPENDIX B

INFORMATION PROVIDED BY
SOUTH SHORE WATER WORKS COMPANY

THE SOUTH SHORE WATER WORKS COMPANY

809 Main Street PO Box 485
South Shore, Kentucky 41175
606/932-3531

August 30, 2006

Mayor Ron Stone
City of South Shore
South Shore, Kentucky 41175

Dear Mayor Stone,

Pursuant to Mr Warnock letter of August 28, 2006 requesting the following information and data. Please be advised that the City of South Shore and its representatives may have access to any information concerning this facility

1 The South Shore Water Works Company (SSWW) serves approximately 2,300 customers. Excluding new water line extensions, historically SSWW installs around 15 new water taps per year. Water sales in gallons sold over the last 5 years averages 134,500,000 gallons per year. Total gallons sold fluctuates do to changes in yearly industry demand. The average residential use is 4,500 gallons per month. This would equate to 138,550,000 by the year 2011.

These projections do not include new subdivisions, or new water line extensions such as the Hardin Lane area (estimated at 50 existing homes) and the Shultz area (60 existing homes just along the main road). It should also be noted that with the anticipated increased activity within the next 5 years along the new Industry Parkway, affordable land would be sought for new housing in the South Shore area. Should such activity occur, demand for new water taps would increase accordingly.

2 SSWW does not have any special water service agreements with any of its customers, please refer to SSWW Rules and Regulations. Lyons Water Hauling is out of business.

On August 3, 2006 the mayor of the city of Greenup informed SSWW that he has been advised by council not to provide emergency water supplement, effectively ending the matter. One may read anything into this, however Greenup's rates and service would be under the Public Service Commission (PSC) and it is believed that Greenup does not want to be under PSC jurisdiction.

3 Five year capital improvement would be the drilling of a new water supply well located at the end of East Ridge Street. A Well Field Recharge Review conducted by Geologic/Environment consultants during 1994 indicated that this location would provide high water yields and quality water. At that time, SSWW was unable to get city permission for the well location. It is believed that this location could produce 250,000 gallons per day. Estimated cost including line to treatment plant, \$25,000.

Ten year capital improvements estimated around \$50,000 consists mostly of replacement and upgrade of water mains within the city being consisting of Hammond, Seventh, Morton Avenues and Morton Lane, Fifth Avenue and alley

Please refer to Amortization Expense included with Depreciation Schedule for details about how certain assets are maintained

4. There have not been any current appraisals of SSWW conducted. Thirty-one years ago a valuation study by FIVCO in 1975 determined the system value was \$909,000.

In 2005, The Kentucky Department of Revenue Office of Property Valuation increased the value for property tax purposes \$210,858 to \$1,278,000 using an income approach based on 2004 net income of \$66,786 and depreciation of \$47,050, a cash flow of \$113,836. In continuing this approach used by the Revenue Office under a municipal operation for 2004: Net Income would be increased by the elimination of \$11,084 property taxes, \$22,477 incomes taxes, \$893 PSC taxes, \$948 dues & fees, \$2,898 stockholder life insurance, \$36,000 in excess stockholder salary (as determined by the PSC), \$14,416 leased vehicles now owned by SSWW, \$9,900 for the office rent (the \$85,000 office building will be included with sale) This alone brings net income to \$165,402 and cash flow of \$212,452. This cost approach valuation would be \$2,385,000. This does not even include other costs that would be eliminated under municipal operation such as sales taxes paid on purchases, stockholder health insurance, pension, car insurance, gasoline and expense accounts.

5. There is not currently any pending conflicts, litigation, licensure, or regulatory compliance issues.

6. See Depreciation Schedule

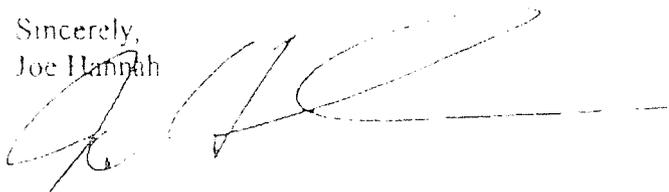
7. See Depreciation Schedule

8. Non-Utility income includes tariff 10% late payment fees, services charges, reconnect fees and service provided to the city of South Shore

9. No

I will make myself available at any time the city and/or its representatives may want to inspect the system and answer any questions

Sincerely,
Joe Hannah



President/stockholder
The South Shore Water Works Company

The South Shore Water Works Company
2005 Depreciation Schedule
 ending December 31, 2005 To 8/15/08 Only

Description	Acquired	Cost/Basis	Life yrs	Prior Dep	2005 Dep
Land					
Land & Rights		4529		0	0
Total Land		\$4,529.00		0	0
Water Wells					
Well #1	1/1/52	3084	50	3084	0
Well #2	1/1/57	3653 82	50	3580 92	72 9
Well #3	1/1/64	5805 06	50	4760 1	116 1
Well #4	1/1/75	5734	50	3440 4	114 68
Well #5	9/1/76	12085	50	7189 3	271 7
Well #6	9/1/77	20462 88	50	11459 28	409 26
Overhaul	11/1/78	2690 67	50	1452 87	53 81
Major Repair	9/1/78	1798 65	50	971 19	35 97
Well #7	1/1/78	22833	50	12329 82	456 66
Major Repair	8/1/80	5389 75	50	2694 75	107 79
Well #8	11/3/83	7140 8	15	7140 8	0
Well #9	12/5/83	6960 8	15	6960 8	0
Water Well	9/27/84	8402 1	15	8402 1	0
Well Structure	3/13/85	205	15	205	0
Improvement	3/29/85	1370 5	15	1370 5	0
W Pump	7/19/85	1631 4	15	1631 4	0
W Pump	9/16/85	126 6	15	126 6	0
Wells	8/19/86	208 92	15	208 92	0
Major Repair	9/16/86	13235 12	50	5029 68	264 72
Wells	10/15/86	343 6	15	343 6	0
Wells	4/1/87	3682 8	15	3682 8	0
Wells	7/15/87	829 48	15	829 48	0
Wells	5/1/91	11210	15	10462 62	747 33
Wells	5/15/92	3201	15	2987 6	213 4
Wells	8/14/92	1600 5	15	1387 1	106 7
Wells	0/0/94	20479 95	40	5632	512
Well #11	0/0/95	22782 85	40	5696 9	569 68
Well #12 E E	4/15/96	830 2	20	415 1	41 51
Well #12 E E	4/15/96	754 95	20	339 75	37 75
Well #12	5/15/96	19517 35	40	4399 54	489 96
Well #12 pump	5/15/96	2706 45	10	2435 85	270 65
Well Sup line	5/15/96	1152 25	40	259 29	28 81
Pump Well #5	5/15/98	3910 85	10	2737 53	391 09
Pump Well #9	5/15/98	4737 5	10	3316 25	473 75
Wells	4/15/99	4941	10	2964 6	494 1
Wells	8/13/99	11884 85	10	7136 94	1188 49
Wells	9/15/99	1120	10	611	112
Motor Well #10	4/14/00	2000	10	1000	200
Pump Well 5,6	5/15/00	5824 8	10	2912 4	582 48
Motor Well #12	8/15/00	2005	10	1002 5	200 5
Pump Well #3	9/15/00	3129	10	1564 5	312 9
Pump Well #11	10/13/00	4184	10	2092	418 4

Improvement 1,2,8	12/18/00	5354	10	2677	535.4
Pump Unit W1	3/15/01	3079	7	1759.44	439.86
Pump Unit W9	8/15/01	2380	7	1360	340
Pump Unit W6	8/16/02	2419	5	1451.4	483.8
Pump Unit W	1/15/03	3091	10	618.2	309.1
Pump Unit W12	3/14/03	4506	10	901.2	450.6
Units W5,6,8	4/15/03	7449	10	1489.8	744.9
Motor Well 4	6/13/03	1856	7	530.28	265.14
Pump Well 12	10/15/03	2982	7	852	426
Pump Unit W 1	1/15/04	2613.75	7	373.39	373.39
Pump Unit W 12	3/15/05	4142.6	7	0	591.8
Pump Unit W 2	5/13/05	3236	7	0	462.29
Pump Unit W 3	9/15/05	3373	7	0	481.86
Pump Unit W 5	10/14/05	2650	7	0	378.57
Pump Unit W 11	12/15/05	3975	7	0	567.86
Pump Unit W 4	3/15/06	3429.25	7		
Piping Well 6	8/15/06	930.41	7		
Total Wells		\$313,113.45		\$158,254.69	\$16,146.66

Building

Pump House	1/1/45	2807.79	40	2807.79	0
Pump House	1/1/53	532.44	40	532.44	0
Pump House	1/1/63	6817.98	40	6817.98	0
Pump House	1/1/72	6015.13	40	4962.54	150.38
Pump House	1/1/73	3969.05	40	3175.36	99.23
Pump House	9/1/76	697.44	40	505.76	17.44
Pump House	2/21/86	240.76	40	114.38	6.02
Pump House	3/31/86	938	40	445.55	23.45
New Roof	12/1/91	24005	40	8401.82	600.13
Garage door	4/8/02	398.3	15	79.65	26.55
Building Improver	9/18/03	750	15	100	50
Building Improver	9/25/03	750	15	100	50
Clearwell Building	10/21/05	10000	40	0	250
Clearwell Building	11/23/05	7000	40	0	175
Clearwell Building	2/15/06	31000	40		
Clearwell Building	3/6/06	5000	40		
Clearwell Building	3/16/06	2500	40		
Clearwell Building	3/22/06	2500	40		
Clearwell Building	5/15/06	500	40		
Total Building		\$106,421.89		\$28,043.27	\$1,448.20

Description	Acquired	Cost/Basis	life yrs	Prior Dep	2005 Dep
Elec.Pump Equipment					
Elec Pump Eq	1/1/53	2250.07	20	2550.07	0
EPE	1/1/57	1698.35	20	1698.35	0
EPE	1/1/58	1192.68	20	1192.68	0
EPE	1/1/60	815.55	20	815.65	0
EPE	1/1/62	1421.4	20	1421.4	0
EPE	1/1/64	1115.57	20	1115.57	0
EPE	1/1/66	462.79	20	462.79	0
EPE	1/1/71	1553.25	20	1553.25	0
EPE	1/1/71	1948.43	20	1946.43	0
EPE	1/1/72	715.85	20	715.85	0

EPE	1/1/72	640 88	20	640 88	0
EPE	1/1/75	525	20	525	0
EPE	9/1/76	4005 75	20	4005 75	0
EPE	12/1/76	4749 08	20	4749 08	0
EPE	4/1/77	913 5	20	913 5	0
EPE	6/1/78	3125 85	20	3125 85	0
EPE	1/1/81	1153 32	20	1153 32	0
EPE	6/1/81	1007 55	20	1007 55	0
EPE	10/1/82	1113	20	1113	0
EPE	8/11/83	1397 76	20	1397 76	0
EPE	10/28/83	960 6	20	960 96	0
EPE	12/29/83	2853 78	20	2853 78	0
EPE	3/19/82	1234 13	20	1234 13	0
EPE	2/10/84	1372 26	20	1372 26	0
EPE	3/9/84	1920 39	20	1920 39	0
EPE	4/20/84	1542 71	20	1542 71	0
EPE	5/10/85	1376 84	20	1376 4	0.04
EPE	10/15/85	1155	20	1155	0
EPE	4/10/85	1443 75	20	1443 76	-0.01
EPE	6/13/86	183 55	20	174 42	9.18
EPE	6/10/87	485	20	436.5	24.25
EPE	2/15/88	2053 61	20	1745 56	102.68
EPE	3/15/88	4038 26	20	2432 49	201.91
EPE	8/26/88	133 76	20	113 73	6.69
Pumps	3/1/91	8767 2	20	6131 04	438.36
Pressure Recd	4/15/92	530 25	20	344 63	26.51
Pumps	9/15/92	4121 5	20	2679 04	206.08
Pumps	10/15/92	4047	20	2630 55	202.35
Pump Filter	5/30/97	2714 66	10	2171 76	271.47
Pump 3 Recon	5/30/97	461 01	10	368 8	46.1
Pump	10/15/97	917 94	10	770 32	97.79
Booster Pump	6/15/98	2178 43	10	1524 88	217.84
Booster Acces	6/15/98	1467 2	10	1027 04	146.72
Booster Install	6/15/98	1200	10	840	120
Booster E Eq	7/15/98	493 97	10	345 8	49.4
Booster E Eq	7/15/98	439 25	10	319 51	43.93
Booster E Eq	7/15/98	832 28	10	582 61	83.23
Pump #2 Acco	8/14/98	2796 15	10	1957 34	279.62
Pump Eq	4/15/99	875	10	525	87.5
Pump Eq	10/15/99	1091 8	10	655 08	109.18
Pump Eq	11/15/99	1170 55	10	702 36	117.06
E P Q filter	2/15/01	552 82	7	315 96	78.99
E P Q	7/16/01	543 88	7	310 8	77.7
Capacitor	6/4/02	5970	20	395 5	298.5
Safety Box p-2	10/15/02	961 63	15	192 36	64.12
EPE	3/14/03	913 09	10	182 62	91.31
EPE	6/13/03	334 47	5	133 78	66.89
Hi Svc pump 2	3/15/04	2698 37	20	144 92	144.92
Saftey Box pump7	7/20/04	874 07	20	43 7	43.7
EPE	2/15/05	1034 15	15	0	68.94
EPE	8/15/05	879 36	15	0	58.62
Hi Svc pump 2	11/15/05	3551	20	0	177.55
Timers	12/15/05	245 6	5	0	49.12
Pump 1 foot valve	1/13/06	815 12	15		

Total E.P. Eq. **\$106,235.32** **\$76,661.22** **\$4,108.24**

Description	Acquired	Cost/Basis	Life yrs	Prior Dep	2005 Dep
Treatment Equipment					
Chlorinator	1/1/59	1260 58	50	1149 66	21 21
Fixtures	1/1/73	1783 4	20	1783 4	0
Fixtures	1/1/75	250	20	250	0
Treatment Eq	9/16/86	674 63	50	256 31	13 49
Sand Filter	9/16/86	44700 4	50	16986 19	894 01
Treatment Eq	3/6/87	2614 96	20	2353 5	130 75
Treatment Eq	5/15/87	1908 62	20	1717 74	95 43
Treatment Eq	2/2/88	25292 39	20	21498 54	1264 62
Test Eq.	3/15/93	575	20	345	28 75
Gasoline pump	6/15/95	6358 94	20	3497 45	317 95
Chlorinator	2/15/97	6167 54	10	4934	616 75
Chemical pump	11/14/97	700 3	10	560 24	70 03
Chemical pump	12/15/97	862 01	10	689 6	86 2
CL2 test Eq	9/15/00	663 95	10	332	66 4
pH test Eq	11/15/00	483 98	10	242	48 4
filter pump unit	2/15/01	2884 04	7	1648 04	412 01
T Eq CL2	2/15/01	507 74	7	290 12	72 53
Filter 3 Media	4/11/03	1168 68	10	233 74	116 87
KMNO4 pump	7/20/04	512 06	7	73 15	73 15
Treatment Eq	7/15/04	428 93	7	61 28	61 28
3 Filter Clocks	4/15/05	6663	15	0	444 2
Foot Valve #7	7/1/05	915 51	10	0	91 55
pH Meter	8/15/05	617 87	7	0	88 27
Repairs Filter 3	9/30/05	600	10	0	60
Media Filter 3	11/15/05	6317 98	10	0	631 8
Diffuser Filter 3	12/15/05	3655 22	15	0	243 68
Filter Media	1/13/06	9047 1	10		
KMNO4 pump	5/17/06	947 45	5		
Filter 2 Piolet Uni	8/15/06	1531 18	10		
Total Treat Eq		\$130,093.46		\$68,901.96	\$6,949.33

Description	Acquired	Cost/Basis	Life yrs	Prior Dep	2005 Dep
Reservoirs					
Reservoir	1/1/46	3224 71	50	3224 71	0
Reservoir	1/1/57	7186 46	50	6899 04	143 73
Reservoir	1/1/58	6494 48	50	6104 83	129 89
Reservoir	1/1/68	6189 01	50	4579 86	123 78
Reservoir	1/1/85	20045 2	40	10022 6	501 13
Reservoir	1/1/87	550	20	522 5	27 5
Tanks	7/1/91	21670 94	50	4207 88	443 42
Reservoir	1/1/91	1275	20	892 5	63 75
Tank	3/31/92	652 5	50	169 65	13 05
Reservoir	3/31/92	1567 2	50	407 42	31 34
Tank	4/30/92	6340	50	1648 4	126 8
PVC	4/15/92	216 31	50	56 29	4 33
SVC	4/15/92	735 92	50	191 36	14 72
Tank	7/17/92	3120	50	811 2	62 4
Clean Clearwall	11/14/97	5550	10	4440	555

K Hollow Resv	1/2/98	2470	40	432 25	61 75
K Hollow Res	6/10/98	1060	40	185 5	26 5
K Hollow Res	6/15/98	7850	40	1373 75	196 25
K Hollow Res	6/15/98	12570	40	2199 75	314 25
K Hollow Res	7/15/98	29330	40	5132 75	733 25
Grav road	9/15/98	480	10	336	48
Maloneton Resv	10/15/98	15000	40	2625	375
Maloneton Res	10/15/98	1233 75	40	215 88	30 84
Maloneton Res	10/15/98	33786	40	5912 55	844 65
Maloneton Res	11/13/98	16893	40	2956 31	422 33
Grav road	11/13/98	545	10	381 5	54 5
Mal R painting	12/15/98	5631	10	3941 7	563 1
Reservior	5/14/99	1657 59	40	248 64	41 44
Fullerton Res	1/15/01	2437 47	15	650	162 5
Fullerton Res	6/14/02	493 65	15	97 73	32 91
Fullerton Res	6/14/02	7000	15	1400 01	466 67
Fullerton Res	7/15/02	6635	15	1326 99	442 33
Morton Res	10/15/02	2500	15	501 01	166 67
Morton Res	11/15/02	1584 2	15	316 83	105 61
Morton Res	11/15/02	9190 5	15	1838 1	612 7
K H. Float Gage	8/15/03	475	15	63 34	31 67
Mal Float G Imp	6/15/04	895	15	59 67	59 67
Morton Harness	6/15/06	790 4	15		
Total Reserviors		\$245,325 31		\$76,373. 50	\$8,033 43

Description	Acquired	Cost/Basis	Life yrs	Prior Dep	2005 Dep
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Distribution Mains

Main #1	1/1/41	824 02	50	824 02	0
2	1/1/45	653 5	50	653 5	0
3	1/1/46	2647 99	50	2647 99	0
4	1/1/47	2100 74	50	2100 74	0
5	1/1/48	109 17	50	109 17	0
6	1/1/50	1017 36	50	1037 36	0
7	1/1/53	1621 07	50	1621 07	0
8	1/1/54	2483 83	50	2483 83	0
9	1/1/55	629 15	50	629	0 15
10	1/1/56	187 92	50	184 24	3 76
11	1/1/57	3783 85	50	3632 64	75 68
12	1/1/60	819 41	50	737 55	16 39
13	1/1/61	67 22	50	59 4	1 35
14	1/1/63	544 75	50	457 6	10 9
14	1/1/63	47 06	50	39 48	0 94
15	1/1/64	217 9	50	178 75	4 36
16	1/1/65	655 52	50	524 4	13 11
17	1/1/65	2188 12	50	1 06 64	43 76
18	1/1/65	28215	50	22007 7	564 3
19	1/1/70	1862 26	50	1303 75	37 25
20	1/1/71	4573 95	50	3110 32	91 48
20	1/1/71	959 74	50	652 46	19 19
21	1/1/72	153 62	50	101 31	3 07
22	1/1/73	8740 17	50	5593 6	174 8
23	1/1/74	4370 23	50	2650 7	87 4
24	1/1/75	1187 6	50	712 5	23 75

Schultz Main	10/1/76	334 88	50	194 3	6 7
Main #25	5/1/77	4140 14	50	2401 2	82 8
	26 6/1/77	4006 95	50	2213 92	80 14
New Line	6/1/78	1040 82	50	562 22	20 84
T&DM	4/13/84	401 89	50	168 84	8 04
TDM	12/10/84	567 41	50	238 11	11 32
TDM	12/14/84	2863 82	50	1202 88	57 28
TDM	12/20/84	119 7	50	50 19	2 39
TDM	12/20/84	419 87	50	176 4	8 4
TDM	12/31/84	225 72	50	94 71	4 51
TDM	12/31/84	997 5	50	348 95	19 95
TDM	12/31/84	213 75	50	89 88	4 28
TDM	12/31/84	68 4	50	91 97	1 37
TDM	1/1/85	11292 31	50	5646 2	282 31
Mains	3/7/86	534 09	50	202 92	10 68
Mains	4/16/86	87 75	50	33 44	1 76
Mains	5/16/86	2735 22	50	1039 3	54 7
Mains	7/8/86	626 98	50	238 26	12 54
Mains	7/25/86	369 93	50	140 6	7 4
Mains	9/15/87	458 02	50	164 88	9 16
T&DM	5/13/88	702 58	50	238 85	14 05
TDM	6/17/88	865 4	50	294 27	17 31
TDM	7/8/88	4985 6	50	1695 07	99 71
TDM	8/5/88	2870 95	50	925 14	54 42
TDM	10/21/88	689 26	50	133 11	13 79
Mains	1/1/86	6323 4	50	4932 34	126 47
Pit Main	3/13/92	843 6	50	219 31	16 87
Pit Main	4/15/92	78 55	50	20 41	1 57
Mains	4/15/93	460 62	50	119 73	9 21
Mains	5/7/93	271 89	50	65 28	5 44
Mains	9/15/93	1787 62	50	429	35 75
Mains	0/0/95	2649 08	40	662 3	66 23
Mains	7/15/96	205 77	40	246 89	5 14
Mains	8/15/96	891 9	40	200 7	22 3
Mains	8/15/96	452 84	40	101 88	11 32
Mains	11/15/97	19330 17	40	3866	483 25
Mains	11/15/97	4000	40	800	100
Mains	12/1/97	1800	40	360	45
Mains	12/15/97	14300	40	2760	357 5
Mains	12/15/97	4337	40	867 44	108 43
Mains	12/15/97	615 42	40	126 12	15 39
Mains	12/15/97	8366 84	40	1673 36	209 17
Bank Closing	12/15/97	668	20	267 2	33 4
PSC 94 188	0/0/93	392	10	392	0
PSC 94 188	0/0/93	639	10	639	0
PSC 94 188	0/0/93	2728	10	2728	0
PSC 94 188	0/0/93	10576	10	10676	0
PSC 97-321	0/0/96	1720	40	387 09	43 01
Mains	11/14/97	409 9	40	82	10 25
W Oak Main	1/98	5470	40	957 25	136 75
Fullerton Main	3/6/98	3630	40	635 25	90 75
Fullerton Main	3/20/98	822 87	40	143 99	20 57
SS Drive Alley	3/24/98	6377 78	40	1116 08	159 44
K Hollow Main	3/30/98	2061	40	360 71	51 53

K Hollow Main	3/30/98	3646 3	40	637 12	91 16
Mains	1/14/00	606 14	40	75 75	15 15
Mains	1/14/00	1396 11	40	177 2	34 9
Mains	3/24/00	135	40	16 9	3 38
Mains	3/24/00	420	40	52 5	10 5
Main Rt 7	4/19/00	3000	40	375	75
Main Rt 7	5/10/00	9066 21	40	1133 3	226 66
Main Rt 7	5/10/00	10000	40	1250	250
Main Rt 7	5/22/00	5450	40	681 25	136 25
Main 4th Street	5/30/00	1565	40	195 65	39 13
Main Mal Tank	6/15/00	4264 06	40	533	106 6
Main Mal Tank	6/9/00	4904	40	613	122 6
Main Rt 7	6/15/00	5450	40	681 25	136 25
Main Rt 7	6/15/00	3500	40	437 5	87 5
Main Adv	6/13/03	736 48	40	36 82	18 41
Main Adv	5/14/04	300	40	7 5	7 5
Mains	12/15/04	1245 64	40	31 14	31 14
Mains	7/1/06	1472 93	40		
Total Mains*		\$271,747.21		\$117,116.76	\$6,814 36

*note. CIAC Mains separate, see Detailed Description of CIAC

Description	Acquired	Cost/Basis	Life yrs	Prior Dep	2005 Dep
Hydrants & Services					
Hydrants	1/1/47	650	50	650	0
Hydrants	1/1/66	480 97	50	375 18	9 62
Hydrant	10/1/78	632 63	50	341 55	12 65
Hydrant	10/30/85	489 14	15	489 14	0
Services	2/21/86	122 28	50	46 55	2 45
Services	5/16/86	929 42	50	363 21	18 59
Hydrants	3/28/86	3167 64	50	177 38	63 35
Hydrants	5/16/86	1129 58	50	429 21	22 59
Labor	9/30/86	1208	50	459 04	24 16
Labor	4/30/87	536 09	50	192 96	10 72
Labor	6/10/87	1374 63	50	494 82	27 49
Labor	7/15/87	1456 67	50	524 34	29 13
Labor	8/14/87	1372 23	50	493 62	27 44
Labor	9/1/87	1029 84	50	370 8	20 6
Labor	10/9/87	1794 6	50	646 02	35 89
Labor	11/13/87	841 38	50	302 94	16 83
Labor	12/15/87	657 5	50	236 7	13 15
Services	6/15/88	246 33	50	84 49	4 97
Services	7/15/88	3172 45	50	1078 65	63 45
Services	8/5/88	3230 43	50	1098 38	64 61
Services	9/15/88	2375 91	50	60 84	47 52
Hydrants	9/15/88	1326 54	50	451 01	26 53
Services	10/14/88	541 6	50	184 11	10 83
Hydrants	10/14/88	1747 73	50	594 15	34 95
Hydrants	11/15/88	1662 92	50	565 42	33 26
Hydrants	3/13/92	1520 01	15	1215 79	101 33
Service	7/15/92	824 75	15	714 71	54 98
Hydrants	9/15/92	319 84	15	277 16	21 32
Services	5/16/96	1263 29	40	281 97	31 33
Service	6/15/96	884 21	40	153 99	17 11

Service	7/15/96	533.2	40	119.97	13.33
Service	9/15/96	1312.61	40	335.37	32.82
Service	4/15/97	1019.3	40	203.84	25.48
Service	5/30/97	1155.92	40	231.2	28.9
Service	7/15/97	560.5	40	112.08	14.01
Service	8/15/97	386.16	40	77.2	9.65
Service	9/15/97	410.93	40	82.61	10.27
Service	9/15/97	3296.92	40	659.36	82.42
Service	10/15/97	751.16	40	150.24	18.78
Service	10/15/97	600	40	120	15
Service	11/14/97	706.3	40	138.28	17.66
Service	12/15/97	6671.91	40	1334.4	166.8
Services	1/2/98	600	40	105	15
Services	1/8/98	125	40	21.91	3.13
Services	1/15/98	286.95	40	50.19	7.17
Services	1/15/98	900	40	157.5	22.5
Services	3/16/98	566.79	40	99.19	14.17
Services	4/15/98	2276.06	40	398.3	56.9
Services	7/15/98	1125	40	196.91	28.13
Services	7/15/98	1102.85	40	192.99	27.57
Services	10/15/98	1061.17	40	185.71	26.53
Services	1/15/02	1075.13	40	80.61	26.87
Services	1/15/02	918.86	40	68.91	22.97
Services	6/14/02	469.18	40	35.19	11.73
Services	8/15/02	903.36	40	68.74	22.58
2 Flush Hyds	9/13/02	865.01	40	64.89	21.63
Services	11/15/02	863.68	40	64.77	21.59
Services	12/13/02	560	40	42	14
Services	12/20/02	800	40	60	20
CIAC Tap Fees	1/31/02	-800	40	-60	-20
CIAC Tap Fees	6/28/02	-1200	40	-90	-30
CIAC Tap Fees	7/31/02	-800	40	-60	-20
CIAC Tap Fees	8/30/02	-800	40	-60	-20
CIAC Tap Fees	9/30/02	-800	40	-60	-20
CIAC Tap Fees	10/31/02	-1710	40	-128.25	-42.75
CIAC Tap Fees	11/30/02	-400	40	-30	-10
CIAC Tap Fees	12/31/02	-800	40	-60	-20
CIAC	1/31/03	-400	40	-20	-10
Services	2/14/03	679.57	40	33.98	16.99
Services	5/15/03	700	40	35	17.5
Services	5/15/03	1117.21	40	55.86	27.93
CIAC	5/31/03	-800	40	-40	-20
Services	6/13/03	784.15	40	39.2	19.6
CIAC	6/30/03	-400	40	-20	-10
Services	7/15/03	501.36	40	30.06	15.03
Services	7/15/03	430	40	21.5	10.75
CIAC	8/30/03	-400	40	-20	-10
Svc & Hyd	9/15/03	3236.1	40	161.82	80.91
CIAC	9/30/03	-1200	40	-60	-30
CIAC	10/31/03	-800	40	-40	-20
Services	11/14/03	628.09	40	31.4	15.7
Services	12/19/03	478.91	40	23.84	11.92
Services	2/13/04	360	40	9	9
Services	3/15/04	1038.6	40	25.97	25.97

Services	5/14/04	380	40	9 5	9 5
Services	8/13/04	480 93	40	12 02	12 02
F Hyd Main St	9/15/04	1323	40	33 08	33 08
Services	10/15/04	592 67	40	14 82	14 82
Services	10/21/04	361 95	40	9 05	9 05
CIAC	1/31/04	-1200	40	-30	-30
CIAC	2/29/04	-1250	40	-31 25	-31 25
CIAC	2/29/04	-400	40	-10	-10
CIAC	3/31/04	-50	40	-1 25	-1 25
CIAC	3/31/04	-400	40	-10	-10
CIAC	5/31/04	-400	40	-10	-10
CIAC	7/30/04	-1500	40	-37 5	-37 5
CIAC	11/30/04	-400	40	-10	-10
Services	4/15/05	607 47	40	0	15 19
Services	5/13/05	248 04	40	0	6 2
Services	5/13/05	300	40	0	7 5
Services	7/15/05	862 89	40	0	21 57
Services	9/15/05	716 83	40	0	17 92
Services	12/23/05	600 96	40	0	15 02
CIAC	yr 2005	-8950	40	0	-223 75
Services	4/14/06	1524 92	40		
Services	6/1/06	1011 08	40		
Services	6/15/06	803 8	40		
Total Hyds Ser*		\$62,692 89		\$19,216 34	\$1,411 11

* note see Detailed Description of CIAC for information, CIAC Mains and Services

Description	Acquired	Cost/Basis	Life yrs	Prior Dep	2005 Dep
Meters					
Meter 1	1/1/50	175	25	175	0
Meters 2	1/1/54	4529 56	25	4529 56	0
	3 1/1/55	9746 19	25	9746 19	0
	4 1/1/56	7538 78	25	7538 78	0
	5 1/1/57	1823 01	25	1823 01	0
	6 1/1/59	1585	25	1585	0
	7 1/1/59	2431 89	25	2431 89	0
	8 1/1/60	2103 64	25	2103 64	0
	10 1/1/62	787 98	25	787 98	0
	11 1/1/63	1707 71	25	1717 71	0
	12 1/1/64	1770 33	25	1770 33	0
	13 1/1/65	3557 74	25	2557 74	0
	14 1/1/69	3112 01	25	3112 01	0
	15 1/1/71	2772 21	25	2772 21	0
	16 1/1/72	2071 15	25	2071 15	0
	17 1/1/73	4076 67	25	4076 67	0
	18 1/1/74	2592	25	2592	0
	19 1/1/75	9426	25	9426	0
34 Meters	2/1/76	528	25	528	0
36 Meters	3/1/76	792	25	792	0
2 Meters	5/1/76	276 1	25	276 1	0
Meter	5/1/76	353 09	25	356 09	0
Meter	5/1/76	259 19	25	259 19	0
Meters	7/1/76	200	25	200	0
36 Meters	7/1/76	900	25	900	0

30 Meters	10/1/76	762 04	25	762 04	0
Meter Acc	4/1/76	824 58	25	824 58	0
Meters	5/1/76	1158 37	25	1158 37	0
Meters	10/1/76	10141 99	25	10141 99	0
Meters	10/1/76	488 51	25	488 51	0
Meters	11/1/76	4130 27	25	4130 27	0
Meters	12/1/76	348 46	25	348 46	0
Meters	6/1/77	2478 36	25	2478 36	0
Meters	2/1/78	468	25	468	0
Meters	6/1/78	487 22	25	487 22	0
Meters	8/1/78	482 4	25	482 4	0
Meters	9/1/78	496 8	25	496 8	0
Meters	4/1/79	273 61	25	273 61	0
18 Meters	5/1/79	528 9	25	528 9	0
Meters	8/1/79	349 44	25	349 44	0
Meters	9/1/79	349 44	25	349 44	0
Meters	10/1/79	397	25	397	0
Meters	4/1/80	363 72	25	363 75	-0.03
Meters	5/1/80	171 24	25	171 25	-0.01
Meters	6/1/80	3422 5	25	3322.5	0
Meters	9/1/80	226 2	25	226 25	-0.05
Meters	10/1/80	989 18	25	989 25	-0.07
Meters	12/1/80	586 84	25	686 75	0.09
Meters	3/1/81	1082 23	25	1038 96	43 29
Meters	8/1/80	857 04	25	857	0 04
Meters	8/11/83	288 66	25	254 1	11 55
Meters	11/15/83	825 66	25	726 66	33 03
Meters	4/10/85	289 08	15	289 08	0
Meters	8/19/85	1485 59	15	1485 59	0
Meters	12/9/85	371 47	15	371 47	0
Meters	5/16/86	937 67	15	937 65	0
Meters	10/27/87	260	15	260	0
Meters	11/15/88	955 8	15	955 8	0
Meters	2/1/91	1101 63	15	1028 16	73 44
Test Bench	1/1/92	8750	15	8450	650
Meters	1/1/61	1794 69	25	1794 69	0
Meters	2/15/93	181 33	25	87	7 25
Meters	3/15/93	199 99	25	96	8
Meters	7/15/93	397 82	25	190 92	15 91
Meters	11/16/93	109 39	25	52 56	4 38
Meters 36	2/15/96	1139 4	20	512 73	56 97
Meters 18	3/15/96	569 22	20	256 14	28 46
Meters 60	4/15/96	2010 28	20	904 59	100 51
Meters 18	5/15/96	570 24	20	256 59	28 51
Meters 42	6/15/96	1361 84	20	612 81	68 09
Meters 18	7/15/96	570 24	20	256 59	28 51
Meters 18	8/15/96	566 8	20	265 06	29 34
Meters 18	9/15/96	572 76	20	257 76	28 64
Meters 18	10/15/96	576 65	20	259 47	28 83
Meters 18	11/15/96	572 76	20	257 76	28 64
Meters 18	12/15/96	572 76	20	257 76	28 64
Meters 18	1/15/97	572 76	20	229 12	28 64
Meters 18	2/15/97	572 76	20	228 88	28 61
Meters 18	3/15/97	566 1	20	326 48	28 31

Meters 18	4/15/97	570 09	20	228	28 5
Meters 18	5/15/97	566 1	20	221 48	28 31
Meters 18	5/30/97	569 67	20	227 84	28 48
Meters 18	7/15/97	570 09	20	228	28 5
Meters 18	8/15/97	569 67	20	227 84	28 48
Meters 18	9/15/97	570 09	20	228	28 5
Meters 18	10/15/97	569 67	20	227 84	28 48
Meters 18	11/14/97	550 98	20	220 4	27 55
Meters 18	12/15/97	570 09	20	228	28 5
Meters		365 48		365 48	0
18 Meters	1/15/98	573 52	20	200 76	28 68
1inch Meters 4	7/15/98	351 25	20	122 92	17 56
4" Plant Meter	7/15/98	1184 04	10	828 8	118 4
Meters 6	4/15/99	195 44	20	58 62	9 77
Meters 12	5/14/99	387 1	20	116 16	19 36
Meters 12	7/15/99	426 1	20	127 86	21 31
Meters 6	8/13/99	214 84	20	64 5	10 75
Meters 12	10/15/99	429 87	20	128 94	21 49
Meters 12	11/15/99	430 2	20	111 06	21 51
Meters 12	12/15/99	429 88	20	128 94	21 49
24 Meters	4/14/00	854 64	20	213 68	42 73
12 Meters	7/14/00	442 32	20	110 6	22 12
12 Meters	8/15/00	442 32	20	110 6	22 12
12 Meters	9/15/00	438 54	20	109 65	21 93
Meters 6	5/15/01	179 04	20	35 8	8 95
12 Meters	7/13/01	427 32	20	85 48	21 37
12 Meters	1/15/02	438 16	20	65 73	21 91
2 Plant Meters	2/22/02	2920 68	10	876 21	292 07
18 Meters	6/14/02	680 53	20	102 09	34 03
12 Meters	8/15/02	439 05	20	65 85	21 95
18 Meters	11/15/02	661 18	20	99 18	33 06
18 Meters	6/13/03	666 33	20	66 64	33 32
24 Meters	9/15/03	879 14	20	87 92	43 96
24 Meters	12/15/03	879 59	20	87 96	43 98
36 Meters	7/15/04	1272 64	20	63 63	63 63
24 Meters	9/15/04	893 34	20	44 67	44 67
12 Meters	10/21/04	471 71	20	23 59	23 59
12 Meters	12/15/04	472 11	20	23 61	23 61
18 Meters	5/13/05	682 74	20	0	34 14
18 Meters	8/15/05	671 39	20	0	33 57
18 Meters	11/15/05	640 98	20	0	32 05
2 Plant Meters	11/15/05	3068 7	5	0	613 74
24 Meters	12/15/05	882 66	20	0	44 13
Plant Meter	1/13/06	840 26	5		
36 Meters	4/14/06	1337 42	20		
36 Meters	5/19/06	1341 13	20		
42 Meters	8/15/06	1495 62	20		
Total Meters		\$161,281.75		\$124,375 10	\$3,608.77

Description	Acquired	Cost/Basis	Life yrs	Prior Dep	2005 Dep
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Office Equipment

Office Eq	1/1/57	444 7	20	444 7	0
Office Eq	1/1/58	544 34	20	544 34	0

Office Eq	1/1/62	182 24	20	182 24	0
Office Eq	1/1/63	200 83	20	200 83	0
Office Eq	1/1/65	206	20	206	0
Office Eq	1/1/66	159 4	20	159 4	0
W. Talkie	3/17/70	327 51	20	327 51	0
Safe	3/1/71	60	20	60	0
Scribe 75	1/1/72	238 5	20	238 5	0
Desk Top	11/1/74	67 5	20	67 5	0
Office Eq	1/1/75	282 45	20	282 45	0
Victor Ca	5/1/76	156 98	20	156 98	0
Calculator	10/1/78	104 95	20	104 95	0
Furnace	2/22/85	990 53	20	990 6	-0 07
Furnace	10/1/91	1294	20	905 7	64.7
Computer	7/9/93	5245	10	5245	0
Computer	11/15/96	2925 6	7	2925 6	0
Printer	12/15/96	947 64	7	947 64	0
Parking Lot	1/1/65	2830 89		2830 89	0
Storage	1/1/66	478 86		478 86	0
Improvement	1/1/66	419 45		419 45	0
Furniture	4/15/97	3045.13	15	1624 08	203 01
Copier	12/15/97	1533	7	1533	0
Office Eq	3/15/99	292 86	7	251 04	41 84
Comp System	1/14/00	2936 47	10	1468 25	293 65
Printer	8/15/02	724	7	310 29	103 43
Copier Al1551cs	11/15/02	949 99	7	404 13	135 71
Comp Eq	1/13/04	162 5	7	23 21	23 21
Billing Program	1/15/04	2904	15	193 6	193 6
Comp Ep	1/16/04	217 97	7	31 14	31 14
Comp Eq	1/23/04	712 96	7	101 85	101 85
Billing Computer	2/13/04	5204 94	10	520 49	520 49
Billing Program	3/15/04	3310 61	15	220 71	220 71
Billing Printer	7/15/04	447 32	7	63 9	63 9
Cash Register	6/9/06	274	5		
Total Off. Eq		\$40,823.12		\$24,464.83	\$1,997.17

Description	Acquired	Cost/Basis	Life yrs	Prior Dep	2005 Dep
Tools & Equipment					
P Hole Digger	1/1/62	250	20	250	0
Bush Hog	1/1/62	217	20	217	0
Welder	1/1/63	511 31	20	511 31	0
14 ft boat	1/1/64	194 67	20	194 67	0
Pressure gage	1/1/64	13 84	20	13 84	0
Power Mower	1/1/69	57 63	20	57 36	0
1972 ford	2/1/71	4380 84	5	4380 84	0
Pipe push	1/1/71	855 75	20	855 75	0
Utility	1/1/73	933 21	5	933 21	0
Dynamark	1/1/73	429	20	429	0
Fire Ext	11/1/74	133 35	20	133 35	0
Tools	5/27/82	914 33	20	914 33	0
Chemicals	2/15/85	220 5	20	220 4	0 1
Pipe Cutter	10/11/85	79.79	20	79 8	-0 01
Battery	12/9/85	51 4	10	51 4	0
Tools	8/19/86	218 12	20	207 29	10 91

Copier	3/20/92	1035	10	1035	0
Cash Register	3/20/92	110	10	110	0
Lawn Mower	6/15/92	1059.94	7	1059.94	0
Tools	10/15/97	590.61	10	472.48	59.06
Pressure Rec	4/15/98	618.83	7	618.8	0.03
Pressure switch	9/15/98	146.92	7	146.93	-0.01
JD tractor	4/2/99	7420	7	6360	1060
Tools	7/15/99	823.36	7	705.72	117.62
pump part	5/10/00	240	10	120	24
Tractor Mower	5/15/02	960.51	10	288.25	96.05
Dickson Recorder	10/15/03	608	7	173.72	86.86
JD 300E B-Hoe	8/20/04	32500	15	2166.67	2166.67
2003 GMC	10/28/05	9093.03	5	0	1818.61
2003 GMC	10/28/05	9093.03	5	0	1818.61
Truck Transmissi	11/21/05	2266.42	5	0	453.28
Total Tools & Eq		\$76,026.39		\$22,707.06	\$7,711.78
Sub Total		\$1,518,289.79		\$706,113.72	\$55,927.55

The South Shore Water Works Company 2005
Detailed Description of CIAC
 ending December 31, 2005

Description	Acquired	Cost/Basis	Life yrs	Prior Amz	2005 Amz
Contributions In Aid of Construction					
CIAC Mains	1/1/41	2067.29	50	2067.29	0
	1/1/45	1639.49	50	1639.49	0
	1/1/46	6643.21	50	6643.21	0
	1/1/47	5270.29	50	5270.29	0
	1/1/48	273.88	50	273.88	0
	1/1/50	2552.32	50	2552.32	0
	1/1/53	4066.88	50	4066.88	0
	1/1/54	6231.35	50	6231.35	0
	1/1/55	1578.41	50	1578.5	-0.09
	1/1/56	471.44	50	452.07	9.43
	1/1/57	9492.8	50	9111.43	189.56
	1/1/60	2055.73	50	1849.95	41.11
	1/1/61	169.89	50	149.6	3.4
	1/1/63	1366.65	50	1147.66	27.33
	1/1/63	118.03	50	99.12	2.36
	1/1/64	546.67	50	449.63	10.93
	1/1/65	1644.56	50	1319.6	32.89
	1/1/66	5489.51	50	4287.81	109.79
	1/1/66	7078.5	50	5521.23	1415.7
	1/1/70	4571.93	50	3270.4	93.44
	1/1/71	11474.99	50	7803	229.5
	1/1/71	2407.78	50	1637.44	48.16
	1/1/72	385.38	50	254.43	7.71
	1/1/73	21927.11	50	14033.28	438.54
	1/1/74	10963.92	50	6797.68	219.28
	1/1/75	2979.4	50	1787.7	59.59

1/1/76	840.12	50	487.2	16.8
5/1/77	10386.66	50	5816.44	207.73
6/1/77	10052.53	50	5629.85	201.05
6/1/78	2611.19	50	1409.94	52.22
4/13/84	1008.25	50	423.57	20.17
12/10/84	1423.5	50	647.87	28.47
12/14/84	7184.68	50	3287.49	143.69
12/20/84	300.3	50	126.21	6.01
12/20/84	1053.37	50	442.47	21.07
12/31/84	566.28	50	237.93	11.33
12/31/84	2502.5	50	1051.05	50.05
12/31/84	536.25	50	225.33	10.73
12/31/84	171.6	50	72.03	3.43
1/1/85	28329.83	50	14165	708.25
3/7/86	1339.91	50	509.2	28.8
4/16/86	220.15	50	83.6	4.4
5/16/86	6862.05	50	2607.56	137.24
7/8/86	1572.95	50	597.74	31.48
7/25/86	928.07	50	352.64	18.56
9/15/87	1149.07	50	413.64	22.98
5/13/88	1762.6	50	596.25	35.25
6/17/88	2171.08	50	738.14	43.42
7/8/88	12507.74	50	4252.76	250.15
8/5/88	7202.56	50	2448.85	144.05
10/21/88	1729.19	50	587.86	34.58
1/1/66	15863.96	50	12373.92	317.28
3/13/92	2116.4	50	550.29	42.33
4/15/92	197.05	50	51.22	3.94
4/15/92	1155.59	50	277.32	23.11
5/7/93	682.11	50	163.68	13.64
9/15/93	4484.74	50	1076.28	89.69
0/0/95	6645.92	40	1661.5	166.15
7/15/96	516.23	40	116.19	12.91
8/15/96	2187.4	40	522.21	64.69
8/15/96	1802.16	40	405.45	45.05
7/4/97	325	40	65.04	8.13
8/15/97	510.7	40	102.16	12.77
8/15/97	1525	40	305.04	38.13
9/15/97	6000	40	1200	150
9/15/97	2313.74	40	462.72	57.84
10/3/97	350	40	71	8.75
10/15/97	1048.61	40	209.76	26.22
10/15/97	3750	40	750	93.75
10/15/97	3000	40	600	75
10/15/97	780.95	40	156.16	19.52
10/20/97	924	40	184.8	23.1
10/31/97	2500	40	500	62.5
10/31/97	2500	40	500	62.5
11/14/97	5310.9	40	1062.06	132.77
11/14/97	3920	40	784	98
11/14/97	315	40	63.04	7.88
11/14/97	6152	40	1230.4	153.8
11/14/97	13990.1	40	2798	349.75
K. Hollow Main 3/30	1017.02	40	177.94	25.42

K. Hollow Main	3/30/98	3435	40	601 16	85 88
SS Drive Alley	4/8/98	1594 44	40	279 02	39 86
K. Hollow Main	4/14/98	1205	40	210 91	30 13
Mains	4/15/98	2196 32	40	444 63	54 91
Mains	4/15/98	526 1	40	92 05	13 15
Mains	4/15/98	1701 07	40	297 71	42 53
W. Oak Main	5/15/98	2508	40	438 9	62 7
Booster Main	8/14/98	816 54	40	140 98	20 14
Booster Main	8/14/98	1594 31	40	279.02	39 86
Booster Main	8/14/98	1780	40	311 5	44 5
Mains	9/15/98	917 47	40	472 01	22 93
Grant Ext	12/15/98	4445	40	777 91	111 13
Grant Ext	12/15/98	3670 73	40	642 39	91 77
Grant Ext	12/15/98	4100	40	717 5	102 5
Grant Ext	12/31/98	972	40	170 1	24 3
Mains	2/15/99	201 4	40	30 24	5 04
Mains	10/15/99	2210	40	331 5	55 25
Mains	11/15/99	6954 35	40	1043 16	173 86
Mains	12/15/99	4556 19	40	683 4	113 9
Services	2/15/99	579.19	40	86 88	14 48
	3/15/99	504 32	40	75 66	12 61
	6/15/99	560 26	40	84 06	14 01
	7/15/99	1185 98	40	177 9	29 65
	8/13/99	1228 12	40	184 2	30 7
	9/15/99	5172 88	40	775 92	129 32
	10/15/99	1395 65	40	209 34	34 89
	11/15/99	224 3	40	33 62	5 61
	12/15/99	175 7	40	26 34	4 39
Reservoir	5/14/99	201 66	40	30 24	5 04
Services	3/15/00	1189 1	40	148 65	29 73
Main Mal Tank	6/15/00	6334 18	40	791 75	158 35
Services	8/15/00	731 36	40	91 4	18 28
Services	9/15/00	595 36	40	74 4	14 88
Services	1/15/01	270	40	27	6 75
Services	2/15/01	798 14	40	49 12	12 28
Services	4/15/01	1700 99	40	170 08	42 52
Services	4/18/01	240	40	24	6
Meters	5/15/01	466 16	20	93 24	23 31
Services	8/15/01	1476 83	40	147 68	36 92
Services	11/15/01	800	40	80	20
Services	12/14/01	757 88	40	77 6	18 95
Services	1/31/02	800	40	60	20
Services	6/28/02	1200	40	90	30
Services	7/31/02	800	40	60	20
Services	8/30/02	300	40	60	20
Greenup 2 Taps	9/13/02	5000	40	375	125
Services	9/30/02	800	40	60	20
Services	10/31/02	1710	40	126 25	42 75
Services	11/30/02	400	40	30	10
Services	12/31/02	800	40	60	20
Services	1/31/03	400	40	20	10
Services	5/31/03	800	40	40	20
Services	6/30/03	400	40	20	10
Services	8/30/03	400	40	20	10

Services	9/30/03	1200	40	60	30
Services	10/31/03	800	40	40	20
Services	1/31/04	1200	40	30	30
Services	2/29/04	1250	40	31 25	31 25
Services	2/29/04	400	40	10	10
Services	3/31/04	50	40	1 25	1 25
Services	3/31/04	400	40	10	10
Services	5/31/04	400	40	10	10
Services	7/30/04	1500	40	37 5	37 5
Services	11/30/04	400	40	10	10
Services	yr 2005	8950	40	0	223 75
Total CIAC		\$476,403.00		\$228,302.78	\$9,927.66

Total Plant **\$1,994,492.79** **\$934,416.50** **\$65,855.20**

**The South Shore Water Works Company 2005
Detailed Description of Amortization
ending December 31, 2005**

Description	Date	Amount	yrs	Prior Amz	2005 Amz
Reservoir Maint.					
Fullerton Resv	7/15/02	17475	10	5242 5	1747 5
Morton Resv	9/20/02	850	10	255	85
Morton Resv	10/15/02	5778	10	1734 4	577 8
Morton Resv	11/15/02	3216 4	10	964 92	321 64
Morton Resv	11/15/02	12659 5	10	3797 85	1265 95
Morton Resv	11/15/02	6000	10	1800	600
Morton Resv	7/15/03	7900	10	1580	790
Windy Hill Resv	9/15/03	13080	10	2616	1308
Reservoir Total		\$66,958.90		\$17,990.67	\$6,695.89
Accounting					
PSC #2002-108	3/15/02	600	3	600	0
PSC #2003-044	2/18/04	300	3	100	100
Total Accounting		\$900.00		\$700.00	\$100.00
Legal					
PSC #2002-108	5/15/02	4305	3	4305	0
Publish Rates	5/1/02	282 9	3	282 9	0
PSC #2002-108	9/27/02	1592 76	3	1592 76	0
PSC #2002-108	10/15/02	193	3	192 99	0 01
PSC #2002-003	2/15/02	1273 87	3	1273 86	0 01
PSC #2002-003	4/15/02	714 54	3	714 54	0
PSC #2002-003	4/15/02	30	3	30	0
PSC #2002-003	6/14/02	8773 1	3	8773 11	-0 01
PSC #2002-003	8/14/02	234 24	3	324 24	0
PSC #2002-003	8/15/02	4861 42	3	4861 41	0 01

PSC #2002-003	9/27/02	1477.3	3	1477.29	0.01
PSC #2002-003	10/15/02	233.4	3	233.4	77.8
PSC #2003-044	3/14/03	1118.6	3	745.74	372.87
PSC #2003-044	3/14/03	271.35	3	180.9	90.45
PSC #2003-044	4/15/03	16.42	3	10.94	5.47
PSC #2003-044	8/15/03	41.4	3	27.6	13.8
PSC #2003-044	4/15/03	2129.8	3	1419.86	709.93
PSC #2003-003	7/20/04	207.46	3	69.15	69.15
PSC #2003-003	8/13/04	537.9	3	179.3	179.3
PSC #2003-003	10/15/04	160	3	53.33	53.33
PSC #2003-003	12/1/04	48	3	16	16
Greenup-003	1/14/05	4304.9	3	0	1434.97
Greenup	2/15/05	7768.1	3	0	2589.37
Greenup	3/15/05	103.5	3	0	34.5
Greenup	6/1/05	35.5	3	0	11.83
Greenup	7/1/05	6418.6	3	0	2139.87
Greenup	8/15/05	7323.3	3	0	2441.1
Greenup	10/14/05	165.4	3	0	55.13
Greenup	11/15/05	486.8	3	0	162.27
Greenup	2/1/06	725	3		
Greenup	4/1/06	638	3		
Greenup	4/14/06	554.2	3		
Greenup	5/19/06	1272.3	3		
Greenup	7/1/06	67.5	3		
Greenup	8/15/06	227.6	3		
Total Legal		\$58,594.16		\$26,764.32	\$10,457.17

Well Cleaning

Well 6	5/15/95	4165	5	4165	0
Well 9	12/19/95	4177.5	5	4177.5	0
Well 10	5/17/96	2125	5	2125	0
Well 4	1/15/97	3307.5	5	3307.5	0
Well 3	5/15/97	4190	5	4190	0
Well 5	5/15/98	5312.85	5	5312.85	0
Well 2	4/15/99	4941	5	4941	0
Well 9	8/15/00	3650	5	3650	0
Well 11 & 12	9/15/00	4930	5	4930	0
Muriatic Acid	8/15/00	400	5	400	0
Well 2	12/15/00	1350	5	1350	0
Well 1	12/15/00	1350	5	1350	0
Well 8	12/15/00	1350	5	1350	0
Muriatic Acid	11/15/00	270.04	5	270.05	-0.01
Muriatic Acid	11/15/00	169.18	5	169.2	-0.02
Muriatic Acid	11/15/00	169.18	5	169.2	-0.02
Muriatic Acid	11/15/00	169.18	5	169.2	-0.02
Muriatic Acid	1/15/01	177.58	5	620.64	155.16
Well 9	8/15/01	1450	5	1160	290
Muriatic Acid	8/15/01	300	5	240	60
Muriatic Acid	8/15/02	616.52	5	369.9	123.3
Well 4	8/16/02	2639.25	5	1583.55	527.85
Well 5	8/16/02	2952.75	5	1771.65	580.55
Well 6	8/16/02	2668.37	5	1601.01	533.67
Well 1	1/15/04	2400	5	480	480

Muriatic Acid	2/13/04	471.5	5	94.3	94.3
Well 12	2/27/04	3410	5	682	682
Well 2	5/13/05	3000	5	0	600
Acid	9/15/05	338.35	5	0	67.67
Acid	10/14/05	338.35	5	0	67.67
Well 4	10/14/05	2556	5	0	511.2
Well 5	10/14/05	2548	5	0	509.6
Well 11	12/15/05	2565	5	0	513
Total Well Cleaning		\$71,058.10		\$50,629.55	\$5,805.90

Vehicle Lease Termination Fees

PSC #2003-0044	2/14/03	2344	3	1562.66	781.33
PSC #2003-0044	2/14/03	2389	3	1592.66	796.33
PSC #2003-0044	2/14/03	2996	3	1997.34	998.67
Fees Total		\$7,729.00		\$5,152.66	\$2,576.33

Treatment Filters

PSC #2003-0044	2003	1980	10	396	198
Filters Maint	4/11/03	5980	10	1196	598
Filters Total		\$7,960.00		\$1,592.00	\$796.00

Distribution Exp. to Asset recovered as Amz.

PSC #2003-0044	2003	\$1,267.00	40	\$63.36	\$31.68
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Total Amz. Exp.		\$214,467.16		\$102,892.58	\$26,452.97
Totals		\$2,208,959.95		\$1,037,309.06	\$92,308.17

The South Shore Water Works Company

Plant Statistics

Supply:	11 Wells
Treatment Plant:	1,000,000 gallons per day capacity
Average Daily Production:	485,000 gallons per day
Maximum Daily Production:	745,000 gallons
Distribution System:	Approx. 65 Miles of Water Mains
Unaccounted Water Loss:	15%
Storage: 532,500 gallons	5 Steel Reservoirs capacities: 176,000 gallons, 100,000 gallons, 38,500 gallons, 35,000 gallons, and 33,000 gallons. Clearwell 150,000 gallons

Customers:

Active Metered Accounts	2119	
Multiple Billings	173	
Hydrant Charges	24	
Customers Billed Sept. 2006	2316	
Inactive Metered Accounts:		Inactive accounts include:
1 Month to 2 Years	105	Vacant rental houses, trailer
Customer Sub-Total	2421	lots, business buildings, and
Over 2 Years (est)	50	houses for sale at time of
Total Customers	2471	September 2006 Billing

Last water rate increase July 7, 2003

Company Est. Cash Balances at Time of Sale

The sale of all the outstanding company stock would occur on the last day or the first day of a given month.

Customer Water Deposits	\$8,000	Approx.
General Fund	\$7,500	Approx.
Cash In Value life Ins. policy	\$25,000	Approx.
Total Cash	\$40,500	Approx.
Accounts Receivable	\$60,000	Approx.
Totals	\$100,500	Approx.

Assets to be purchased prior to stock sale

Office Bld. & Parking Lot	\$85,000	est. worth
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SSWW 9/1/05 to 8/31/06		Municipal Operated		Remarks
Income	Actual	Adjust	Adjusted	
IRS Interest	79.39	-79.39	0	Exempt
Tap Fees	9350		9350	
Jobbing	10351.36		10351.36	
Interest	1298.09		1298.09	
Water Sales	523061.11		523061.11	
Hydrant Sales	2804.98		2804.98	
Penalty	9792.7		9792.7	
Service Charges	6696.8		6696.8	
IRS tax refund	2500	-2500	0	Exempt
Total Income	\$565,934.43		\$563,355.04	
Expenses				
Interest	7698.74		7698.74	
Wages	98663.41	-11438.86	87224.55	Avoidable Wages
Salary	58142.24	-58142.24	0	Stockholder
Health Ins	59889.08	-18960	39929.08	Stockholder
Pensions	3518.25	-1405.92	2112.33	Stockholder
Purchased Water	2729.97	-2729.97	0	Unavailable
Power	38652.77		38652.77	
Chemicals	9842.25		9842.25	
M&S Plant	10583.24	1641.11	8942.13	Avoidable
O&M Wells	8345.7		8345.7	
M&S Distribution	10735.33	-1998.14	8737.19	Avoidable
M&S Office	20886.79	-286.78	20600.01	Avoidable
Accounting	2400		2400	
Legal Greenup	4136.8	-4136.8	0	Issue Over
Rents Office	9900	-9900	0	Building Included in Sale
Easements	1270.81		1270.81	
Vehicle Leases	6809.64	-6809.64	0	Stockholder
Gasoline	8798.44	-3625.82	5172.62	Stockholder
Veh. Maintenance	989.53	-100.62	888.91	Stockholder
Auto Insurance	3986.09	-1600.91	2385.18	Stockholder
Prop/liability	11419.01		11419.01	
Life Insurance	2898	-2989	0	Stockholder
Workers Comp	3442.07		3442.07	
Property Taxes	16362.95	-16362.95	0	Exempt
Payroll	376.2		376.2	
Payroll	1163.4		1163.4	
Fed Income Tax	3000	-3000	0	Exempt
Payroll tax	3197.78		3197.78	Avoidable sal/wages
Corp. filing fee	15	-15	0	Exempt
Payroll tax	17130.23	-32908.5	17130.23	Avoidable sal/wages
PSC Tax	374.85	-374.85	0	Exempt
Ky Income tax	1000	-1000	0	Exempt
Unemployment tax	373.49		373.49	
Depreciation	55927.55		55927.55	
Total Expense	\$532,069.91		\$343,234.00	
Net Income	\$33,864.52		\$220,121.04	
Cash Flow	\$89,792.07		\$276,048.59	

Based upon the previous 12 months of operations 9/1/05 to 8/31/06
 Rates from existing operations needs to be adjusted upwards \$37,135
 SSWW intends to file for an increase in rates during 2007
 Using a Revenue Requirement based upon the attached Income Statement

Operating Expenses	\$532,070.00
Less Interest	-7,699
Disallowed Salary	-36,000
Disallowed Wages	-11,167
O&M Wells	-8,346
Legal Greenup	-4,137
Auto Insurance	-865
Fed Income tax	-8,000
Ky Income tax	-4,000
Add Amortization Expense	26,453
Pro Forma Operating Expenses	\$478,309.00

88% Operating Ratio 1543,533.00

Net Income after Income taxes	\$65,224.00
Inc. Taxes Gross-up factor 1.6118633	105,132
Add Pro Forma Operating Expenses	478,309
Add Interest Expense	7,699
Revenue Requirement	\$591,140.00

Op. Revenues less Inc. tax refunds & tap fees \$554,005.00

Required Increase from Rates \$37,135.00 7.1% Increase
in Rates

Note: the PSC determines SSWW rates using an 88% Operating Ratio instead of Return On Rate Base Revenue using Return On Rate Base would be significantly higher

Existing Rates	SSWW	Greenup Rates
First 1,000 gallons Minimum	\$7.92	\$19.95
Next 9,000 gallons per 1,000 gallons	\$3.39	\$2.95
Over 10,000 gallons per 1,000 gallons	\$2.38	
Average Monthly Residential Bill (10,000 gal)	\$17.69	\$20.90

	<u>Version</u>	<u>Health</u>	<u>Auto Ins.</u>	<u>Per</u>	<u>Food</u>
Aug 2005	117 16	1420 88			444 ²⁹ 9/15/05
Oct 2005	117 16	1420 88		363.70	11/15/05
Nov 2005	117 16	1420 88			
Dec 2005	117 16	1420 88			
Jan 2006	117 16	1659.56			
Feb 2006	117 16	1659.56			
Mar 2006	117 16	1659.56			426 ⁴² 3/15/06
Apr 2006	117 16	1659.56			
May 2006	117 16	1659.56		366 ⁵⁰	5/15/06
June 2006	117.16	1659.56			
July 2006	117 16	1659.56			
Aug 2006	117 16	1659.56			

\$ 65.99 \$ 1996⁻ \$ 730²⁰ \$ 870⁷¹

Impala Trail blazer
 379.61 5/13/05 456.51 3/15/05
 B > 11/15/06 408⁴¹ 9/15/06

	Qcr	Qwa	Qamr
Apr 2005	7725-	1232 60	319 30
Oct 2005	6170-	986 88	298 70
Nov 2005	6180-	986 88	236 90
Dec 2005	7725-	2778 60	257 50
Jan 2006	6180 ⁰⁰	986 88	236 90
Feb 2006	6180-	986 88	236 90
Mar 2006	7725-	1233 60	101 70
Apr 2006	6180-	986 88	298 70
May 2006	6180-	986 88	236 90
June 2006	7725-	Ø	659 20
July 2006	6180 ⁰⁰	Ø	166 00
Aug 2006	6180-	Ø	374 30
	# 80,340-	# 11,167. 08	# 3708 00

Category Spending
All Accounts

9/1/05 Through 8/31/06

Item	Date	Description	Account	Amount	
Income Categories					
206 Interest Income					
206 Interest Income - Unassigned					
	6/30/06	IRS	131 F & P Checking	79.39	—
				79.39	
Total 206 Interest Income				79.39	0
271 Contributions					
Non-Taxable					
	9/30/05	271 Contributions	131 F & P Checking	400.00	
	10/31/05	271 Contributions	131 F & P Checking	800.00	
	12/30/05	271 Contributions	131 F & P Checking	400.00	
	2/28/06	271 Contributions	131 F & P Checking	400.00	
	3/31/06	271 Contributions	131 F & P Checking	400.00	
	4/28/06	271 Contributions	131 F & P Checking	1,200.00	
	5/31/06	271 Contributions	131 F & P Checking	800.00	
	7/31/06	271 Contributions	131 F & P Checking	2,900.00	
	8/31/06	271 Contributions	131 F & P Checking	2,050.00	
				13,300.00	
Total 271 Contributions				13,300.00	
115 Jobbing					
City					
	9/30/05	115 Jobbing	131 F & P Checking	855.28	
	10/31/05	115 Jobbing	131 F & P Checking	855.28	
	11/30/05	115 Jobbing	131 F & P Checking	855.28	
	12/30/05	115 Jobbing	131 F & P Checking	855.28	
	1/31/06	115 Jobbing	131 F & P Checking	855.28	
	2/28/06	115 Jobbing	131 F & P Checking	855.28	
	3/31/06	115 Jobbing	131 F & P Checking	855.28	
	4/28/06	115 Jobbing	131 F & P Checking	855.28	
	5/31/06	115 Jobbing	131 F & P Checking	943.28	
	6/30/06	115 Jobbing	131 F & P Checking	855.28	
	7/31/06	115 Jobbing	131 F & P Checking	855.28	
	8/31/06	115 Jobbing	131 F & P Checking	855.28	
				10,391.36	
Total 115 Jobbing				10,391.36	
119 Interest Income					
	9/30/05	First & Peoples Bank	131 F & P Customer Deposits	7.64	
	2/30/06	First & Peoples Bank	131 F & P Checking	175.24	
	10/31/05	First & Peoples Bank	131 F & P Customer Deposits	7.20	
	10/31/05	First & Peoples Bank	131 F & P Checking	147.32	
	11/30/05	First & Peoples Bank	131 F & P Customer Deposits	7.67	
	11/30/05	First & Peoples Bank	131 F & P Checking	175.60	
	11/30/05	First & Peoples Bank	132 F & P Savings	9.11	
	12/31/05	First & Peoples Bank	131 F & P Customer Deposits	7.94	
	12/31/05	First & Peoples Bank	131 F & P Checking	108.54	
	1/31/06	First & Peoples Bank	131 F & P Customer Deposits	7.37	
	1/31/06	First & Peoples Bank	131 F & P Checking	94.78	
	2/28/06	First & Peoples Bank	131 F & P Customer Deposits	6.91	
	2/28/06	First & Peoples Bank	131 F & P Checking	83.35	
	2/28/06	First & Peoples Bank	132 F & P Savings	9.84	

Category Spending
All Accounts

9/1/05 Through 8/31/06

Date	Date	Acct	Account	Amount
	4/2/06	First & Peoples Bank	131 F & P Customer Deposits	8.24
	4/2/06	First & Peoples Bank	131 F & P Checking	80.94
	4/30/06	First & Peoples Bank	131 F & P Checking	64.63
	5/31/06	First & Peoples Bank	131 F & P Checking	67.00
	5/31/06	First & Peoples Bank	131 F & P Customer Deposits	7.96
	5/31/06	First & Peoples Bank	132 F & P Savings	11.63
	6/30/06	First & Peoples Bank	131 F & P Customer Deposits	7.99
	6/30/06	First & Peoples Bank	131 F & P Checking	67.95
	7/31/06	First & Peoples Bank	131 F & P Customer Deposits	7.97
	7/31/06	First & Peoples Bank	131 F & P Checking	85.91
	8/31/06	First & Peoples Bank	131 F & P Customer Deposits	8.20
	8/31/06	First & Peoples Bank	131 F & P Checking	99.43
	8/31/06	First & Peoples Bank	132 F & P Savings	11.68
Total 419 Interest Income				1,291.00
<u>-461 Water Sales</u>				
	9/30/05	461 Water Sales	131 F & P Checking	47,756.66
	10/31/05	461 Water Sales	131 F & P Checking	49,351.58
	11/30/05	461 Water Sales	131 F & P Checking	43,113.01
	12/30/05	461 Water Sales	131 F & P Checking	39,257.40
	1/31/06	461 Water Sales	131 F & P Checking	47,125.63
	2/28/06	461 Water Sales	131 F & P Checking	38,703.32
	3/31/06	461 Water Sales	131 F & P Checking	39,110.99
	4/28/06	461 Water Sales	131 F & P Checking	40,566.03
	5/31/06	461 Water Sales	131 F & P Checking	41,772.86
	6/30/06	461 Water Sales	131 F & P Checking	42,754.20
	7/31/06	461 Water Sales	131 F & P Checking	50,313.18
	8/31/06	461 Water Sales	131 F & P Checking	43,236.25
Total 461 Water Sales				523,061.11
<u>-462 Hydrants</u>				
	9/30/05	462 Hydrants	131 F & P Checking	97.40
	10/31/05	462 Hydrants	131 F & P Checking	97.40
	11/30/05	462 Hydrants	131 F & P Checking	97.40
	12/30/05	462 Hydrants	131 F & P Checking	87.66
	1/31/06	462 Hydrants	131 F & P Checking	107.14
	2/28/06	462 Hydrants	131 F & P Checking	154.53
	3/31/06	462 Hydrants	131 F & P Checking	87.66
	4/28/06	462 Hydrants	131 F & P Checking	97.40
	5/31/06	462 Hydrant	131 F & P Checking	97.40
	6/30/06	462 Hydrant	131 F & P Checking	96.45
	7/31/06	462 Hydrant	131 F & P Checking	107.14
	8/31/06	462 Hydrant	131 F & P Checking	1,677.40
Total 462 Hydrants				2,801.98
<u>-470 Penalty</u>				
	9/30/05	470 Penalty	131 F & P Checking	890.20
	10/31/05	470 Penalty	131 F & P Checking	919.42
	11/30/05	470 Penalty	131 F & P Checking	899.84
	12/30/05	470 Penalty	131 F & P Checking	728.43
	1/31/06	470 Penalty	131 F & P Checking	923.09
	2/28/06	470 Penalty	131 F & P Checking	658.17
	3/31/06	470 Penalty	131 F & P Checking	736.14
	4/28/06	470 Penalty	131 F & P Checking	700.91

Category Spending
All Accounts

9/1/05 Through 8/31/06

Date	Category	Account	Amount
5/31/06	470 Penalty	131 F & P Checking	806.58
6/30/06	470 Penalty	131 F & P Checking	782.56
7/31/06	470 Penalty	131 F & P Checking	871.08
8/31/06	470 Penalty	131 F & P Checking	876.28

Total 470 Penalty 3,336.50

471 Non-Recurring

9/30/05	471 Non-Recurring	131 F & P Checking	430.00
10/31/05	471 Non-Recurring	131 F & P Checking	339.64
10/31/05	421 Other Income	131 F & P Checking	3.92
11/30/05	471 Non-Recurring	131 F & P Checking	805.00
12/30/05	471 Non-Recurring	131 F & P Checking	490.00
12/30/05	421 Other Income	131 F & P Checking	40.50
1/31/06	471 Non-Recurring	131 F & P Checking	491.37
2/28/06	471 Non-Recurring	131 F & P Checking	160.00
3/31/06	471 Non-Recurring	131 F & P Checking	770.00
4/28/06	471 Non-Recurring	131 F & P Checking	660.00
5/31/06	471 Non-Recurring	131 F & P Checking	425.00
6/30/06	471 Non-Recurring	131 F & P Checking	505.00
7/31/06	471 Non-Recurring	131 F & P Checking	784.40
8/31/06	471 Non-Recurring	131 F & P Checking	791.97

Total 471 Non-Recurring 6,696.80

Income

4/30/06		131 F & P Customer Deposits	7.09
6/30/06	BRS	131 F & P Checking	2,500.00

Total Income - Miscellaneous 2,507.09

7.09

Total Income Categories 565,934.43

563,355.04

Expense Categories

427 Interest Expense

37174	9/15/05	First & Peoples Bank	131 F & P Checking	(539.04)
37251	10/14/05	First & Peoples Bank	131 F & P Checking	(462.34)
37326	11/15/05	First & Peoples Bank	131 F & P Checking	(607.00)
37417	12/15/05	First & Peoples Bank	131 F & P Checking	(549.12)
37485	1/13/06	First & Peoples Bank	131 F & P Checking	(763.84)
37580	2/15/06	First & Peoples Bank	131 F & P Checking	(605.34)
37646	3/15/06	First & Peoples Bank	131 F & P Checking	(683.91)
37719	4/11/06	First & Peoples Bank	131 F & P Checking	(683.91)
37798	5/15/06	First & Peoples Bank	131 F & P Checking	(612.52)
37879	6/15/06	First & Peoples Bank	131 F & P Checking	(725.77)
37964	7/14/06	First & Peoples Bank	131 F & P Checking	(446.66)
38034	8/15/06	First & Peoples Bank	131 F & P Checking	(719.29)

Total 427 Interest Expense (7,698.74)

601 Wages

37138	9/2/05	Lisa Hannah	131 F & P Checking	(209.65)
37139	9/2/05	C. Robbins	131 F & P Checking	(361.87)
37140	9/2/05	S. Pennington	131 F & P Checking	(243.55)
37141	9/2/05	G. Hall	131 F & P Checking	(449.65)
37142	9/2/05	Lloyd Davis	131 F & P Checking	(322.47)

Category Spending
All Accounts

9/1/05 Through 8/31/06

Item	Date	Payee	Account	Amount
37143	9/2/05	D. Moore	131 F & P Checking	(71.95)
37144	9/2/05	D. Furner	131 F & P Checking	(86.71)
37145	9/2/05	D. Furner	131 F & P Checking	(51.87)
37148	9/9/05	Lisa Hannah	131 F & P Checking	(209.65)
37149	9/9/05	D. Moore	131 F & P Checking	(71.95)
37150	9/9/05	C. Robbins	131 F & P Checking	(361.87)
37151	9/9/05	S. Pennington	131 F & P Checking	(243.55)
37152	9/9/05	G. Hall	131 F & P Checking	(449.65)
37153	9/9/05	Lloyd Davis	131 F & P Checking	(264.99)
37154	9/9/05	D. Furner	131 F & P Checking	(128.00)
37155	9/9/05	D. Furner	131 F & P Checking	(51.87)
37184	9/16/05	Lisa Hannah	131 F & P Checking	(209.65)
37185	9/16/05	D. Moore	131 F & P Checking	(47.01)
37186	9/16/05	C. Robbins	131 F & P Checking	(361.87)
37187	9/16/05	S. Pennington	131 F & P Checking	(230.36)
37188	9/16/05	G. Hall	131 F & P Checking	(449.65)
37189	9/16/05	Lloyd Davis	131 F & P Checking	(295.09)
37190	9/16/05	D. Furner	131 F & P Checking	(168.72)
37191	9/16/05	D. Furner	131 F & P Checking	(51.87)
37194	9/23/05	Lisa Hannah	131 F & P Checking	(209.65)
37195	9/23/05	D. Moore	131 F & P Checking	(47.01)
37196	9/23/05	C. Robbins	131 F & P Checking	(361.87)
37197	9/23/05	S. Pennington	131 F & P Checking	(243.55)
37198	9/23/05	G. Hall	131 F & P Checking	(616.49)
37199	9/23/05	Lloyd Davis	131 F & P Checking	(432.92)
37200	9/23/05	D. Furner	131 F & P Checking	(86.71)
37201	9/23/05	D. Furner	131 F & P Checking	(51.87)
37205	9/30/05	Lisa Hannah	131 F & P Checking	(209.65)
37206	9/30/05	D. Moore	131 F & P Checking	(47.01)
37207	9/30/05	C. Robbins	131 F & P Checking	(361.87)
37208	9/30/05	S. Pennington	131 F & P Checking	(230.36)
37209	9/30/05	G. Hall	131 F & P Checking	(449.65)
37210	9/30/05	Lloyd Davis	131 F & P Checking	(316.47)
37211	9/30/05	D. Furner	131 F & P Checking	(138.33)
37212	9/30/05	D. Furner	131 F & P Checking	(51.87)
37223	10/7/05	Lisa Hannah	131 F & P Checking	(209.65)
37224	10/7/05	D. Moore	131 F & P Checking	(71.95)
37225	10/7/05	C. Robbins	131 F & P Checking	(361.87)
37226	10/7/05	S. Pennington	131 F & P Checking	(270.68)
37227	10/7/05	G. Hall	131 F & P Checking	(570.18)
37228	10/7/05	Lloyd Davis	131 F & P Checking	(402.03)
37229	10/7/05	D. Furner	131 F & P Checking	(86.71)
37230	10/7/05	D. Furner	131 F & P Checking	(51.87)
37262	10/14/05	Lisa Hannah	131 F & P Checking	(209.65)
37263	10/14/05	D. Moore	131 F & P Checking	(47.01)
37264	10/14/05	C. Robbins	131 F & P Checking	(361.87)
37265	10/14/05	S. Pennington	131 F & P Checking	(243.55)
37266	10/14/05	G. Hall	131 F & P Checking	(449.65)
37267	10/14/05	Lloyd Davis	131 F & P Checking	(316.47)
37268	10/14/05	D. Furner	131 F & P Checking	(112.81)
37269	10/14/05	D. Furner	131 F & P Checking	(51.87)
37272	10/21/05	Lisa Hannah	131 F & P Checking	(209.65)
37273	10/21/05	D. Moore	131 F & P Checking	(71.95)
37274	10/21/05	C. Robbins	131 F & P Checking	(361.87)
37275	10/21/05	S. Pennington	131 F & P Checking	(273.03)
37276	10/21/05	G. Hall	131 F & P Checking	(449.65)
37277	10/21/05	Lloyd Davis	131 F & P Checking	(316.47)

Category Spending
All Accounts

9/1/05 Through 8/31/06

Num	Date	Payee	Account	Amount
37278	10/21/05	D. Furner	131 F & P Checking	(25.85)
37285	10/28/05	Lisa Hannah	131 F & P Checking	(209.65)
37286	10/28/05	D. Moore	131 F & P Checking	(71.95)
37287	10/28/05	C. Robbins	131 F & P Checking	(361.87)
37288	10/28/05	S. Pennington	131 F & P Checking	(273.03)
37289	10/28/05	G. Hall	131 F & P Checking	(571.18)
37290	10/28/05	Lloyd Davis	131 F & P Checking	(359.26)
37291	10/28/05	D. Furner	131 F & P Checking	(128.00)
37292	10/28/05	D. Furner	131 F & P Checking	(51.87)
37308	11/4/05	Lisa Hannah	131 F & P Checking	(209.65)
37309	11/4/05	D. Moore	131 F & P Checking	(47.01)
37310	11/4/05	C. Robbins	131 F & P Checking	(361.87)
37311	11/4/05	S. Pennington	131 F & P Checking	(243.55)
37312	11/4/05	G. Hall	131 F & P Checking	(601.05)
37313	11/4/05	Lloyd Davis	131 F & P Checking	(379.03)
37314	11/4/05	D. Furner	131 F & P Checking	(128.00)
37315	11/4/05	D. Furner	131 F & P Checking	(51.87)
37318	11/11/05	Lisa Hannah	131 F & P Checking	(209.65)
37319	11/11/05	D. Moore	131 F & P Checking	(47.01)
37320	11/11/05	C. Robbins	131 F & P Checking	(361.87)
37321	11/11/05	S. Pennington	131 F & P Checking	(243.55)
37322	11/11/05	G. Hall	131 F & P Checking	(571.18)
37323	11/11/05	Lloyd Davis	131 F & P Checking	(316.47)
37324	11/11/05	D. Furner	131 F & P Checking	(86.71)
37325	11/11/05	D. Furner	131 F & P Checking	(51.87)
37352	11/18/05	Lisa Hannah	131 F & P Checking	(209.65)
37353	11/18/05	D. Moore	131 F & P Checking	(71.95)
37354	11/18/05	C. Robbins	131 F & P Checking	(361.87)
37355	11/18/05	S. Pennington	131 F & P Checking	(243.55)
37356	11/18/05	G. Hall	131 F & P Checking	(449.65)
37357	11/18/05	Lloyd Davis	131 F & P Checking	(316.47)
37358	11/18/05	D. Furner	131 F & P Checking	(86.71)
37359	11/18/05	D. Furner	131 F & P Checking	(51.87)
37364	11/25/05	Lisa Hannah	131 F & P Checking	(209.65)
37365	11/25/05	D. Moore	131 F & P Checking	(47.01)
37366	11/25/05	C. Robbins	131 F & P Checking	(361.87)
37367	11/25/05	S. Pennington	131 F & P Checking	(243.55)
37368	11/25/05	G. Hall	131 F & P Checking	(449.65)
37369	11/25/05	Lloyd Davis	131 F & P Checking	(316.47)
37370	11/25/05	D. Furner	131 F & P Checking	(43.42)
37371	11/25/05	D. Furner	131 F & P Checking	(51.87)
37382	12/2/05	Lisa Hannah	131 F & P Checking	(209.65)
37383	12/2/05	D. Moore	131 F & P Checking	(47.01)
37384	12/2/05	C. Robbins	131 F & P Checking	(361.87)
37385	12/2/05	S. Pennington	131 F & P Checking	(266.73)
37386	12/2/05	G. Hall	131 F & P Checking	(449.65)
37387	12/2/05	Lloyd Davis	131 F & P Checking	(316.47)
37388	12/2/05	D. Furner	131 F & P Checking	(128.00)
37389	12/2/05	D. Furner	131 F & P Checking	(51.87)
37393	12/9/05	Lisa Hannah	131 F & P Checking	(209.65)
37394	12/9/05	D. Moore	131 F & P Checking	(47.01)
37395	12/9/05	C. Robbins	131 F & P Checking	(361.87)
37396	12/9/05	S. Pennington	131 F & P Checking	(243.55)
37397	12/9/05	G. Hall	131 F & P Checking	(449.65)
37398	12/9/05	Lloyd Davis	131 F & P Checking	(316.47)
37399	12/9/05	D. Furner	131 F & P Checking	(50.17)
37430	12/16/05	Lisa Hannah	131 F & P Checking	(209.65)

Category Spending
All Accounts

9/1/05 Through 8/31/06

Account	Check	Name	Check	Balance
37431	12/16/05	D. Moore	131 F & P Checking	(47.01)
37432	12/16/05	C. Robbins	131 F & P Checking	(377.69)
37433	12/16/05	S. Pennington	131 F & P Checking	(250.35)
37434	12/16/05	G. Hall	131 F & P Checking	(461.33)
37435	12/16/05	Lloyd Davis	131 F & P Checking	(325.22)
37436	12/16/05	D. Furner	131 F & P Checking	(25.85)
37438	12/23/05	C. Robbins	131 F & P Checking	(361.87)
37439	12/23/05	S. Pennington	131 F & P Checking	(243.55)
37440	12/23/05	G. Hall	131 F & P Checking	(449.65)
37441	12/23/05	Lloyd Davis	131 F & P Checking	(316.47)
37443	12/23/05	Lisa Hannah	131 F & P Checking	(209.65)
37444	12/23/05	D. Moore	131 F & P Checking	(47.01)
37445	12/23/05	C. Robbins	131 F & P Checking	(371.69)
37446	12/23/05	S. Pennington	131 F & P Checking	(281.03)
37447	12/23/05	G. Hall	131 F & P Checking	(461.33)
37450	12/23/05	Lloyd Davis	131 F & P Checking	(325.22)
37456	12/30/05	Lisa Hannah	131 F & P Checking	(209.65)
37457	12/30/05	D. Moore	131 F & P Checking	(47.01)
37458	12/30/05	C. Robbins	131 F & P Checking	(371.69)
37459	12/30/05	S. Pennington	131 F & P Checking	(250.35)
37460	12/30/05	G. Hall	131 F & P Checking	(461.33)
37461	12/30/05	Lloyd Davis	131 F & P Checking	(325.22)
37474	1/6/06	Lisa Hannah	131 F & P Checking	(209.65)
37475	1/6/06	D. Moore	131 F & P Checking	(47.95)
37476	1/6/06	C. Robbins	131 F & P Checking	(371.69)
37477	1/6/06	S. Pennington	131 F & P Checking	(250.35)
37478	1/6/06	G. Hall	131 F & P Checking	(461.33)
37479	1/6/06	Lloyd Davis	131 F & P Checking	(325.22)
37509	1/13/06	Lisa Hannah	131 F & P Checking	(209.65)
37510	1/13/06	D. Moore	131 F & P Checking	(47.01)
37511	1/13/06	C. Robbins	131 F & P Checking	(371.69)
37512	1/13/06	S. Pennington	131 F & P Checking	(281.03)
37513	1/13/06	G. Hall	131 F & P Checking	(1,026.13)
37514	1/13/06	Lloyd Davis	131 F & P Checking	(653.08)
37522	1/20/06	Lisa Hannah	131 F & P Checking	(209.65)
37523	1/20/06	D. Moore	131 F & P Checking	(47.01)
37524	1/20/06	C. Robbins	131 F & P Checking	(371.69)
37525	1/20/06	S. Pennington	131 F & P Checking	(250.35)
37526	1/20/06	G. Hall	131 F & P Checking	(461.33)
37527	1/20/06	Lloyd Davis	131 F & P Checking	(325.22)
37538	1/27/06	Lisa Hannah	131 F & P Checking	(209.65)
37539	1/27/06	D. Moore	131 F & P Checking	(47.01)
37540	1/27/06	C. Robbins	131 F & P Checking	(377.69)
37541	1/27/06	S. Pennington	131 F & P Checking	(250.35)
37542	1/27/06	G. Hall	131 F & P Checking	(461.33)
37543	1/27/06	Lloyd Davis	131 F & P Checking	(325.22)
37554	2/3/06	Lisa Hannah	131 F & P Checking	(209.65)
37555	2/3/06	D. Moore	131 F & P Checking	(47.01)
37558	2/3/06	C. Robbins	131 F & P Checking	(327.69)
37559	2/3/06	C. Robbins	131 F & P Checking	(50.00)
37560	2/3/06	S. Pennington	131 F & P Checking	(250.35)
37561	2/3/06	G. Hall	131 F & P Checking	(461.33)
37562	2/3/06	Lloyd Davis	131 F & P Checking	(325.22)
37563	2/3/06	Edward Holman	131 F & P Checking	(220.59)
37566	2/10/06	Lisa Hannah	131 F & P Checking	(209.65)
37567	2/10/06	D. Moore	131 F & P Checking	(47.01)
37568	2/10/06	C. Robbins	131 F & P Checking	(377.69)

Category Spending
All Accounts

9/1/05 Through 8/31/06

Chart	Date	Name	Account	Amount
37569	2/10/06	S. Pennington	131 F & P Checking	(250.35)
37570	2/10/06	G. Hall	131 F & P Checking	(461.33)
37571	2/10/06	Lloyd Davis	131 F & P Checking	(325.22)
37572	2/10/06	Edward Holman	131 F & P Checking	(34.87)
37573	2/10/06	Edward Holman	131 F & P Checking	(15.30)
37598	2/17/06	Lisa Hannah	131 F & P Checking	(209.65)
37599	2/17/06	C. Robbins	131 F & P Checking	(377.69)
37600	2/17/06	S. Pennington	131 F & P Checking	(250.35)
37601	2/17/06	G. Hall	131 F & P Checking	(461.33)
37602	2/17/06	Lloyd Davis	131 F & P Checking	(325.22)
37603	2/17/06	D. Moore	131 F & P Checking	(47.01)
37606	2/24/06	Lisa Hannah	131 F & P Checking	(209.65)
37607	2/24/06	D. Moore	131 F & P Checking	(71.95)
37608	2/24/06	C. Robbins	131 F & P Checking	(377.69)
37609	2/24/06	S. Pennington	131 F & P Checking	(250.35)
37610	2/24/06	G. Hall	131 F & P Checking	(461.33)
37611	2/24/06	Lloyd Davis	131 F & P Checking	(325.22)
37612	2/24/06	Edward Holman	131 F & P Checking	(123.28)
37613	2/24/06	Edward Holman	131 F & P Checking	(15.30)
37624	3/3/06	Lisa Hannah	131 F & P Checking	(209.65)
37625	3/3/06	D. Moore	131 F & P Checking	(47.01)
37626	3/3/06	C. Robbins	131 F & P Checking	(327.69)
37627	3/3/06	C. Robbins	131 F & P Checking	(50.00)
37628	3/3/06	S. Pennington	131 F & P Checking	(274.50)
37629	3/3/06	G. Hall	131 F & P Checking	(461.33)
37630	3/3/06	Lloyd Davis	131 F & P Checking	(325.22)
37633	3/10/06	Lisa Hannah	131 F & P Checking	(209.65)
37634	3/10/06	D. Moore	131 F & P Checking	(71.95)
37635	3/10/06	C. Robbins	131 F & P Checking	(377.69)
37636	3/10/06	S. Pennington	131 F & P Checking	(250.35)
37637	3/10/06	G. Hall	131 F & P Checking	(649.40)
37638	3/10/06	Lloyd Davis	131 F & P Checking	(325.22)
37660	3/17/06	Lisa Hannah	131 F & P Checking	(209.65)
37661	3/17/06	D. Moore	131 F & P Checking	(136.63)
37662	3/17/06	C. Robbins	131 F & P Checking	(377.69)
37663	3/17/06	S. Pennington	131 F & P Checking	(250.35)
37664	3/17/06	Lloyd Davis	131 F & P Checking	(325.22)
37665	3/17/06	G. Hall	131 F & P Checking	(461.33)
37669	3/24/06	Lisa Hannah	131 F & P Checking	(209.65)
37670	3/24/06	D. Moore	131 F & P Checking	(47.01)
37671	3/24/06	C. Robbins	131 F & P Checking	(377.69)
37672	3/24/06	S. Pennington	131 F & P Checking	(250.35)
37674	3/24/06	G. Hall	131 F & P Checking	(838.25)
37674	3/24/06	Lloyd Davis	131 F & P Checking	(581.83)
37677	3/31/06	Lisa Hannah	131 F & P Checking	(209.65)
37678	3/31/06	D. Moore	131 F & P Checking	(47.01)
37679	3/31/06	C. Robbins	131 F & P Checking	(377.69)
37680	3/31/06	S. Pennington	131 F & P Checking	(278.56)
37681	3/31/06	G. Hall	131 F & P Checking	(461.33)
37682	3/31/06	Lloyd Davis	131 F & P Checking	(325.22)
37683	3/31/06	Edward Holman	131 F & P Checking	(77.38)
37684	3/31/06	Edward Holman	131 F & P Checking	(61.20)
37700	4/7/06	Lisa Hannah	131 F & P Checking	(209.65)
37701	4/7/06	D. Moore	131 F & P Checking	(71.95)
37702	4/7/06	C. Robbins	131 F & P Checking	(327.69)
37703	4/7/06	C. Robbins	131 F & P Checking	(50.00)
37704	4/7/06	S. Pennington	131 F & P Checking	(281.03)

Category Spending
All Accounts

7/1/05 Through 8/31/06

Check #	Date	Name	Account	Amount
37705	4/7/06	G. Hall	131 F & P Checking	(461.33)
37706	4/7/06	Lloyd Davis	131 F & P Checking	(325.22)
37731	4/14/06	Lisa Hannah	131 F & P Checking	(209.65)
37732	4/14/06	D. Moore	131 F & P Checking	(71.95)
37733	4/14/06	C. Robbins	131 F & P Checking	(377.69)
37734	4/14/06	S. Pennington	131 F & P Checking	(250.35)
37735	4/14/06	G. Hall	131 F & P Checking	(491.95)
37736	4/14/06	Lloyd Davis	131 F & P Checking	(325.22)
37737	4/14/06	Edward Holman	131 F & P Checking	(107.98)
37738	4/14/06	Edward Holman	131 F & P Checking	(30.60)
37746	4/21/06	Lisa Hannah	131 F & P Checking	(209.65)
37747	4/21/06	D. Moore	131 F & P Checking	(47.01)
37748	4/21/06	C. Robbins	131 F & P Checking	(377.69)
37749	4/21/06	S. Pennington	131 F & P Checking	(250.35)
37750	4/21/06	G. Hall	131 F & P Checking	(491.95)
37751	4/21/06	Lloyd Davis	131 F & P Checking	(347.38)
37752	4/21/06	Edward Holman	131 F & P Checking	(123.28)
37753	4/21/06	Edward Holman	131 F & P Checking	(15.30)
37757	4/28/06	Lisa Hannah	131 F & P Checking	(209.65)
37758	4/28/06	D. Moore	131 F & P Checking	(71.95)
37759	4/28/06	C. Robbins	131 F & P Checking	(377.69)
37760	4/28/06	S. Pennington	131 F & P Checking	(250.35)
37761	4/28/06	G. Hall	131 F & P Checking	(461.33)
37762	4/28/06	Lloyd Davis	131 F & P Checking	(325.22)
37763	4/28/06	Edward Holman	131 F & P Checking	(205.29)
37763	4/28/06	Edward Holman	131 F & P Checking	(15.30)
37777	5/5/06	Lisa Hannah	131 F & P Checking	(209.65)
37778	5/5/06	D. Moore	131 F & P Checking	(71.95)
37779	5/5/06	C. Robbins	131 F & P Checking	(327.69)
37780	5/5/06	C. Robbins	131 F & P Checking	(50.00)
37781	5/5/06	S. Pennington	131 F & P Checking	(281.03)
37782	5/5/06	G. Hall	131 F & P Checking	(838.25)
37783	5/5/06	Lloyd Davis	131 F & P Checking	(581.83)
37784	5/5/06	Edward Holman	131 F & P Checking	(164.34)
37785	5/5/06	Edward Holman	131 F & P Checking	(15.30)
37788	5/12/06	Lisa Hannah	131 F & P Checking	(209.65)
37789	5/12/06	D. Moore	131 F & P Checking	(47.01)
37790	5/12/06	C. Robbins	131 F & P Checking	(377.69)
37791	5/12/06	S. Pennington	131 F & P Checking	(250.35)
37792	5/12/06	G. Hall	131 F & P Checking	(461.33)
37793	5/12/06	Lloyd Davis	131 F & P Checking	(325.22)
37794	5/12/06	Edward Holman	131 F & P Checking	(79.99)
37795	5/12/06	Edward Holman	131 F & P Checking	(15.30)
37822	5/19/06	Lisa Hannah	131 F & P Checking	(209.65)
37823	5/19/06	D. Moore	131 F & P Checking	(47.01)
37824	5/19/06	C. Robbins	131 F & P Checking	(377.69)
37825	5/19/06	S. Pennington	131 F & P Checking	(281.03)
37826	5/19/06	G. Hall	131 F & P Checking	(461.33)
37827	5/19/06	Lloyd Davis	131 F & P Checking	(325.22)
37828	5/19/06	Edward Holman	131 F & P Checking	(164.57)
37829	5/19/06	Edward Holman	131 F & P Checking	(15.30)
37834	5/26/06	Lisa Hannah	131 F & P Checking	(209.65)
37835	5/26/06	D. Moore	131 F & P Checking	(47.01)
37836	5/26/06	C. Robbins	131 F & P Checking	(444.64)
37837	5/26/06	S. Pennington	131 F & P Checking	(250.35)
37838	5/26/06	G. Hall	131 F & P Checking	(713.37)
37839	5/26/06	Lloyd Davis	131 F & P Checking	(384.35)

Category Spending
All Accounts

9/1/05 Through 8/31/06

Num	Date	Payee	Account	Amount
37840	5/26/06	Gergory Hall	131 F & P Checking	(220.59)
37841	5/26/06	Edward Holman	131 F & P Checking	(205.29)
37842	5/26/06	Edward Holman	131 F & P Checking	(15.30)
37852	6/2/06	D. Moore	131 F & P Checking	(71.95)
37853	6/2/06	C. Robbins	131 F & P Checking	(327.69)
37854	6/2/06	C. Robbins	131 F & P Checking	(50.00)
37855	6/2/06	S. Pennington	131 F & P Checking	(250.35)
37856	6/2/06	G. Hall	131 F & P Checking	(540.27)
37857	6/2/06	Lloyd Davis	131 F & P Checking	(325.22)
37858	6/2/06	Gergory Hall	131 F & P Checking	(179.87)
37859	6/2/06	Edward Holman	131 F & P Checking	(164.57)
37860	6/2/06	Edward Holman	131 F & P Checking	(15.30)
37862	6/9/06	D. Moore	131 F & P Checking	(136.63)
37863	6/9/06	C. Robbins	131 F & P Checking	(377.69)
37864	6/9/06	S. Pennington	131 F & P Checking	(250.35)
37865	6/9/06	G. Hall	131 F & P Checking	(491.95)
37866	6/9/06	Lloyd Davis	131 F & P Checking	(325.22)
37867	6/9/06	Gergory Hall	131 F & P Checking	(220.59)
37868	6/9/06	Edward Holman	131 F & P Checking	(205.29)
37869	6/9/06	Edward Holman	131 F & P Checking	(15.30)
37894	6/16/06	D. Moore	131 F & P Checking	(71.95)
37895	6/16/06	C. Robbins	131 F & P Checking	(377.69)
37896	6/16/06	S. Pennington	131 F & P Checking	(250.35)
37897	6/16/06	G. Hall	131 F & P Checking	(540.27)
37898	6/16/06	Lloyd Davis	131 F & P Checking	(379.83)
37899	6/16/06	Gergory Hall	131 F & P Checking	(220.59)
37900	6/16/06	Edward Holman	131 F & P Checking	(205.29)
37901	6/16/06	Edward Holman	131 F & P Checking	(15.30)
37903	6/23/06	D. Moore	131 F & P Checking	(71.95)
37904	6/23/06	C. Robbins	131 F & P Checking	(377.69)
37905	6/23/06	S. Pennington	131 F & P Checking	(281.03)
37906	6/23/06	G. Hall	131 F & P Checking	(461.33)
37907	6/23/06	Lloyd Davis	131 F & P Checking	(325.22)
37908	6/23/06	Gergory Hall	131 F & P Checking	(95.29)
37909	6/23/06	Edward Holman	131 F & P Checking	(123.28)
37910	6/23/06	Edward Holman	131 F & P Checking	(15.30)
37916	6/30/06	D. Moore	131 F & P Checking	(197.10)
37917	6/30/06	C. Robbins	131 F & P Checking	(377.69)
37918	6/30/06	S. Pennington	131 F & P Checking	(258.36)
37919	6/30/06	G. Hall	131 F & P Checking	(461.33)
VOID	6/30/06	Lloyd Davis	131 F & P Checking	0.00
37921	6/30/06	Gergory Hall	131 F & P Checking	(220.59)
37922	6/30/06	Edward Holman	131 F & P Checking	(174.90)
37923	6/30/06	Edward Holman	131 F & P Checking	(15.30)
37925	6/30/06	Lloyd Davis	131 F & P Checking	(264.54)
37940	7/7/06	D. Moore	131 F & P Checking	(47.01)
37941	7/7/06	C. Robbins	131 F & P Checking	(327.69)
37942	7/7/06	C. Robbins	131 F & P Checking	(50.00)
37943	7/7/06	S. Pennington	131 F & P Checking	(250.35)
37944	7/7/06	G. Hall	131 F & P Checking	(451.33)
37945	7/7/06	Lloyd Davis	131 F & P Checking	(325.22)
37946	7/7/06	Gergory Hall	131 F & P Checking	(95.29)
37947	7/7/06	Edward Holman	131 F & P Checking	(115.09)
37948	7/7/06	Edward Holman	131 F & P Checking	(15.30)
37970	7/14/06	D. Moore	131 F & P Checking	(47.01)
37971	7/14/06	C. Robbins	131 F & P Checking	(377.69)
37972	7/14/06	S. Pennington	131 F & P Checking	(250.35)

Category Spending
All Accounts

9/1/05 Through 8/31/06

Trans	Date	Name	Account	Amount
37973	7/14/06	G. Hall	131 F & P Checking	(451.33)
37974	7/14/06	Lloyd Davis	131 F & P Checking	(325.22)
37975	7/14/06	Gergory Hall	131 F & P Checking	(138.58)
37976	7/14/06	Edward Holman	131 F & P Checking	(123.28)
37977	7/14/06	Edward Holman	131 F & P Checking	(15.30)
37980	7/21/06	D. Moore	131 F & P Checking	(47.01)
37981	7/21/06	C. Robbins	131 F & P Checking	(377.69)
37982	7/21/06	S. Pennington	131 F & P Checking	(250.35)
37983	7/21/06	G. Hall	131 F & P Checking	(576.46)
37984	7/21/06	Lloyd Davis	131 F & P Checking	(413.88)
37985	7/21/06	Gergory Hall	131 F & P Checking	(220.59)
37986	7/21/06	Edward Holman	131 F & P Checking	(205.29)
37987	7/21/06	Edward Holman	131 F & P Checking	(15.30)
37990	7/28/06	D. Moore	131 F & P Checking	(47.01)
37991	7/28/06	C. Robbins	131 F & P Checking	(377.69)
37992	7/28/06	S. Pennington	131 F & P Checking	(250.35)
37993	7/28/06	G. Hall	131 F & P Checking	(451.33)
37994	7/28/06	Lloyd Davis	131 F & P Checking	(325.22)
37995	7/28/06	Gergory Hall	131 F & P Checking	(220.59)
37996	7/28/06	Edward Holman	131 F & P Checking	(164.57)
37997	7/28/06	Edward Holman	131 F & P Checking	(15.30)
38007	8/4/06	D. Moore	131 F & P Checking	(136.63)
38008	8/4/06	C. Robbins	131 F & P Checking	(377.69)
38009	8/4/06	C. Robbins	131 F & P Checking	(50.00)
38010	8/4/06	S. Pennington	131 F & P Checking	(250.35)
38011	8/4/06	G. Hall	131 F & P Checking	(451.33)
38012	8/4/06	Lloyd Davis	131 F & P Checking	(325.22)
38013	8/4/06	Gergory Hall	131 F & P Checking	(220.59)
38017	8/11/06	D. Moore	131 F & P Checking	(47.01)
38018	8/11/06	C. Robbins	131 F & P Checking	(377.69)
38019	8/11/06	S. Pennington	131 F & P Checking	(250.35)
38020	8/11/06	G. Hall	131 F & P Checking	(451.33)
38021	8/11/06	Lloyd Davis	131 F & P Checking	(325.22)
38022	8/11/06	Gergory Hall	131 F & P Checking	(220.59)
38048	8/18/06	D. Moore	131 F & P Checking	(47.01)
38049	8/18/06	C. Robbins	131 F & P Checking	(377.69)
38050	8/18/06	S. Pennington	131 F & P Checking	(250.35)
38051	8/18/06	G. Hall	131 F & P Checking	(451.33)
38052	8/18/06	Lloyd Davis	131 F & P Checking	(325.22)
38053	8/18/06	Edward Holman	131 F & P Checking	(205.29)
38054	8/18/06	Edward Holman	131 F & P Checking	(15.30)
38055	8/18/06	Zack Gleason	131 F & P Checking	(220.59)
38058	8/25/06	D. Moore	131 F & P Checking	(47.01)
38059	8/25/06	C. Robbins	131 F & P Checking	(377.69)
38060	8/25/06	S. Pennington	131 F & P Checking	(250.35)
38061	8/25/06	G. Hall	131 F & P Checking	(451.33)
38062	8/25/06	Lloyd Davis	131 F & P Checking	(325.22)
38063	8/25/06	Edward Holman	131 F & P Checking	(123.28)
38064	8/25/06	Edward Holman	131 F & P Checking	(15.30)
38065	8/25/06	Zack Gleason	131 F & P Checking	(171.14)

Total 601 Wage

(98,663.41) 11,438.86

603 Salary

87,224.50

37137	9/2/05	G.J. Hannah	131 F & P Checking	(1,118.12)
37147	9/9/05	G.J. Hannah	131 F & P Checking	(1,118.12)
37183	9/16/05	G.J. Hannah	131 F & P Checking	(1,118.12)

Category Spending
All Accounts

7/1/05 Through 8/31/06

Check #	Date	Name	Account	Amount
37193	9/23/05	G.J. Hannah	131 F & P Checking	(1,118.12)~
37204	9/30/05	G.J. Hannah	131 F & P Checking	(1,118.12)~
37222	10/7/05	G.J. Hannah	131 F & P Checking	(1,118.12)~
37261	10/14/05	G.J. Hannah	131 F & P Checking	(1,118.12)~
37271	10/21/05	G.J. Hannah	131 F & P Checking	(1,118.12)~
37284	10/28/05	G.J. Hannah	131 F & P Checking	(1,118.12)~
37307	11/4/05	G.J. Hannah	131 F & P Checking	(1,118.12)~
37317	11/11/05	G.J. Hannah	131 F & P Checking	(1,118.12)~
37351	11/18/05	G.J. Hannah	131 F & P Checking	(1,118.12)~
37363	11/25/05	G.J. Hannah	131 F & P Checking	(1,118.12)~
37381	12/2/05	G.J. Hannah	131 F & P Checking	(1,118.12)~
37392	12/9/05	G.J. Hannah	131 F & P Checking	(1,118.12)~
37429	12/16/05	G.J. Hannah	131 F & P Checking	(1,118.12)~
37442	12/23/05	G.J. Hannah	131 F & P Checking	(1,118.12)~
37455	12/30/05	G.J. Hannah	131 F & P Checking	(1,118.12)~
37473	1/6/06	G.J. Hannah	131 F & P Checking	(1,118.12)~
37508	1/13/06	G.J. Hannah	131 F & P Checking	(1,118.12)~
37521	1/20/06	G.J. Hannah	131 F & P Checking	(1,118.12)~
37537	1/27/06	G.J. Hannah	131 F & P Checking	(1,118.12)~
37555	2/3/06	G.J. Hannah	131 F & P Checking	(1,118.12)~
37565	2/10/06	G.J. Hannah	131 F & P Checking	(1,118.12)~
37597	2/17/06	G.J. Hannah	131 F & P Checking	(1,118.12)~
37605	2/24/06	G.J. Hannah	131 F & P Checking	(1,118.12)~
37623	3/3/06	G.J. Hannah	131 F & P Checking	(1,118.12)~
37632	3/10/06	G.J. Hannah	131 F & P Checking	(1,118.12)~
37659	3/17/06	G.J. Hannah	131 F & P Checking	(1,118.12)~
37668	3/24/06	G.J. Hannah	131 F & P Checking	(1,118.12)~
37676	3/31/06	G.J. Hannah	131 F & P Checking	(1,118.12)~
37699	4/7/06	G.J. Hannah	131 F & P Checking	(1,118.12)~
37730	4/14/06	G.J. Hannah	131 F & P Checking	(1,118.12)~
37745	4/21/06	G.J. Hannah	131 F & P Checking	(1,118.12)~
37756	4/28/06	G.J. Hannah	131 F & P Checking	(1,118.12)~
37776	5/5/06	G.J. Hannah	131 F & P Checking	(1,118.12)~
37787	5/12/06	G.J. Hannah	131 F & P Checking	(1,118.12)~
37821	5/19/06	G.J. Hannah	131 F & P Checking	(1,118.12)~
37833	5/26/06	G.J. Hannah	131 F & P Checking	(1,118.12)~
37851	6/2/06	G.J. Hannah	131 F & P Checking	(1,118.12)~
37864	6/9/06	G.J. Hannah	131 F & P Checking	(1,118.12)~
37893	6/16/06	G.J. Hannah	131 F & P Checking	(1,118.12)~
37902	6/23/06	G.J. Hannah	131 F & P Checking	(1,118.12)~
37915	6/30/06	G.J. Hannah	131 F & P Checking	(1,118.12)~
37939	7/7/06	G.J. Hannah	131 F & P Checking	(1,118.12)~
37969	7/14/06	G.J. Hannah	131 F & P Checking	(1,118.12)~
37979	7/21/06	G.J. Hannah	131 F & P Checking	(1,118.12)~
37989	7/28/06	G.J. Hannah	131 F & P Checking	(1,118.12)~
38006	8/4/06	G.J. Hannah	131 F & P Checking	(1,118.12)~
38016	8/11/06	G.J. Hannah	131 F & P Checking	(1,118.12)~
38031	8/18/06	G.J. Hannah	131 F & P Checking	(1,118.12)~
38057	8/25/06	G.J. Hannah	131 F & P Checking	(1,118.12)~

Total 603 Salary

(58,142.24) 58,142.24

- 0 -

604 Pension & Benefits

.1 Health Ins.

37135	9/1/05	United Health Care	131 F & P Checking	(4,610.55)~
37216	10/3/05	United Health Care	131 F & P Checking	(4,199.75)~
37301	11/1/05	United Health Care	131 F & P Checking	(4,405.15)~

Category Spending
All Accounts

9/1/05 Through 8/31/06

Trans	Date	Payee	Account	Amount
37378	12/1/05	United Health Care	131 F & P Checking	(1,406.15)-
37470	1/1/06	United Health Care	131 F & P Checking	(5,283.56)-
37549	2/1/06	United Health Care	131 F & P Checking	(5,283.56)-
37615	3/1/06	United Health Care	131 F & P Checking	(5,283.56)-
37687	4/1/06	United Health Care	131 F & P Checking	(5,283.56)-
37769	5/1/06	United Health Care	131 F & P Checking	(5,283.56)-
37846	6/1/06	United Health Care	131 F & P Checking	(5,283.56)-
37929	7/1/06	United Health Care	131 F & P Checking	(5,283.56)-
38005	8/1/06	United Health Care	131 F & P Checking	(5,283.56)-
				(59,589.08)
2 Pension				
37178	9/15/05	State Farm	131 F & P Checking	(274.62)-
37241	10/14/05	State Farm	131 F & P Checking	(284.62)-
37341	11/15/05	State Farm	131 F & P Checking	(274.62)-
37422	12/15/05	State Farm	131 F & P Checking	(305.67)-
37499	1/13/06	State Farm	131 F & P Checking	(307.34)-
37581	2/15/06	State Farm	131 F & P Checking	(287.34)-
37656	3/15/06	State Farm	131 F & P Checking	(287.34)-
37724	4/14/06	State Farm	131 F & P Checking	(297.34)-
37806	5/15/06	State Farm	131 F & P Checking	(287.34)-
37884	6/15/06	State Farm	131 F & P Checking	(287.34)-
37968	7/14/06	State Farm	131 F & P Checking	(297.34)-
38033	8/15/06	State Farm	131 F & P Checking	(327.34)-
				(3,518.25)
Total 601 Pension & Benefits				(63,407.33)
610 Purchased Water				
37156	9/13/05	City of Greenup	131 F & P Checking	(1,835.15)-
37279	10/21/05	City of Greenup	131 F & P Checking	(441.29)-
37327	11/15/05	City of Greenup	131 F & P Checking	(19.95)-
37419	12/15/05	City of Greenup	131 F & P Checking	(19.95)-
37484	1/13/06	City of Greenup	131 F & P Checking	(19.95)-
37576	2/15/06	City of Greenup	131 F & P Checking	(19.95)-
37642	3/15/06	City of Greenup	131 F & P Checking	(19.95)-
37696	4/5/06	City of Greenup	131 F & P Checking	(19.95)-
37805	5/12/06	City of Greenup	131 F & P Checking	(19.95)-
37878	6/15/06	City of Greenup	131 F & P Checking	(273.98)-
37956	7/14/06	City of Greenup	131 F & P Checking	(19.95)-
38032	8/15/06	City of Greenup	131 F & P Checking	(19.95)-
Total 610 Purchased Water				(1,729.37) 2729.47
615 Electric				
615.3 Plant				
37160	9/15/05	American Elec. Power	131 F & P Checking	(3,471.44)
37235	10/14/05	American Elec. Power	131 F & P Checking	(2,716.46)
37334	11/15/05	American Elec. Power	131 F & P Checking	(3,687.00)
37407	12/15/05	American Elec. Power	131 F & P Checking	(3,115.44)
37488	1/13/06	American Elec. Power	131 F & P Checking	(2,925.68)
37585	2/15/06	American Elec. Power	131 F & P Checking	(2,804.63)
37643	3/15/06	American Elec. Power	131 F & P Checking	(2,651.72)
37718	4/14/06	American Elec. Power	131 F & P Checking	(2,690.05)
37800	5/15/06	American Elec. Power	131 F & P Checking	(3,795.38)
37876	6/15/06	American Elec. Power	131 F & P Checking	(3,979.33)
37966	7/14/06	American Elec. Power	131 F & P Checking	(3,907.55)

Category Spending
All Accounts

9/1/05 Through 8/31/06

Item	Date	Payee	Account	Amount
38038	8/15/06	American Elec. Power	131 F & P Checking	(3,907.24)
				(38,652.77)
Total 615 Electric				(38,652.77)
618 Chemicals				
37247	10/14/05	C.I. Thornburg	131 F & P Checking	(1,743.83)
37403	12/15/05	C.I. Thornburg	131 F & P Checking	(1,526.53)
37517	1/13/06	C.I. Thornburg	131 F & P Checking	(1,701.30)
37695	4/1/06	C.I. Thornburg	131 F & P Checking	(1,420.40)
37815	5/17/06	C.I. Thornburg	131 F & P Checking	(1,597.42)
38001	8/1/06	C.I. Thornburg	131 F & P Checking	(1,852.77)
Total 618 Chemicals				(9,842.25)
620 Material & Supply				
620.3 Plant				
37157	9/15/05	Alltel	131 F & P Checking	(49.85)
37159	9/15/05	Columbia Gas	131 F & P Checking	(20.01)
37161	9/15/05	McCoy & McCoy	131 F & P Checking	(1,453.35)
37163	9/15/05	Citi Card	131 F & P Checking	(139.97)
37182	9/15/05	Bentley's Hardware	131 F & P Checking	(686.82)
37203	9/29/05	Petty Cash	131 F & P Checking	(20.33)
37234	10/14/05	Alltel	131 F & P Checking	(49.66)
37237	10/14/05	Columbia Gas	131 F & P Checking	(20.01)
37239	10/14/05	McCoy & McCoy	131 F & P Checking	(157.60)
37257	10/14/05	McCoy & McCoy	131 F & P Checking	(68.80)
37259	10/14/05	Citi Card	131 F & P Checking	(81.57)
37306	11/1/05	Alltel	131 F & P Checking	(50.96)
37338	11/15/05	Columbia Gas	131 F & P Checking	(20.01)
37339	11/15/05	Bentley's Hardware	131 F & P Checking	(452.94)
37340	11/15/05	McCoy & McCoy	131 F & P Checking	(177.60)
37345	11/15/05	Ky Rural Water Association	131 F & P Checking	(275.00)
37404	12/15/05	Columbia Gas	131 F & P Checking	(78.38)
37410	12/15/05	Citi Card	131 F & P Checking	(27.59)
37416	12/15/05	McCoy & McCoy	131 F & P Checking	(68.80)
37423	12/15/05	Alltel	131 F & P Checking	(49.66)
37451	12/23/05	McCoy & McCoy	131 F & P Checking	(88.50)
37452	12/23/05	Bentley's Hardware	131 F & P Checking	(426.62)
37487	1/13/06	Alltel	131 F & P Checking	(49.66)
37489	1/13/06	Columbia Gas	131 F & P Checking	(305.05)
37497	1/13/06	McCoy & McCoy	131 F & P Checking	(68.80)
37520	1/17/06	Ky State Treasurer	131 F & P Checking	(250.00)
37530	1/20/06	Petty Cash	131 F & P Checking	(74.50)
37554	2/1/06	McCoy & McCoy	131 F & P Checking	(203.20)
37579	2/15/06	Columbia Gas	131 F & P Checking	(116.39)
37583	2/15/06	Alltel	131 F & P Checking	(50.03)
37584	2/15/06	McCoy & McCoy	131 F & P Checking	(68.80)
37593	2/15/06	Citi Card	131 F & P Checking	(24.25)
37595	2/15/06	McCoy & McCoy	131 F & P Checking	(20.00)
37639	3/15/06	Citi Card	131 F & P Checking	(143.17)
37641	3/15/06	Columbia Gas	131 F & P Checking	(114.91)
37645	3/15/06	McCoy & McCoy	131 F & P Checking	(137.60)
37653	3/15/06	Alltel	131 F & P Checking	(49.66)
37693	4/1/06	McCoy & McCoy	131 F & P Checking	(88.80)
37694	4/1/06	Alltel	131 F & P Checking	(49.66)
37698	4/5/06	Dickson	131 F & P Checking	(31.00)

Category Spending
All Accounts

9/1/05 Through 8/31/06

Exp#	Date	Description	Account	Amount
37713	4/14/06	Citi Card	131 F & P Checking	(120.94)
37717	4/14/06	Columbia Gas	131 F & P Checking	(74.96)
37740	4/17/06	Ky State Treasurer	131 F & P Checking	(70.00)
37772	5/1/06	McCoy & McCoy	131 F & P Checking	(157.60)
37804	5/12/06	Alltel	131 F & P Checking	(49.71)
37802	5/15/06	Columbia Gas	131 F & P Checking	(20.01)
37812	5/15/06	McCoy & McCoy	131 F & P Checking	(1,555.80)
37818	5/19/06	McCoy & McCoy	131 F & P Checking	(20.00)
37819	5/19/06	Citi Card	131 F & P Checking	(17.38)
37832	5/19/06	Petty Cash	131 F & P Checking	(7.56)
37872	6/15/06	Citi Card	131 F & P Checking	(52.51)
37875	6/15/06	Columbia Gas	131 F & P Checking	(20.01)
37881	6/15/06	Alltel	131 F & P Checking	(49.71)
37882	6/15/06	State Electric Suooly Co	131 F & P Checking	(36.40)
37883	6/15/06	McCoy & McCoy	131 F & P Checking	(60.80)
37892	6/15/06	McCoy & McCoy	131 F & P Checking	(70.80)
37931	7/1/06	McCoy & McCoy	131 F & P Checking	(67.50)
37936	7/1/06	Zimmer Elec. Eq.	131 F & P Checking	(741.00)
37957	7/14/06	McCoy & McCoy	131 F & P Checking	(70.80)
37960	7/14/06	Alltel	131 F & P Checking	(49.90)
37962	7/14/06	Columbia Gas	131 F & P Checking	(20.01)
37967	7/14/06	Citi Card	131 F & P Checking	(386.71)
38002	8/1/06	McCoy & McCoy	131 F & P Checking	(143.60)
38023	8/11/06	D. Moore	131 F & P Checking	(100.52)
38024	8/15/06	McCoy & McCoy	131 F & P Checking	(117.80)
38025	8/15/06	Citi Card	131 F & P Checking	(122.02)
38036	8/15/06	Alltel	131 F & P Checking	(49.67)
38037	8/15/06	Columbia Gas	131 F & P Checking	(20.01)
				(10,583.24) 1641.11
620.31 O&M Plant Work				
37182	9/15/05	Bentley's Hardware	131 F & P Checking	(338.35)
37238	10/14/05	Bentley's Hardware	131 F & P Checking	(338.35)
37246	10/14/05	Pinson Brothers Drilling	131 F & P Checking	(2,556.00)
37246	10/14/05	Pinson Brothers Drilling	131 F & P Checking	(2,548.00)
37409	12/15/05	Pinson Brothers Drilling	131 F & P Checking	(2,565.00)
				(8,345.70)
620.5 Distribution				
37134	9/1/05	Cingular Wireless	131 F & P Checking	(115.21)
37146	9/2/05	Edward Holman	131 F & P Checking	(63.00)
37166	9/15/05	C. F. Thornburg	131 F & P Checking	(120.92)
37182	9/15/05	Bentley's Hardware	131 F & P Checking	(500.00)
37210	9/20/05	Edward Holman	131 F & P Checking	(168.00)
37211	9/26/05	Comcast	131 F & P Checking	(125.30)
37212	10/1/05	Cingular Wireless	131 F & P Checking	(52.08)
37213	10/14/05	annex letter	131 F & P Checking	(100.00)
37246	10/14/05	Bentley's Hardware	131 F & P Checking	(133.52)
37247	10/14/05	Miller Suppl. Co	131 F & P Checking	(170.69)
37247	10/14/05	C. F. Thornburg	131 F & P Checking	(359.15)
37293	10/28/05	Edward Holman	131 F & P Checking	(56.00)
37302	11/1/05	Cingular Wireless	131 F & P Checking	(52.19)
37316	11/4/05	Wilburn Construction	131 F & P Checking	(50.00)
37336	11/15/05	Citi Card	131 F & P Checking	(709.37)
37360	11/18/05	C. Miller	131 F & P Checking	(30.00)
37372	11/25/05	Edward Holman	131 F & P Checking	(112.00)
37376	12/1/05	Cingular Wireless	131 F & P Checking	(52.19)

Category Spending
All Accounts

7/1/05 Through 8/31/06

Num	Date	Desc	Account	Amount
37390	12/2/05	Edward Holman	131 F & P Checking	(56.00)
37400	12/9/05	Edward Holman	131 F & P Checking	(28.00)
37448	12/23/05	Gergory Hall	131 F & P Checking	(56.00)
37449	12/23/05	Edward Holman	131 F & P Checking	(56.00)
37462	12/30/05	Gergory Hall	131 F & P Checking	(168.00)
37463	12/30/05	Edward Holman	131 F & P Checking	(112.00)
37464	12/30/05	Wayne Hannah Excavating	131 F & P Checking	(50.00)
37465	12/30/05	Wayne Hannah Excavating	131 F & P Checking	(125.84)
37468	1/1/06	Cingular Wireless	131 F & P Checking	(52.34)
37480	1/6/06	Chip Fluty	131 F & P Checking	(70.00)
37482	1/11/06	Tom Nelson	131 F & P Checking	(154.46)
37490	1/13/06	Citi Card	131 F & P Checking	(920.20)
37494	1/13/06	Bentley's Hardware	131 F & P Checking	(87.16)
37496	1/13/06	Water Works Supplies, Inc.	131 F & P Checking	(36.55)
37505	1/13/06	Wayne Hannah Excavation	131 F & P Checking	(60.00)
37515	1/13/06	Gergory Hall	131 F & P Checking	(56.00)
37518	1/13/06	Tom Nelson	131 F & P Checking	(193.33)
37528	1/20/06	Gergory Hall	131 F & P Checking	(56.00)
37529	1/20/06	Zack Gleason	131 F & P Checking	(56.00)
37544	1/27/06	Edward Holman	131 F & P Checking	(168.00)
37550	2/1/06	Cingular Wireless	131 F & P Checking	(52.20)
37564	2/3/06	Zack Gleason	131 F & P Checking	(56.00)
37575	2/15/06	Bentley's Hardware	131 F & P Checking	(347.38)
37578	2/15/06	C.I. Thornburg	131 F & P Checking	(162.67)
37596	2/15/06	Cingular Wireless	131 F & P Checking	(53.49)
37618	3/1/06	Cingular Wireless	131 F & P Checking	(70.17)
37622	3/1/06	NAWC	131 F & P Checking	(952.74)
37652	3/15/06	Bentley's Hardware	131 F & P Checking	(172.66)
37685	3/31/06	David Cooper	131 F & P Checking	(224.00)
37690	4/1/06	Cingular Wireless	131 F & P Checking	(52.21)
37707	4/7/06	Gergory Hall	131 F & P Checking	(112.00)
37708	4/7/06	Wayne Hannah Excavating	131 F & P Checking	(50.00)
37709	4/7/06	Wayne Hannah Excavating	131 F & P Checking	(106.28)
37722	4/14/06	Bentley's Hardware	131 F & P Checking	(441.91)
37765	4/28/06	Zack Gleason	131 F & P Checking	(168.00)
37766	5/1/06	Cingular Wireless	131 F & P Checking	(52.13)
37807	5/15/06	Bentley's Hardware	131 F & P Checking	(258.55)
37813	5/15/06	Water Works Supplies, Inc.	131 F & P Checking	(50.35)
37815	5/17/06	C.I. Thornburg	131 F & P Checking	(126.08)
37830	5/19/06	Gergory Hall	131 F & P Checking	(56.00)
37850	6/1/06	Cingular Wireless	131 F & P Checking	(52.13)
37873	6/15/06	Bentley's Hardware	131 F & P Checking	(836.08)
37928	7/1/06	Cingular Wireless	131 F & P Checking	(50.72)
37953	7/13/06	Bentley's Hardware	131 F & P Checking	(532.38)
38003	8/1/06	Cingular Wireless	131 F & P Checking	(50.68)
38028	8/15/06	Bentley's Hardware	131 F & P Checking	(117.17)
				(10,735.33)
620.8 Office				
37157	9/15/05	Alltel	131 F & P Checking	(125.78)
37159	9/15/05	Columbia Gas	131 F & P Checking	(23.01)
37160	9/15/05	American Elec. Power	131 F & P Checking	(230.72)
37163	9/15/05	Citi Card	131 F & P Checking	(21.95)
37167	9/15/05	Officemax	131 F & P Checking	(498.89)
37169	9/15/05	E W S Sanitation	131 F & P Checking	(13.50)
37171	9/15/05	Daily Independent	131 F & P Checking	(15.85)
37172	9/15/05	City of South Shore	131 F & P Checking	(21.20)

Category Spending
All Accounts

7/1/05 Through 1/31/06

Check #	Date	Description	Account	Amount
37177	9/1/05	Dell	131 F & P Checking	(309.52)
37192	9/19/05	Postmaster	131 F & P Checking	(82.11)
37202	9/23/05	Postmaster	131 F & P Checking	(483.23)
	9/30/05	First & Peoples Bank	131 F & P Checking	(14.00)
37234	10/14/05	Alltel	131 F & P Checking	(122.50)
37235	10/14/05	American Elec. Power	131 F & P Checking	(143.07)
37237	10/14/05	Columbia Gas	131 F & P Checking	(22.01)
37240	10/14/05	City of South Shore	131 F & P Checking	(21.20)
37242	10/14/05	Daily Independent	131 F & P Checking	(16.00)
37244	10/14/05	E W S. Sanitation	131 F & P Checking	(13.50)
37253	10/14/05	Value Added Business supplies	131 F & P Checking	(102.94)
37258	10/14/05	Officemax	131 F & P Checking	(127.18)
37259	10/14/05	Citi Card	131 F & P Checking	(21.95)
37270	10/18/05	Postmaster	131 F & P Checking	(169.45)
37280	10/21/05	Cleaning Supplies Co	131 F & P Checking	(177.15)
37282	10/25/05	Coloniel Forest	131 F & P Checking	(57.78)
37296	10/28/05	Petty Cash	131 F & P Checking	(24.54)
37298	10/28/05	Postmaster	131 F & P Checking	(482.77)
	10/31/05	First & Peoples Bank	131 F & P Checking	(17.00)
37328	11/15/05	Daily Independent	131 F & P Checking	(16.00)
37329	11/15/05	E W S. Sanitation	131 F & P Checking	(13.50)
37330	11/15/05	Alltel	131 F & P Checking	(119.18)
37331	11/15/05	City of South Shore	131 F & P Checking	(21.20)
37334	11/15/05	American Elec. Power	131 F & P Checking	(72.77)
37336	11/15/05	Citi Card	131 F & P Checking	(21.95)
37338	11/15/05	Columbia Gas	131 F & P Checking	(81.20)
37350	11/17/05	Postmaster	131 F & P Checking	(126.24)
37373	11/28/05	Postmaster	131 F & P Checking	(482.08)
	11/30/05	First & Peoples Bank	131 F & P Checking	(14.25)
	12/13/05	First & Peoples Bank	131 F & P Checking	(29.00)
37404	12/15/05	Columbia Gas	131 F & P Checking	(299.30)
37405	12/15/05	Alltel	131 F & P Checking	(118.47)
37407	12/15/05	American Elec. Power	131 F & P Checking	(73.98)
37408	12/15/05	Coloniel Forest	131 F & P Checking	(50.00)
37410	12/15/05	Citi Card	131 F & P Checking	(21.95)
37412	12/15/05	Dell	131 F & P Checking	(118.67)
37414	12/15/05	Postmaster	131 F & P Checking	(46.00)
37421	12/15/05	Harris Computer	131 F & P Checking	(1,391.00)
37425	12/15/05	Daily Independent	131 F & P Checking	(16.00)
37426	12/15/05	City of South Shore	131 F & P Checking	(21.20)
37437	12/15/05	Postmaster	131 F & P Checking	(115.89)
37454	12/23/05	Postmaster	131 F & P Checking	(482.70)
	12/31/05	First & Peoples Bank	131 F & P Checking	(17.50)
37477	1/1/06	Postmaster	131 F & P Checking	(150.00)
37487	1/1/06	Alltel	131 F & P Checking	(119.11)
37488	1/1/06	American Elec. Power	131 F & P Checking	(70.38)
37489	1/1/06	Columbia Gas	131 F & P Checking	(81.78)
37490	1/1/06	Citi Card	131 F & P Checking	(21.95)
37492	1/1/06	Daily Independent	131 F & P Checking	(16.00)
37495	1/13/06	City of South Shore	131 F & P Checking	(21.20)
37502	1/13/06	Petty Cash	131 F & P Checking	(50.34)
37519	1/17/06	Postmaster	131 F & P Checking	(161.43)
37530	1/20/06	Petty Cash	131 F & P Checking	(25.97)
37532	1/20/06	Bill Office Supply	131 F & P Checking	(461.49)
37533	1/20/06	Officemax	131 F & P Checking	(177.36)
37545	1/27/06	Postmaster	131 F & P Checking	(462.95)
	1/31/06	First & Peoples Bank	131 F & P Customer Deposits	(1.00)

Category Spending
All Accounts

9/1/05 Through 8/31/06

Num	Date	Payee	Account	Amount
	1/31/06	First & Peoples Bank	131 F & P Checking	(14.50)
37546	1/31/06	Affordable Computers	131 F & P Checking	(260.00)
37574	2/15/06	Daily Independent	131 F & P Checking	(16.00)
37577	2/15/06	City of South Shore	131 F & P Checking	(30.15)
37579	2/15/06	Columbia Gas	131 F & P Checking	(335.77)
37583	2/15/06	Alltel	131 F & P Checking	(121.69)
37585	2/15/06	American Elec. Power	131 F & P Checking	(64.65)
37593	2/15/06	Citi Card	131 F & P Checking	(21.95)
37604	2/17/06	Postmaster	131 F & P Checking	(156.05)
37614	2/24/06	Postmaster	131 F & P Checking	(463.84)
	2/28/06	First & Peoples Bank	131 F & P Checking	(13.50)
37620	3/1/06	Daily Independent	131 F & P Checking	(16.00)
37639	3/15/06	Citi Card	131 F & P Checking	(21.95)
37641	3/15/06	Columbia Gas	131 F & P Checking	(396.96)
37643	3/15/06	American Elec. Power	131 F & P Checking	(60.35)
37644	3/15/06	City of South Shore	131 F & P Checking	(30.15)
37653	3/15/06	Alltel	131 F & P Checking	(124.65)
37666	3/17/06	Postmaster	131 F & P Checking	(134.81)
37675	3/29/06	Postmaster	131 F & P Checking	(463.39)
37692	4/1/06	Compton Printing	131 F & P Checking	(90.95)
	4/2/06	First & Peoples Bank	131 F & P Checking	(11.50)
37697	4/5/06	Daily Independent	131 F & P Checking	(16.00)
37713	4/14/06	Citi Card	131 F & P Checking	(21.95)
37715	4/14/06	Alltel	131 F & P Checking	(118.03)
37717	4/14/06	Columbia Gas	131 F & P Checking	(224.29)
37718	4/14/06	American Elec. Power	131 F & P Checking	(59.87)
37721	4/14/06	Cleaning Supplies Co	131 F & P Checking	(148.25)
37723	4/14/06	City of South Shore	131 F & P Checking	(30.15)
37741	4/18/06	Postmaster	131 F & P Checking	(161.85)
37743	4/19/06	Bill Office Supply	131 F & P Checking	(607.52)
37744	4/19/06	HSBC	131 F & P Checking	(449.10)
37755	4/26/06	Postmaster	131 F & P Checking	(462.95)
	4/30/06	First & Peoples Bank	131 F & P Checking	(15.00)
37786	5/5/06	Daily Independent	131 F & P Checking	(16.00)
37804	5/12/06	Alltel	131 F & P Checking	(121.73)
37800	5/15/06	American Elec. Power	131 F & P Checking	(67.35)
37802	5/15/06	Columbia Gas	131 F & P Checking	(52.28)
37803	5/15/06	City of South Shore	131 F & P Checking	(31.20)
37816	5/17/06	Postmaster	131 F & P Checking	(86.75)
37819	5/19/06	Citi Card	131 F & P Checking	(21.95)
37831	5/19/06	Postmaster	131 F & P Checking	(235.21)
37832	5/19/06	Petty Cash	131 F & P Checking	(147.09)
	5/31/06	First & Peoples Bank	131 F & P Checking	(15.75)
37843	5/31/06	Postmaster	131 F & P Checking	(466.96)
37870	6/9/06	Daily Independent	131 F & P Checking	(17.00)
37872	6/15/06	Citi Card	131 F & P Checking	(21.95)
37875	6/15/06	Columbia Gas	131 F & P Checking	(29.58)
37876	6/15/06	American Elec. Power	131 F & P Checking	(87.59)
37881	6/15/06	Alltel	131 F & P Checking	(123.69)
37885	6/15/06	City of South Shore	131 F & P Checking	(31.20)
37911	6/17/06	Postmaster	131 F & P Checking	(123.29)
37912	6/24/06	Customer refund on final	131 F & P Checking	(4.62)
37913	6/27/06	Customer refund on final	131 F & P Checking	(30.75)
37914	6/27/06	Postmaster	131 F & P Checking	(468.30)
	6/30/06	First & Peoples Bank	131 F & P Checking	(13.50)
	6/30/06	First & Peoples Bank	131 F & P Checking	(197.65)
37930	7/1/06	Compton Printing	131 F & P Checking	(452.61)

Category Spending
All Accounts

7/1/05 Through 8/31/06

Account	Date	Description	Account	Amount
37933	7/1/06	Bll Office Supply	131 F & P Checking	(62.51)
37934	7/1/06	Precision Printing	131 F & P Checking	(357.37)
37935	7/1/06	Value Added Business supplies	131 F & P Checking	(131.88)
37938	7/1/06	Daily Independent	131 F & P Checking	(17.00)
37955	7/14/06	Precision Printing	131 F & P Checking	(758.05)
37958	7/14/06	City of South Shore	131 F & P Checking	(31.20)
37960	7/14/06	Alltel	131 F & P Checking	(119.58)
37962	7/14/06	Columbia Gas	131 F & P Checking	(23.20)
37966	7/14/06	American Elec. Power	131 F & P Checking	(150.26)
37967	7/14/06	Citi Card	131 F & P Checking	(21.95)
37978	7/18/06	Postmaster	131 F & P Checking	(122.85)
37988	7/27/06	Postmaster	131 F & P Checking	(464.06)
	7/31/06	First & Peoples Bank	131 F & P Checking	(14.00)
38000	8/1/06	Daily Independent	131 F & P Checking	(17.00)
38025	8/15/06	Citi Card	131 F & P Checking	(21.95)
38031	8/15/06	City of South Shore	131 F & P Checking	(31.20)
38036	8/15/06	Alltel	131 F & P Checking	(119.95)
38037	8/15/06	Columbia Gas	131 F & P Checking	(23.19)
38038	8/15/06	American Elec. Power	131 F & P Checking	(204.21)
38046	8/17/06	Postmaster	131 F & P Checking	(168.76)
38056	8/23/06	Petty Cash	131 F & P Checking	(58.32)
38066	8/29/06	Postmaster	131 F & P Checking	(466.74)
	8/31/06	First & Peoples Bank	131 F & P Customer Deposit	(0.75)
	8/31/06	First & Peoples Bank	131 F & P Checking	(13.25)
				(3,336.79)
6.00 Office Materials Supply				(3,336.79)

6.30 Professional Services

632 Accounting

37179	9/15/05	Don Everman	131 F & P Checking	(200.00)
37254	10/14/05	Don Everman	131 F & P Checking	(200.00)
37347	11/15/05	Don Everman	131 F & P Checking	(200.00)
37420	12/15/05	Don Everman	131 F & P Checking	(200.00)
37500	1/13/06	Don Everman	131 F & P Checking	(200.00)
37586	2/15/06	Don Everman	131 F & P Checking	(200.00)
37648	3/15/06	Don Everman	131 F & P Checking	(200.00)
37726	4/14/06	Don Everman	131 F & P Checking	(200.00)
37810	5/15/06	Don Everman	131 F & P Checking	(200.00)
37889	6/15/06	Don Everman	131 F & P Checking	(200.00)
37959	7/14/06	Don Everman	131 F & P Checking	(200.00)
38042	8/15/06	Don Everman	131 F & P Checking	(200.00)
				(2,300.00)

6.31 Legal Fees

631 Legal Fees

37238	10/14/05	Stites & Harbison	131 F & P Checking	(166.40)
37335	11/15/05	Stites & Harbison	131 F & P Checking	(486.80)
37553	2/1/06	Stites & Harbison	131 F & P Checking	(725.00)
37689	4/1/06	Stites & Harbison	131 F & P Checking	(638.00)
37710	4/14/06	Stites & Harbison	131 F & P Checking	(554.20)
37817	5/19/06	Stites & Harbison	131 F & P Checking	(1,272.30)
37932	7/1/06	Stites & Harbison	131 F & P Checking	(67.50)
38027	8/15/06	Stites & Harbison	131 F & P Checking	(227.60)
				(4,136.80)

Category Spending
All Accounts

7/1/05 Through 8/31/06

Date	Check	Payee	Account	Amount
Total 631 Legal Adv				(4,136.80) 4,136.80
640 Rents				- 0 -
641 Building				
37180	9/15/05	J.E. Hannah Realty Corp	131 F & P Checking	(825.00)
37255	10/14/05	J.E. Hannah Realty Corp.	131 F & P Checking	(825.00)
37346	11/15/05	J.E. Hannah Realty Corp.	131 F & P Checking	(825.00)
37418	12/15/05	J.E. Hannah Realty Corp.	131 F & P Checking	(825.00)
37501	1/13/06	J.E. Hannah Realty Corp.	131 F & P Checking	(825.00)
37587	2/15/06	J.E. Hannah Realty Corp.	131 F & P Checking	(825.00)
37650	3/15/06	J.E. Hannah Realty Corp.	131 F & P Checking	(825.00)
37727	4/14/06	J.E. Hannah Realty Corp.	131 F & P Checking	(825.00)
37814	5/15/06	J.E. Hannah Realty Corp.	131 F & P Checking	(825.00)
37888	6/15/06	J.E. Hannah Realty Corp.	131 F & P Checking	(825.00)
37961	7/14/06	J.E. Hannah Realty Corp.	131 F & P Checking	(825.00)
38041	8/15/06	J.E. Hannah Realty Corp.	131 F & P Checking	(825.00)
				(9,900.00) 9,900.00
641 Easements				- 0 -
37249	10/14/05	CSX	131 F & P Checking	(100.00)
37413	12/15/05	CSX	131 F & P Checking	(100.00)
37809	5/15/06	CSX	131 F & P Checking	(220.81)
				(420.81)
641 Tanks				
37506	1/13/06	Laura Carver	131 F & P Checking	(250.00)
37507	1/13/06	D. Brandel	131 F & P Checking	(100.00)
37890	6/15/06	Ronald Horsley	131 F & P Checking	(500.00)
				(850.00)
Total 640 Rents				(11,170.81)
642 Rental Equipment				1,270.81
37132	9/1/05	GMAC	131 F & P Checking	(458.22)
37181	9/15/05	Fifth Third	131 F & P Checking	(655.50)
37217	10/3/05	GMAC	131 F & P Checking	(458.22)
37252	10/14/05	Fifth Third	131 F & P Checking	(655.50)
37304	11/1/05	GMAC	131 F & P Checking	(458.22)
37377	12/1/05	GMAC	131 F & P Checking	(458.22)
37471	1/1/06	GMAC	131 F & P Checking	(458.22)
37517	2/1/06	GMAC	131 F & P Checking	(458.22)
37616	3/1/06	GMAC	131 F & P Checking	(458.22)
37688	4/1/06	GMAC	131 F & P Checking	(458.22)
37771	5/1/06	GMAC	131 F & P Checking	(458.22)
37835	6/1/06	GMAC	131 F & P Checking	(458.22)
37916	7/1/06	GMAC	131 F & P Checking	(458.22)
38011	8/1/06	GMAC	131 F & P Checking	(458.22)
Total 642 Rental Equipment				(6,809.64) 6,809.64
643 Automobile				- 0 -
Gasoline				
37165	9/15/05	South Shore Gas & Oil	131 F & P Checking	(437.71)
37168	9/15/05	Speedway	131 F & P Checking	(185.20)
37231	10/14/05	South Shore Gas & Oil	131 F & P Checking	(573.68)
37233	10/14/05	Speedway	131 F & P Checking	(174.81)

Category Spending
All Accounts

9/1/05 Through 8/31/06

Check #	Date	Description	Account	Amount
37333	11/15/05	South Shore Gas & Oil	131 F & P Checking	(410.00)
37337	11/15/05	Speedway	131 F & P Checking	(396.12)
37402	12/15/05	Speedway	131 F & P Checking	(324.17)
37427	12/15/05	South Shore Gas & Oil	131 F & P Checking	(200.00)
37483	1/13/06	Speedway	131 F & P Checking	(153.86)
37493	1/13/06	South Shore Gas & Oil	131 F & P Checking	(380.00)
37582	2/15/06	South Shore Gas & Oil	131 F & P Checking	(411.00)
37594	2/15/06	Speedway	131 F & P Checking	(228.28)
37640	3/15/06	Speedway	131 F & P Checking	(171.91)
37651	3/15/06	South Shore Gas & Oil	131 F & P Checking	(294.65)
37714	4/14/06	Speedway	131 F & P Checking	(223.17)
37720	4/14/06	South Shore Gas & Oil	131 F & P Checking	(536.39)
37799	5/15/06	Speedway	131 F & P Checking	(201.97)
37808	5/15/06	South Shore Gas & Oil	131 F & P Checking	(603.02)
37874	6/15/06	Speedway	131 F & P Checking	(380.12)
37877	6/15/06	South Shore Gas & Oil	131 F & P Checking	(374.67)
37954	7/14/06	South Shore Gas & Oil	131 F & P Checking	(571.47)
37963	7/14/06	Speedway	131 F & P Checking	(502.10)
38029	8/15/06	Speedway	131 F & P Checking	(685.11)
38039	8/15/06	South Shore Gas & Oil	131 F & P Checking	(350.00)
				(8,298.44)
				3,025.82
				5,172.59
Maintenance				
37256	10/14/05	Kenny Lyle Garage	131 F & P Checking	(50.00)
37283	10/25/05	Glockner Chevrolet	131 F & P Checking	(58.85)
37294	10/28/05	S S Auto Parts	131 F & P Checking	(47.64)
37295	10/28/05	Kenny Lyle Garage	131 F & P Checking	(83.87)
37349	11/15/05	Petty Cash	131 F & P Checking	(41.77)
37481	1/10/06	S.S Auto Parts	131 F & P Checking	(63.95)
37486	1/13/06	Bickett Machine Shop	131 F & P Checking	(52.88)
37531	1/20/06	Kenny Lyle Garage	131 F & P Checking	(90.63)
37742	4/19/06	S.S Auto Parts	131 F & P Checking	(26.99)
37754	4/21/06	Kenny Lyle Garage	131 F & P Checking	(360.00)
37924	6/30/06	Kenny Lyle Garage	131 F & P Checking	(82.95)
37949	7/7/06	Kenny Lyle Garage	131 F & P Checking	(30.00)
				(989.53)
				100.62
				888.91
				(9,787.97)

Total 653 Automobile

655 Insurance

656 Automobile

37158	9/15/05	State Farm	131 F & P Checking	(444.29)
37343	11/15/05	State Farm	131 F & P Checking	(362.00)
37498	1/13/06	State Farm	131 F & P Checking	(469.72)
37589	2/15/06	State Farm	131 F & P Checking	(433.40)
37655	3/15/06	State Farm	131 F & P Checking	(426.42)
37801	5/15/06	State Farm	131 F & P Checking	(366.50)
37965	7/14/06	State Farm	131 F & P Checking	(418.59)
38040	8/15/06	State Farm	131 F & P Checking	(433.61)
				(3,286.09)

657 Property/liability

37136	9/1/05	Premium Assignment	131 F & P Checking	(597.51)
37164	9/15/05	CNA Surety	131 F & P Checking	(101.50)
37220	10/3/05	Premium Assignment	131 F & P Checking	(597.51)
37300	11/1/05	Premium Assignment	131 F & P Checking	(597.51)
37374	12/1/05	Premium Assignment	131 F & P Checking	(597.51)

Category Spending
All Accounts

9/1/05 Through 8/31/06

Item	Date	Description	Account	Amount
37466	1/1/06	Premium Assignment	131 F & P Checking	(597.51)
37551	2/1/06	Premium Assignment	131 F & P Checking	(597.51)
37621	3/1/06	Premium Assignment	131 F & P Checking	(597.57)
37686	4/1/06	Premium Assignment	131 F & P Checking	(597.51)
37711	4/14/06	KY Fair Plan	131 F & P Checking	(938.99)
37768	5/1/06	Premium Assignment	131 F & P Checking	(597.51)
37849	6/1/06	Premium Assignment	131 F & P Checking	(597.51)
38014	8/4/06	Midland Ins	131 F & P Checking	(4,403.36)
				(11,419.01)
659 Life				
37133	9/1/05	State Farm	131 F & P Checking	(241.50)
37219	10/3/05	State Farm	131 F & P Checking	(241.50)
37303	11/1/05	State Farm	131 F & P Checking	(241.50)
37375	12/1/05	State Farm	131 F & P Checking	(241.50)
37467	1/1/06	State Farm	131 F & P Checking	(241.50)
37552	2/1/06	State Farm	131 F & P Checking	(241.50)
37619	3/1/06	State Farm	131 F & P Checking	(241.50)
37691	4/1/06	State Farm	131 F & P Checking	(241.50)
37767	5/1/06	State Farm	131 F & P Checking	(241.50)
37848	6/1/06	State Farm	131 F & P Checking	(241.50)
37927	7/1/06	State Farm	131 F & P Checking	(241.50)
38001	8/1/06	State Farm	131 F & P Checking	(241.50)
				(2,898.00)
				- 0 - 2898.00
Total 659 Insurance				(18,303.10)
658 Workers Comp.				
37379	12/1/05	Ky Emp. Mutual	131 F & P Checking	(436.94)
37469	1/1/06	Ky Emp. Mutual	131 F & P Checking	(514.63)
37548	2/1/06	Ky Emp. Mutual	131 F & P Checking	(514.63)
37617	3/1/06	Ky Emp. Mutual	131 F & P Checking	(514.69)
37770	5/1/06	Ky Emp. Mutual	131 F & P Checking	(1,461.18)
Total 658 Workers comp				(3,442.07)
Property Taxes				
37170	9/15/05	Ky State Treasury	131 F & P Checking	(2,885.53)
37236	10/14/05	GMAC	131 F & P Checking	(249.97)
37305	11/1/05	Sheriff Lewis County	131 F & P Checking	(540.73)
37380	12/1/05	D. Davidson, clerk	131 F & P Checking	(220.89)
37391	12/2/05	D. Davidson, clerk	131 F & P Checking	(1,495.66)
37415	12/15/05	Sheriff Greenup County	131 F & P Checking	(10,530.41)
37503	1/13/06	City of South Shore	131 F & P Checking	(113.66)
37651	1/15/06	D. Davidson, clerk	131 F & P Checking	(95.74)
37775	5/1/06	GMAC	131 F & P Checking	(229.36)
Total Property Tax				(16,362.95)
				- 0 -
Taxes				
940				
37774	5/1/06	First & Peoples Bank	131 F & P Checking	(274.97)
37998	7/31/06	First & Peoples Bank	131 F & P Checking	(101.23)
				(376.20)
941				
37844	5/31/06	First & Peoples Bank	131 F & P Checking	(1,163.40)

Category Spending
All Accounts

4/1/05 Through 8/31/06

Account Number	Date	Description	Account	Amount
				(1,163.40)
Federal Income Tax				
37260	10/14/05	First & Peoples Bank	131 F & P Checking	(2,000.00)
37428	12/15/05	First & Peoples Bank	131 F & P Checking	(2,000.00)
37728	1/14/06	IRS	131 F & P Checking	(2,000.00)
37891	6/15/06	First & Peoples Bank	131 F & P Checking	(2,000.00)
				(8,000.00)
				- 0 -
K1 Payroll				
37173	9/15/05	Ky State Treasurer	131 F & P Checking	(653.98)
37243	10/14/05	Ky State Treasurer	131 F & P Checking	(814.23)
37344	11/15/05	Ky State Treasurer	131 F & P Checking	(685.74)
37411	12/15/05	Ky State Treasurer	131 F & P Checking	(662.26)
37534	1/24/06	Ky State Treasurer	131 F & P Checking	(1,270.72)
37590	2/15/06	Ky State Treasurer	131 F & P Checking	(699.83)
37649	3/15/06	Ky State Treasurer	131 F & P Checking	(638.54)
37725	4/14/06	Ky State Treasurer	131 F & P Checking	(859.32)
37796	5/15/06	Ky State Treasurer	131 F & P Checking	(654.55)
37886	6/15/06	Ky State Treasurer	131 F & P Checking	(746.67)
37952	7/14/06	Ky State Treasurer	131 F & P Checking	(853.03)
38043	7/15/06	Ky State Treasurer	131 F & P Checking	(658.91)
				(9,192.78)
Other Tax				
37588	7/15/06	Ky State Treasurer	131 F & P Checking	(15.00)
				(15.00)
				- 0 -
Payroll				
	9/7/05	IRS	131 F & P Checking	(914.22)
	9/14/05	IRS	131 F & P Checking	(913.64)
	9/21/05	IRS	131 F & P Checking	(926.46)
	9/28/05	IRS	131 F & P Checking	(1,020.30)
37221	10/5/05	First & Peoples Bank	131 F & P Checking	(921.58)
	10/12/05	IRS	131 F & P Checking	(1,008.62)
	10/19/05	IRS	131 F & P Checking	(981.52)
	10/26/05	IRS	131 F & P Checking	(894.34)
	11/9/05	IRS	131 F & P Checking	(2,050.22)
	11/16/05	IRS	131 F & P Checking	(958.64)
	11/23/05	IRS	131 F & P Checking	(914.22)
	11/30/05	IRS	131 F & P Checking	(891.90)
	12/7/05	IRS	131 F & P Checking	(933.30)
	12/14/05	IRS	131 F & P Checking	(878.34)
	12/21/05	IRS	131 F & P Checking	(853.68)
	12/28/05	IRS	131 F & P Checking	(881.92)
	1/4/06	IRS	131 F & P Checking	(833.48)
	1/11/06	IRS	131 F & P Checking	(891.20)
	1/18/06	IRS	131 F & P Checking	(1,269.60)
	1/25/06	IRS	131 F & P Checking	(883.48)
	2/1/06	IRS	131 F & P Checking	(877.48)
	2/8/06	IRS	131 F & P Checking	(947.32)
	2/15/06	IRS	131 F & P Checking	(887.04)
	2/22/06	IRS	131 F & P Checking	(877.48)
	3/1/06	IRS	131 F & P Checking	(922.92)
	3/8/06	IRS	131 F & P Checking	(888.87)
	3/15/06	IRS	131 F & P Checking	(965.58)
	3/22/06	IRS	131 F & P Checking	(905.82)

Category Spending
All Accounts

7/1/05 Through 8/31/06

Item	Date	Payee	Account	Amount
	3/29/06	IRS	131 F & P Checking	(1,136.88)
	4/5/06	IRS	131 F & P Checking	(927.28)
	4/12/06	IRS	131 F & P Checking	(898.94)
	4/19/06	IRS	131 F & P Checking	(936.64)
	4/26/06	IRS	131 F & P Checking	(936.40)
	5/3/06	IRS	131 F & P Checking	(955.04)
	5/10/06	IRS	131 F & P Checking	(1,212.08)
	5/17/06	IRS	131 F & P Checking	(900.60)
	5/24/06	IRS	131 F & P Checking	(944.50)
	6/7/06	IRS	131 F & P Checking	(977.82)
	6/14/06	IRS	131 F & P Checking	(1,012.46)
	6/21/06	IRS	131 F & P Checking	(1,030.12)
	6/28/06	IRS	131 F & P Checking	(913.02)
	7/5/06	IRS	131 F & P Checking	(996.02)
	7/12/06	IRS	131 F & P Checking	(888.94)
	7/19/06	IRS	131 F & P Checking	(906.16)
	7/26/06	IRS	131 F & P Checking	(1,054.18)
	8/2/06	IRS	131 F & P Checking	(953.84)
	8/9/06	IRS	131 F & P Checking	(928.90)
	8/16/06	IRS	131 F & P Checking	(900.56)
	8/23/06	IRS	131 F & P Checking	(970.40)
	8/30/06	IRS	131 F & P Checking	(916.58)
				(50,040.53)
PSC				
37950	7/12/06	Ky State Treasurer	131 F & P Checking	(874.85)
				(874.85)
				- 0 -
State Income Tax				
37739	4/17/06	Ky State Treasurer	131 F & P Checking	(4,000.00)
				(4,000.00)
				- 0 -
Unemployment				
37299	10/31/05	Don Everman	131 F & P Checking	(39.75)
37535	1/24/06	IRS	131 F & P Checking	(61.63)
37536	1/24/06	Ky State Treasurer	131 F & P Checking	(11.98)
37773	5/1/06	IRS	131 F & P Checking	(181.86)
37999	7/31/06	Ky State Treasurer	131 F & P Checking	(78.27)
				(373.49)
				(71,041.25)
Total Expenses				(176,142.36)
Total Income				(1,000.00)

Taxpayer Representative(s) George Hannat
 Taxpayer Phone Number 606-932-3531
 Taxpayer FAX Number 606-932-3131

Corporate and Personal Property Statement (KRS 139.020) FILED AT THE OFFICE OF THE CLERK OF COURTS IN THE COUNTY OF BOONE, KENTUCKY

This company purchased Cool Water Works in 2001 and purchased Kennum Waterworks Ass. Co. in 1991

COST APPROACH	
TRADITIONAL COST APPROACH - HCLD	1,013,314
INCOME APPROACH	
DIRECT CAPITALIZATION	1,277,702
MARKET APPROACH:	
STOCK & DEBT APPROACH	NA
SALES APPROACH	0
CORRELATED UNIT VALUE	1,277,702

KENTUCKY ALLOCATION FACTOR	100.000%
KENTUCKY ALLOCATED VALUE	<u>1,278,000</u>

LESS: Motor Vehicles & Apport Vehicles at Assessed Value	50,118
LESS: Railroad Car Lines at Assessed Value	0
LESS: Operating Leased Property - Locally Assessed Value	0
LESS: K1, K2, K3 Property (Real/Tangible/Non-tangible)	0
PLUS: Nonoperating and/or Nonowner property - Real Estate @ MB1	0
PLUS: Nonoperating and/or Nonowner property - Tangible Property @ MB1	0
PLUS: Nonoperating and/or Nonowner property - Man. Mach Property @ MB1	0

KENTUCKY ASSESSMENT TO SPREAD 1,227,652

PLUS: Nonoperating Intangibles @ \$0.25	0
PLUS: Nonoperating Intangibles @ \$0.015	0

TOTAL KENTUCKY ASSESSMENT 1,227,652

Year Ending December 31, xxxx	KENTUCKY 04	SYSTEM 04	KENTUCKY 03	SYSTEM 03
Operated Plant in Service	1,837,009	1,837,009	1,774,134	1,774,134
CWIP Real	0	0	0	0
CWIP Personal	0	0	0	0
CWIP Manf. Mach.	0	0	0	0
Utility Plant Acquisition Adj.	0	0	0	0
Plant Purchased or Sold	0	0	0	0
Other	0	0	0	0
Other	0	0	0	0
Other	0	0	0	0
Materials & Supplies & Stores Expense Undistributed	0	0	0	0
Operating Leased Property-Real @ Mkt	66,354	66,354	63,300	63,300
Operating Leased Property-Tangible @ Mkt	0	0	0	0
Operating Leased Property-Motor Vehicle @ Mkt	0	0	0	0
NonUtility Property Net	0	0	0	0
Other Operating Property Net on Books	0	0	0	0
Other Allowances	0	0	0	0
Other Organizational Expenses & Franchises	0	0	0	0
Goodwill and other intangible assets	0	0	0	0
IRB Property (real/tangible, taxable & nontaxable portions)	0	0	0	0
Other Assets net	0	0	0	0
TOTAL GROSS BOOK VALUE OF PROPERTY	1,903,363	1,903,363	1,837,434	1,837,434
Accumulated Depreciation	934,414	934,414	884,687	884,687
IRB Property (real/tangible, taxable & nontaxable portions) Acc. Depreciation	0	0	0	0
Goodwill Amortization	0	0	0	0
Organizational Cost Amortization	0	0	0	0
Misc. Physical Property Amortization	0	0	0	0
Total Depreciation	934,414	934,414	884,687	884,687
TOTAL NET BOOK VALUE OF PROPERTY	968,949	968,949	952,747	952,747

COMPARISON OF REVENUE

Year Ending December 31, xxxx	SYSTEM 2004	SYSTEM 2003	SYSTEM 2002	SYSTEM 2001	SYSTEM 2000
Gross Operating Income before taxes:	\$ 582,584.00	\$ 555,502.00	\$ 503,166.00	\$ 474,354.00	\$ 482,003.00
Operating Expenses excluding depreciation and amortization	\$ 439,104.00	\$ 456,198.00	\$ 492,744.00	\$ 423,200.00	\$ 438,922.00
Depreciation and Amortization Expenses	\$ 47,050.00	\$ 43,378.00	\$ 43,555.00	\$ 40,463.00	\$ 49,556.00
Net Operating Income before income taxes & interest	\$ 96,430.00	\$ 55,926.00	\$ (33,133.00)	\$ 10,691.00	\$ (6,475.00)
Total Line Charges	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous Income Adjustments	\$ -	\$ -	\$ -	\$ -	\$ -
Net Income Before Tax & Interest & other income adjustment	\$ 96,430.00	\$ 55,926.00	\$ (33,133.00)	\$ 10,691.00	\$ (6,475.00)
Net Profit before taxes	11.23%	10.00%	10.00%	10.00%	10.00%
Income Tax Expense (including interest)	\$ 7,089.00	\$ 6,100.00	\$ (1,879.00)	\$ 5,414.60	\$ (3,885.00)
Income tax expense net of interest expense	\$ 4,059.00	\$ 4,075.00	\$ 43,555.00	\$ 40,463.00	\$ 49,556.00
Income Tax Expense (Total After Income Tax)	\$ 7,235.40	\$ 6,100.00	\$ 6,420.00	\$ 7,080.00	\$ 45,671.00
Operating Cash Flow from operations after taxes	\$ 111,513.41	\$ 50,000.00	\$ 30,095.20	\$ 53,957.60	\$ 45,671.00

KENTUCKY ALLOCATION FACTOR

PROPERTY FACTORS

	KENTUCKY UNIT	TOTAL SYSTEM	
GROSS BOOK PROPERTY	1,903,353	1,903,353	100.0000%
NET BOOK VALUE	868,949	868,949	100.0000%
Access Lines / Minutes Billed / Reported Data for local exchange tel	0	0	0.0000%
Customers / Subscribers	0	0	0.0000%
Pops	0	0	0.0000%
Telephones	0	0	0.0000%
Wire Miles	0	0	0.0000%
Total Operated Miles	0	0	0.0000%
Total Route Miles	0	0	0.0000%
Other	0	0	0.0000%

Average Property Factor 100.0000%

BUSINESS FACTORS

	KENTUCKY UNIT	TOTAL SYSTEM	
GROSS OPERATING INCOME	582,584	582,584	100.0000%
NET OPERATING INCOME	96,430	96,430	100.0000%
Rate Base	0	0	0.0000%
Customers / Subscribers	0	0	0.0000%
Route Miles	0	0	0.0000%
Other	0	0	0.0000%
Other	0	0	0.0000%

Average Business Factor 100.0000%

OVERALL KENTUCKY ALLOCATION FACTOR 100.0000%

SCHEDULE OF NONOPERATING INTANGIBLES @ \$0.25

	PER BALANCE SHEET	PERCENT TAXABLE	AMOUNT NONTAXABLE	AMOUNT TAXABLE
Other Investments	0	100.00%	0	0
Temporary Cash Investments -	0	100.00%	0	0
Non-Operating Accounts Receivables				
ACCOUNTS Receivable due from Affl. Subsid. Co.	0	85.00%	0	0
Misc. Receivable due from Officers	0	85.00%	0	0
Other Receivables	0	85.00%	0	0
Total Non-operating Intangibles @ \$0.25	0		0	0

SCHEDULE OF NON-OPERATING INTANGIBLES @ \$0.015

	PER BALANCE SHEET	PERCENT TAXABLE	AMOUNT NONTAXABLE	AMOUNT TAXABLE
Accounts Receivables				
Accounts Receivable due from Parent Co.	0	85.00%	0	0
Stock Investment in Subsidiary	0	100.00%	0	0
Other Receivables	0	100.00%	0	0
Total Non-operating Intangibles @ \$0.015	0		0	0

SYSTEMWIDE PROPERTY	COMPANY BOOK VALUES		
Operated Plant in Service	1,837,076		
CWIP Real	0		
CWIP Personal	0		
CWIP Maint - Mach	0		
Utility Plant Acquisition Adj	0		
Plant Purchased or Sold	0		
Other	0		
Materials & Supplies & Stores Expense Underbilled	0		
Operating Leased Property-Real @ MFT	66,354		
Operating Leased Property-Tangible @ MFT	0		
Operating Leased Property-Motor Vehicle @ MFT	0		
NonUtility Property Net	0		
Other Operating Property Not on Books	0		
Other Allowances	0		
Other Organizational Expenses & Franchises	0		
Goodwill and other intangible assets	0		
IRB Property (real/tangible - taxable & nontaxable portions)	0		
Other Assets, net	0		
Total Company Operating Property - GROSS		\$	1,903,363
Less: Accumulated Depreciation	934,411		
IRB Property - accumulated Depreciation	0		
Goodwill Amortization	0		
Organizational Cost Amortization	0		
Misc Physical Property Amortization	0		
NonUtility Amortization	0		
Total Depreciation		\$	934,411
Total Company Operating Property - NET		\$	968,949

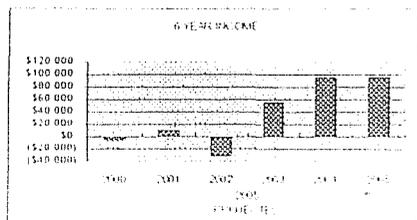
Working Capital Cell Computation

Annual Expense:	196,154		
Less:			
Depreciation / Amortization Expense	47,650		
Material & Supplies Expense	73,115		
Cr. Time Charges	0		
Purchased Water Expense	0		
Operating Lease Rental Expense	1,109		
Expense for Depreciation & Amortization	24,341		
Operating Lease Rental Expense	11		
Operating Lease Rental Expense	0		
Operating Lease Rental Expense	0		
Total Working Capital		\$	41,365
VALUE AS INDICATED BY COST APPROACH		\$	1,013,314

2005 Estimated Pretax Operating Income	96,430
Effective Tax rate	0.00%
Estimated Net Operating Income	96,430
Plus Depreciation and Amortization Expense	41,550
Plus Property Lease Rentals After Income Tax	24,742
Capitalized Cash Flow from Operations after Tax	162,722
Capitalization Rate	8.13%
Capitalized Value	1,977,702
Add CWIP	0

UNIT VALUE AS INDICATED BY INCOME APPROACH 1,277,702

NORMALIZED PRETAX INCOME (E BIT)	AMOUNT	% CHANGE
2000	(\$6,475)	
2001	\$10,691	265.11%
2002	(\$33,133)	-409.91%
2003	\$55,926	268.79%
2004	\$96,430	72.12%
2005	\$96,430	0.00% <i>Fixed</i>



Normalized Pretax Income

4

NORMALIZED NOI AFTER INCOME ADJUSTMENTS:

6-YEAR EARNING RECORD (YEAR ENDING DECEMBER 31)	PERIOD DOLLAR BEFORE TAX	PERIOD DOLLAR BEFORE TAX	PERIOD DOLLAR BEFORE TAX	PERIOD DOLLAR BEFORE TAX	% INQ (DEC)
2000 Net Operating Income before taxes & interest	0	0	0	0	
2001 Net Operating Income before taxes & interest	10,691	0	10,691	10,691	0.0000%
2002 Net Operating Income before taxes & interest	(\$33,133)	0	(\$33,133)	(\$33,133)	-409.9100%
2003 Net Operating Income before taxes & interest	55,926	0	55,926	55,926	268.7900%
2004 Net Operating Income before taxes & interest	96,430	0	96,430	96,430	72.4200%
5-Year Average	24,688	0	24,688	24,688	0

South Shore Water Works Co Inc
 Spread of Assessment
 TAX YEAR 2003

PREPARED BY Michael Baker
 DATE 11-Jul-05
 GNC 6.177

REPORTED VALUES

UNIT	REAL ESTATE	OP LEASED REAL ESTATE	OP LEASED REAL ESTATE	TOTAL REAL ESTATE	OP LEASED PERSONAL	PERSONAL TO SPREAD	TOTAL PERSONAL	MM	Cert Pol Control	TOTAL LANG PROPERTY (after M.V.)
PSC BOOK COST VALUES				1,351,179		452,907	452,907			1,903,363
PSC NET COST VALUES			66,354					99,286		
REPORTED NET BOOK			0	0	0	0	0	0	0	0
GREENUP 94%										
Greenup Comm										
South Shore Fire District 12.1										
Maloneston Fire District 13.2										
Firebrook Fire District 13.2										
City of South Shore 12.1										
LEWIS 6%										
Lewis Comm										
Firebrook Fire Dist										
TOTAL COUNTIES										

ASSESSMENT FACTOR

SPREAD OF THE EQUALIZED

TAX DISTRICT	RESIDENTIAL	INDUSTRIAL	MANUFACTURING MACHINERY	POLITICAL CONTRIBUT	TOTAL ASSESSMENT
TOTAL					
GREENUP 94%					
Greenup Comm					
South Shore Fire District 12.1					
Maloneston Fire District 13.2					
Firebrook Fire District 13.2					
City of South Shore 12.1					
LEWIS 6%					
Lewis Comm					
Firebrook Fire Dist					
TOTAL COUNTIES					

1 Current Assets August 31, 2006

Checking	\$75,652.02	Bank statement
Cust. Deposits	\$7,255.51	Bank statement
Savings	\$3,716.46	Bank statement
Cash on Hand	\$200.00	
Accounts Receivable	\$50,201.12	Billing Report
Collectable Aged Receivables	\$7,500.00	est. over 60 days
Total Current Assets	\$144,525.11	

2 Current Liabilities August 31, 2006

Accounts Payable	\$12,895.08	check register
Cust. Deposits Payable	\$7,255.51	interest bearing
Total Current Liabilities	\$20,150.59	
Total Long Term Liabilities	\$130,792.82	interest bearing. Bank statement

- 3 88.75 Shares outstanding is correct. Someone must of rounded to 89 shares
- 4 Yes, standard procedure. Cities are basically prior approved to operate utilities
- 5 Omit Lyons Water Hauling. We sold them water for resale

dated 10/26/2006

prepared by Joe Hannah
606/932-3531

APPENDIX C

ROUTINE COMPREHENSIVE INSPECTION REPORT

PERFORMED BY: DEPARTMENT FOR ENVIRONMENTAL PROTECTION
FOR: SOUTH SHORE WATER WORKS COMPANY
FEBRUARY 14, 2006

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ERNE FLETCHER
GOVERNOR

ENVIRONMENTAL AND PUBLIC PROTECTION CABINET
DEPARTMENT FOR ENVIRONMENTAL PROTECTION
MORNING REGIONAL OFFICE
344 CHEROKEE CHIEF RD
MOREHEAD, KY 40351-1346
www.kentucky.gov

LAJUNIA S. WILCHER
SECRETARY

May 9, 2006

Mr. Joe Hannah, President
South Shore Water Works
P.O. Box 485
South Shore, KY 41175

Re: Routine Comprehensive Inspection
South Shore Water Works-1612
PWSID 0450410 - Greenup Co

Dear Mr. Hannah:

A copy of the Routine Comprehensive Inspection report performed February 14, 2006 on the South Shore Water Works treatment system is enclosed for your review and files.

New filter sand was added to filter #3 in September 2005 and filter #1 in January 2006. Samples collected during the inspection indicated the filters were adequately removing iron and manganese at the time of the inspection. Analyses of the filter monitoring are attached to this inspection.

The system has undertaken an extensive flushing program over the winter months. It is hopeful this will eliminate numerous complaints of discolored water and stained clothing.

Deficiencies found during the inspection are as follows:

- At the time of the inspection the plant pH meter was not calibrated properly. After calibration the pH changed from 7.34 to 7.13. The pH meter should be calibrated daily and records of the calibration kept on file. These records should include the lot number of the meter, the calibration liquid, the date of the person performing the calibration, and the actual reading before the meter was developed or adjusted.
- The chlorine break log could not be located at the time of the inspection.
- Buffer used for calibrating the pH meter were outdated.
- The fluoride feed room does not comply with the requirements of Ten States Standards. Attached to this report is a copy of the fluoride requirements from Ten States Standards.

- The plant often pulls from multiple wells at the same time. These wells have varying alkalinity and concentrations of iron and manganese. It is recommended that test be performed for Iron and Manganese on a daily basis and Alkalinity on a routine basis.
- It was reported that the plant runs 24 hours per day. When the clearwell gets full the filter discharge is directed to the influent sedimentation pit where water from the wells are stored before being pumped to the filters. This results in changing raw water characteristics and needed changes for chemical feed rates. Due to the ever-changing raw water characteristics, it is recommended that more time be spent on the operations of the plant.

If you should have any questions concerning this report you may contact our office at the following address: Division of Water, Morehead Regional Office, 344 Christy Creek, Morehead, KY 40351 or phone: (606) 784-6634.

Sincerely,

A handwritten signature in cursive script that reads "Fred Cooper".

Fred Cooper
Environmental Inspector III

c: file

NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION CABINET
 KENTUCKY DEPARTMENT FOR ENVIRONMENTAL PROTECTION
 DIVISION OF WATER

Routine Groundwater Inspection

Site/Permit ID: 0450410	Division: Water	Regional Office: Morehead
Site Name: SOUTH SHORE WATER WORKS	Program: Drinking Water	
Site Address: 101 Main Street		
City: South Shore	State: KY	Zip: 41175
County: Greenup		
Inspection Type: Routine Groundwater	Purpose: Comprehensive	Not/Com # 101673
Inspection Date: 2/14/06	Time: Start 11:10 AM End 2:30 PM	
Latitude: 38.43.27.2	Longitude: 82.58.04.6	
Coordinate Collection Method: G40-Handheld receiver		
Drinking Water Data		

Plant Name:	Contact Name: Joe Hannah	
Phone No.: 606-932-3531	Fax No:	Email Address:

I. Administrative Requirements

Comments:

I. Compliance Status - Not Inspected

II. Operator Certification/Accreditation Requirements

Operator in Charge or on duty.

Operator Name	Plant Certification #	Distribution Certification #
Joe Hannah	1236 IIB	1237 IID
Greg Hall	4514 IIB	3544 IID

Comments:

ii. Compliance Status - No violations observed

III. Record Keeping Requirements

Comments: A line break log, and information on meter calibration should be maintained for review by Cabinet personnel. The plant pH meter should be calibrated daily and records of meter calibration kept on file.

III. Compliance Status - Out of Compliance - Verbal Notice Given

IV. Reporting Requirements

Comments:

IV. Compliance Status - Not Inspected

V. Operation & Maintenance/Performance Requirements

Plant Type C N P Service Connections: 2250 Population Served: 6750

Average Production MGD: 0.488 Max. Production MGD: 0.644 Design Capacity MGD: 1.0

Source: wells Number of Wells: 11

RATING CODES: S1=No Violations Observed, S2=No Violations Observed-Advisory Action Taken, U1= Out of Compliance-Verbal Notice Given, U2=Out of Compliance-Warning Notice Issued, U3=Out of Compliance-NOV Issued; NA = not applicable, NI = not inspected (Add additional comments if U1-U3)

GENERAL INFORMATION.	RATING	Equipment / Inspection Data	<input type="checkbox"/> Checking block means item is present:
	NA	a) Raw Water Meter: <input type="checkbox"/>	Last Calibrated: Recorder: <input type="checkbox"/>
NA	b) Aeration: <input type="checkbox"/>	Type: N/A	
S1	c) Well properly sealed:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
S1	d) Automatic chlorinator: <input checked="" type="checkbox"/>	Fed before pressure tank: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
S2	e) Separate room & ventilation	Crash Bar <input checked="" type="checkbox"/> Alarm <input type="checkbox"/>	
S1	f) Automatic chlorinator cont.	Automatic changeover <input checked="" type="checkbox"/> Proper Fan <input checked="" type="checkbox"/>	
S2	g) Safety equipment	SCBA <input checked="" type="checkbox"/> Ammonia <input checked="" type="checkbox"/> Detector <input type="checkbox"/>	
WELL DATA	NI	h) Well # 1	Depth: 69'10" Pump Capacity: 125 gpm
	NI	i) Well # 2	Depth: 67.5' Pump Capacity: 125 gpm
	NI	k) Well # 3	Depth: 70.5' Pump Capacity: 125 gpm
	NI	l) Well # 4	Depth: 75.9' Pump Capacity: 125 gpm
	NI	m) Well # 5	Depth: 55.8' Pump Capacity: 125 gpm
	NI	n) Well # 6	Depth: 53' Pump Capacity: 125 gpm
	S1	o) Well # 8	Depth: 73' Pump Capacity: 125 gpm
	S1	p) Well # 9	Depth: 77.5' Pump Capacity: 125 gpm
	NI	q) Well # 10	Depth: 54' Pump Capacity: 125 gpm
	NI	r) Well # 11	Depth: 77' Pump Capacity: 125 gpm
	LAB & RECORDS	S1	s) Bacteriological monitoring	Samples per mo: 8 Records: ☒
S1		t) No cross-connections observed	None observed: <input checked="" type="checkbox"/> Observed: <input type="checkbox"/> Program: <input checked="" type="checkbox"/>
S1		u) Chlorine Test Kit: <input checked="" type="checkbox"/> Type:	DPD reagent up-to-date, <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
S1		v) Monthly operating reports:	<input checked="" type="checkbox"/> Daily Record Sheet <input type="checkbox"/> Agreement: <input type="checkbox"/>
S1		w) Housekeeping	
OTHER	NI	x) Well # 12	Depth: 73'
		y)	
		z)	
		aa)	
DISTRIBUTION	S2	bb) Plant Data:	Cl Free: 1.05 Total: 1.19 pH: 7.13
	S1	cc) Blowoffs / hydrants, flushing	Flushing Schedule: <input checked="" type="checkbox"/> Blowoffs on deadends: <input checked="" type="checkbox"/>
	S1	dd) Water storage; screened vent:	# 5 Total Storage: 325,000 gal
	NA	ee) Booster pumps; chlorinator:	Booster pumps: <input type="checkbox"/> Booster chlorinators: <input type="checkbox"/>
DISTRIBUTION CHLORINE	S1	ff) Site Data: Plant Tap	Cl Free: 1.05 Total: 1.19 pH: 7.13
	S1	gg) Site Data: West	Cl Free: 0.99 Total: 1.12 pH: 7.13
	S1	hh) Site Data: East	Cl Free: 0.95 Total: 1.05
	S1	jj) Site Data: South	Cl Free: 0.97 Total: 1.20 pH: 7.98
	S1	kk) Site Data: North-Plant Tap	Cl Free: 1.05 Total: 1.19 pH: 7.13

RATING CODES S1=No Violations Observed, S2=No Violations Observed-Advisory Action Taken, U1= Out of Compliance-Verbal Notice Given, U2=Out of Compliance-Warning Notice Issued, U3= Out of Compliance-NOV Issued, NA = not applicable; NI = not inspected (Add additional comments if U1-U3.)

	RATING	Equipment / Inspection Data	<input type="checkbox"/> Checking block means item is present:
	S2	Caustic Soda	
	S1	KmNO4	
	U1	Fluoride	Does not meet Requirements of Ten States Standards

Comments:

V. Compliance Status - Out of Compliance - Verbal Notice Given

VI. Discharge/Emission Compliance

Comments:

VI. Compliance Status - Not Inspected

VII. Monitoring/Analyses Evaluation

Comments:

VII. Compliance Status - Not Inspected

VIII. Environmental/Health Impact

Work Site Hazard Assessment

ATTACHED

REVIEWED

Comments:

VIII. Compliance Status - Not Inspected

IX. Documentation

- Samples taken by DEP
- Samples taken by outside source
- Instrument readings taken by DEP regional office
- Photographs obtained by DEP
- Copies of records obtained by DEP
- Other documentation

Inspector: Fred Cooper

Title: Environmental Inspector III

Date: 2/14/06

Signature: *Fred Cooper*

Overall Compliance Status

- No Observed Violations
- No Observed Violations, but impending violation trends observed – Advisory Action Taken
- Out of Compliance. Non-recurrent deficiency noted – Verbal notice given or violation corrected at time of insp.
- Out of Compliance. Non-recurrent administrative or O & M deficiency noted – Warning Notice issued
- Out of Compliance - NOV issued

Comments: SEE COVER LETTER

Delivery Method: Regular Mail	Cert. Mail #:
-------------------------------	---------------

Environmental and Public Protection Cabinet
Kentucky Department for Environmental Protection
Division of Water

Activity: CEN20060001 Inspection

Lead Investigator: Cooper, Fred

Agency Interest Permit ID: 1612

Agency Interest Name: South Shore Water Works Inc

Agency Interest Address: 101 Main St

South Shore, KY 41175

Program: Drinking Water

County: Greenup

Type of Agency Interest: WATER-Public Water System (1213)

Agency Interest Contact:

Title:

Phone:

Purpose: Inspection

Inspection Type: DW Comp-Ground

Inspection Date: 02/14/2006

Start Time: 11:10 AM

End Time: 12:30 PM

Latitude: 38.724444007

Longitude: -82.91805600

Coordinate Collection Method: Decimal Degrees

Incident ID(s):

General Comments:

New filter sand was added to filter #3 in September 2005 and filter #1 in January 2006. Samples collected during the inspection indicated the filters were adequately removing iron and manganese at the time of the inspection. Analyses of the filter monitoring are attached to this inspection.

The system has undertaken an extensive flushing program over the winter months. It is hopeful this will eliminate numerous complaints of discolored water and stained clothing.

Deficiencies found during the inspection are as follows:

At the time of the inspection the plant pH meter was not calibrated properly. After calibration the pH changed from 7.34 to 7.13. The pH meter should be calibrated daily and records of the calibration kept on file. These records should include the date and time the meter was calibrated, initials of the person performing the calibration, and the actual readings before the meter was sloped or adjusted.

The line break log could not be located at the time of the inspection.

Buffers used for calibrating the pH meter were outdated.

The fluoride feed room does not comply with the requirements of Ten States Standards. Attached to this report is a copy of the fluoride requirements from Ten States Standards.

The plant often pulls from multiple wells at the same time. These wells have varying alkalinity and concentrations of iron and manganese. It is recommended that test be performed for Iron and Manganese on a daily basis and Alkalinity on a routine basis.

It was reported that the plant runs 24 hours per day. When the plant will pull the filter discharge is directed to the influent sedimentation pit where water from the wells are stored before being pumped to the filters. This results in changing raw water characteristics, and needed changes for chemical feed rates. Due to the ever changing raw water characteristics, it is recommended that more time be spent on the operations of the plant.

Person(s) Interviewed:

Name

Organization

Status/Comments:

AIOO1612

Requirement	Status	Results or Comments
<p>Additional Limitations Water systems are subject to the requirements of 401 KAR Chapter 8. [401 KAR 8.020 Section 1(1)]</p>	D	<p>Deficiencies found during the inspection are as follows:</p> <ul style="list-style-type: none"> - At the time of the inspection the plant pH meter was not calibrated properly. After calibration the pH changed from 7.34 to 7.13. The pH meter should be calibrated daily and records of the calibration kept on file. These records should include the date and time the meter was calibrated, initials of the person performing the calibration, and the actual readings before the meter was sloped or adjusted. - The line break log could not be located at the time of the inspection. - Buffers used for calibrating the pH meter were outdated. - The fluoride feed room does not comply with the requirements of Ten States Standards. Attached to this report is a copy of the fluoride requirements from Ten States Standards. - The plant often pulls from multiple wells at the same time. These wells have varying alkalinity and concentrations of iron and manganese. It is recommended that test be performed for Iron and Manganese on a daily basis and Alkalinity on a routine basis. - It was reported that the plant runs 24 hours per day. When the clearwell gets full the filter discharge is directed to the influent sedimentation pit where water from the wells are stored before being pumped to the filters. This results in changing raw water characteristics and needed changes for chemical feed rates. Due to the ever-changing raw water characteristics, it is recommended that more time be spent on the operations of the plant.

Investigator: Fred Cooper Title: Env. Insp. IV Date: 2/14/2006

- N - Not Applicable
- P - Not Evaluated
- A - Out of Compliance - No
- C - No Violation of standard
- I - No Violation of standard but improvement needed
- D - Out of Compliance - Violation Documented
- O - Out of Compliance - Current Admin. or O&M

Received By: _____ Title: _____ Date: _____

Delivery Method:



ENVIRONMENTAL AND PUBLIC PROTECTION CABINET
DEPARTMENT FOR ENVIRONMENTAL PROTECTION

Ernie Fletcher
Governor

Division of Environmental Services
Centralized Laboratory Facility
100 Sower Blvd., Ste. 104
Frankfort, Kentucky 40601-8272

LaJuana S. Wilcher
Secretary

Friday, March 24, 2006

Lab Sample Number: AD00887

COMPASS ID:

To: Division of Water
14 Reilly Road
Frankfort, KY 40601
ATTN: Donna Marlin

Re: South Shore Water

Program Code: A18

AKGWA:

Facility: 0450410

County: Greenup

Collected By: Fred Cooper

Date: 2/14/2006 Time: 12:00

Delivered By: United Parcel Service

Date: 02/24/06 Time: 10:57

Received By: Jennifer Clark

Date: 02/24/06 Time: 10:57

Sample Matrix: Water

Collection Method: Grab

Sample Identification: Bottom Filter #1

Field ID:

Shipment Temp: 14.5C

REPORT OF ANALYSIS

CAS NUM	TEST CODE	CONSTITUENTS	RESULT	UNIT	RL	MDL	FLAG
7440-70-2	\$3120	MINCA Calcium	76.0	mg/l	0.2	0.1	
7439-89-6	\$3120	MINCA Iron	Not detected	mg/l	0.02	0.01	U
7439-95-4	\$3120	MINCA Magnesium	19.9	mg/l	0.2	0.05	
7440-09-7	\$3120	MINCA Potassium	2.46	mg/l	0.2	0.05	B
7440-23-5	\$3120	MINCA Sodium	24.8	mg/l	0.2	0.1	
7429-90-5	\$3130	CALC Aluminum	6.13	µg/l	3	1	
7440-38-2	\$3130	CALC Arsenic	0.207	µg/l	0.5	0.2	J
7440-39-3	\$3130	CALC Barium	34.3	µg/l	0.5	0.2	
7440-43-9	\$3130	CALC Cadmium	Not detected	µg/l	0.8	0.4	U
7440-47-3	\$3130	CALC Chromium	0.452	µg/l	0.5	0.2	J
7440-50-8	\$3130	CALC Copper	2.67	µg/l	1	0.5	
7439-92-1	\$3130	CALC Lead	0.354	µg/l	0.5	0.2	J
7439-96-5	\$3130	CALC Manganese	1.88	µg/l	1	0.5	
7440-02-0	\$3130	CALC Nickel	0.676	µg/l	0.5	0.2	
7782-49-2	\$3130	CALC Selenium	Not detected	µg/l	1	0.5	U
7440-22-4	\$3130	CALC Silver	Not detected	µg/l	0.5	0.2	U
7440-66-6	\$3130	CALC Zinc	25.0	µg/l	2	1	
7439-97-6	\$340	CALC Mercury	Not detected	µg/l	0.02	0.02	J

Container Preservation Status at Sample Login

PH 100-1 Container Temp: pH 100-1 Temperature: pH 100-1 pH 100-1

Data Quality Flag Description

- B = Analyte In Method Blank
- E = Estimated Value
- U = Analyte Not Detected

This report has been prepared and reviewed by personnel within the Division of Environmental Services (DES) and has been approved for release

Original report is on file at DES

Gleason L. Wheatley, Director

Report Format: DESFinal

Sample Number: AD00887

KentuckyUnbridledSpirit.com



Report Version 1

Page 1 of 1

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**ENVIRONMENTAL AND PUBLIC PROTECTION CABINET
DEPARTMENT FOR ENVIRONMENTAL PROTECTION**

Ernie Fletcher
Governor

Division of Environmental Services
Centralized Laboratory Facility
100 Sower Blvd., Ste. 104
Frankfort, Kentucky 40601-8272

LaJuana S. Wilcher
Secretary

Friday, March 24, 2006

Lab Sample Number: AD00889

COMPASS ID:

To: Division of Water
14 Reilly Road
Frankfort, KY 40601
ATTN: Donna Marlin

Re: South Shore Water

Program Code: A18

AKGWA:

County: Greenup

Facility: 0450410

Collected By: Fred Cooper

Date: 2/14/2006

Time: 12:00

Delivered By: United Parcel Service

Date: 02/24/06

Time: 10:57

Received By: Jennifer Clark

Date: 02/24/06

Time: 10:57

Sample Matrix: Water

Collection Method: Grab

Sample Identification: Bottom Filter #3

Field ID:

REPORT OF ANALYSIS

Shipment Temp: 14.5C

<u>CAS NUM</u>	<u>TESICODE</u>	<u>CONSTITUENTS</u>	<u>RESULT</u>	<u>UNIT</u>	<u>RL</u>	<u>MDL</u>	<u>FLAG</u>
7440-70-2	\$3120	MINCA Calcium	78.6	mg/l	0.2	0.1	
7439-89-6	\$3120	MINCA Iron	Not detected	mg/l	0.02	0.01	U
7439-95-4	\$3120	MINCA Magnesium	20.5	mg/l	0.2	0.05	
7440-09-7	\$3120	MINCA Potassium	2.67	mg/l	0.2	0.05	B
7440-23-5	\$3120	MINCA Sodium	25.9	mg/l	0.2	0.1	
7429-90-5	\$3130	CALC Aluminum	6.39	µg/l	3	1	
7440-38-2	\$3130	CALC Arsenic	Not detected	µg/l	0.5	0.2	U
7440-39-3	\$3130	CALC Barium	35.6	µg/l	0.5	0.2	
7440-43-9	\$3130	CALC Cadmium	Not detected	µg/l	0.8	0.4	U
7440-47-3	\$3130	CALC Chromium	0.335	µg/L	0.5	0.2	J
7440-50-8	\$3130	CALC Copper	3.05	µg/l	1	0.5	
7439-92-1	\$3130	CALC Lead	1.01	µg/l	0.5	0.2	
7439-96-5	\$3130	CALC Manganese	1.68	µg/l	1	0.5	
7440-02-0	\$3130	CALC Nickel	0.756	µg/l	0.5	0.2	
7782-49-2	\$3130	CALC Selenium	Not detected	µg/L	1	0.5	U
7440-22-4	\$3130	CALC Silver	Not detected	µg/l	0.5	0.2	U
7440-66-6	\$3130	CALC Zinc	23.6	µg/l	2	1	
7439-97-6	3340	CALC Mercury	Not detected	µg/l	0.05	0.02	U

Container Preservation Status at Sample Login

10/1/03 1.000 Container Initial pH: 7.000 pH at 10/1/03 11:00 AM

Data Quality Flag Description

B = Analyte In Method Blank

J = Estimated Value

U = Analyte Not Detected

This report has been prepared and reviewed by personnel within the Division of Environmental Services (DES) and has been approved for release.

Original report is on file at DES

Gleason L. Wheatley, Director

Report Format: DESFinal

Sample Number: AD00889

KentuckyUnbridledSpirit.com



Report Version: 1

Page 1 of 1

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4.7. FLUORIDATION

Sodium fluoride, sodium hexafluoride and fluosilicic acid shall conform to the applicable AVMA standards. Other fluoride compounds which may be available must be approved by the reviewing authority.

4.7.1. Fluoride compound storage

Fluoride chemicals should be isolated from other chemicals to prevent contamination. Compounds shall be stored in covered or unopened shipping containers and should be stored inside a building. Unsealed storage units for fluosilicic acid should be vented to the atmosphere at a point outside any building. Bags, fiber drums and steel drums should be stored on pallets.

4.7.2. Chemical feed equipment and methods

In addition to the requirements in Part 5, fluoride feed equipment shall meet the following requirements:

- a. scales, loss-of-weight recorders or liquid level indicators, as appropriate, accurate to within five percent of the average daily change in reading shall be provided for chemical feeds;
- b. feeders shall be accurate to within five percent of any desired feed rate;
- c. fluoride compound shall not be added before line cooling to avoid scale formation or softening;
- d. the point of application of fluosilicic acid shall be vented to the atmosphere at a point outside any building;
- e. fluoride solution shall be supplied by a positive displacement pump having a flow rate not less than that required for service;
- f. the point of application of any type anti-scaling device shall be provided for all rough feed lines and dilution water lines;
- g. a device to measure the flow of water to be treated is required;
- h. the dilution water pipe shall terminate at least two pipe diameters above the solution tank;
- i. variation of the calcium fluoride dissolution shall be warranted if hardness exceeds 75 mg/l as calcium carbonate.

4.7.2.1. The fluoride feed equipment shall be installed in accordance with the manufacturer's instructions.

4.7.2.2. The fluoride feed equipment shall be installed in accordance with the manufacturer's instructions.

4.7.2.3. The fluoride feed equipment shall be installed in accordance with the manufacturer's instructions.

4.7.2.4. The fluoride feed equipment shall be installed in accordance with the manufacturer's instructions and protection on the feed lines shall be provided.

4.7.3 Secondary controls

Secondary control systems for fluoride chemical feed devices shall be provided as a means of reducing the possibility of overfeed; these may include flow or pressure switches or other devices.

4.7.4 Protective equipment

Personal protective equipment as outlined in Section 5.3.4 shall be provided for operators handling fluoride compounds. Deluge showers and eye wash devices shall be provided at all fluosilicic acid installations.

4.7.5 Dust control

- a. Provision must be made for the transfer of dry fluoride compounds from shipping containers to storage bins or hoppers in such a way as to minimize the quantity of fluoride dust which may enter the room in which the equipment is installed. The enclosure shall be provided with an exhaust fan and dust filter which place the hopper under a negative pressure. Air exhausted from fluoride handling equipment shall discharge through a dust filter to the outside atmosphere of the building.
- b. Provision shall be made for disposing of empty bags, drums or barrels in a manner which will minimize exposure to fluoride dusts. A floor drain should be provided to facilitate the hosing of floors.

4.7.6 Testing equipment

Equipment shall be provided for measuring the quantity of fluoride in the water. Such equipment shall be subject to the approval of the reviewing authority.

APPENDIX D

SOUTH SHORE WATER WORKS COMPANY

HISTORICAL FINANCIAL INFORMATION INCLUDED IN
ANNUAL REPORTS PROVIDED TO THE
KENTUCKY PUBLIC SERVICE COMMISSION

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South Shore Water Works Company
Statement of Income (2001-2005)

	Actual Yr Ending 12/31				
	2001	2002	2003	2004	2005
Operating Revenues					
Metered Water Revenue					
Sales to Residential Customers	\$ 403,029	\$ 407,247	\$ 441,036	\$ 466,789	\$ 475,405
Sales to Commercial Customers	28,453	28,751	31,136	32,954	32,578
Sales to Industrial Customers	18,376	18,568	20,110	21,283	21,127
Sales to Multiple Family Dwelling	18,176	19,600	21,226	22,343	20,043
Sales through Bulk Loading Stations	3,705	2,510	2,718	-	-
Total Metered Sales	\$ 471,739	\$ 476,676	\$ 516,226	\$ 543,370	\$ 529,153
Fire Protection Revenue					
Public Fire Protection	\$ 2,113	\$ 2,106	\$ 673	\$ 760	\$ 2,519
Private Fire Protection	502	500	250	282	250
Total Fire Protection Revenue	\$ 2,615	\$ 2,606	\$ 923	\$ 1,042	\$ 2,769
Total Sales of Water	\$ 474,354	\$ 479,282	\$ 517,149	\$ 544,412	\$ 531,922
Other Water Revenue					
Total Water Operating Revenues	\$ 474,354	\$ 479,282	\$ 517,149	\$ 544,412	\$ 531,922
Water Utility Expense Accounts					
Salaries and Wages-Employees	\$ 121,366	\$ 121,713	\$ 143,674	\$ 126,171	\$ 119,048
Salaries and Wages-Officers, Directors and Majors/ST	90,000	74,386	75,581	89,090	80,340
Employee Pensions and Benefits	40,986	56,544	42,462	43,240	58,470
- Employee Insurance					
- Pensions					
Purchased Water		3,887	645	3,404	4,212
Purchased Power	37,388	33,392	31,527	34,785	37,378
Chemical	9,098	10,970	10,059	7,022	9,418
Material and Supply	57,607	63,172	55,682	66,106	80,034
Contractual Services - Legal	2,400	3,000	2,700	2,400	2,400
Contractual Services - Other	4,951	23,821	3,578	7,278	11,967
Rental - Bldg, Equip, etc.	11,800	10,700	10,550	11,057	9,000
Insurance - Auto	1,010	3,133	3,945	4,263	3,190
Insurance - General Liability	6,165	6,044	6,966	5,046	5,431
Insurance - Worker Compensation	8,098	5,774	6,037	6,224	3,001
Insurance - Other	2,898		2,898	898	1,898
Well Amortization Expense					
Equipment Rental					
Transportation Expenses					
Regulatory Commission Fee				893	914
Miscellaneous Expenses	575			170	
Total Utility O&M Expenses	\$ 396,786	\$ 463,115	\$ 428,307	\$ 411,036	\$ 413,251
Depreciation and Amortization					
Depreciation Expenses	\$ 40,463	\$ 43,555	\$ 43,378	\$ 47,050	\$ 55,928
Amortization Expense	-	-	-	-	-
Total Depreciation and Amortization	\$ 40,463	\$ 43,555	\$ 43,378	\$ 47,050	\$ 55,928
Taxes					
Taxes Other Than Income	\$ 26,414	\$ 29,629	\$ 27,891	\$ 28,068	\$ 32,160
Income Taxes	11,514		5,270	22,417	8,177
Total Taxes	\$ 37,928	\$ 29,629	\$ 33,161	\$ 50,485	\$ 40,337
Total Utility Operating Expenses	\$ 475,177	\$ 536,299	\$ 504,846	\$ 508,631	\$ 500,516
Utility Operating Income	\$ 1,177	\$ 42,983	\$ 12,303	\$ 35,781	\$ 31,406
OTHER INCOME (and Deductions)					
Interest on Investments	\$ 3,476	\$ 1,776	\$ 800	\$ 1,117	\$ 1,100
Nonutility Income	41,471	23,884	38,373	37,411	39,000
Miscellaneous Income (Expn)					
Total Other Income and Deductions	\$ 44,947	\$ 25,660	\$ 39,173	\$ 38,528	\$ 40,100
INTEREST EXPENSE					
Interest Expense	\$ (14,702)	\$ (11,604)	\$ (8,997)	\$ (8,300)	\$ (7,734)
Amortization of Debt Discount and Exp					
Amortization of Premium on Debt					
Total Interest Expense	\$ (14,702)	\$ (11,604)	\$ (8,997)	\$ (8,300)	\$ (7,734)
NET INCOME	\$ 30,422	\$ (42,761)	\$ 42,459	\$ 66,786	\$ 26,451

**South Shore Water Works Company
Balance Sheet (2000-2005)**

	2000	2001	2002	2003	2004	2005
ASSETS AND OTHER DEBITS						
UTILITY PLANT						
Utility Plant (161-165)	\$ 1,277,152	\$ 1,811,117	\$ 1,377,434	\$ 1,414,134	\$ 1,831,909	\$ 1,425,604
Less Accum. Depreciation (161-165)	(843,711)	(830,283)	(431,895)	(454,687)	(934,414)	(1,060,269)
Net Utility Plant	\$ 433,441	\$ 980,834	\$ 945,539	\$ 959,447	\$ 897,495	\$ 365,335
Utility Plant Acquisition Adjustment (161-165)	-	-	-	-	-	-
Other Utility Plant Adjustment (161)	-	-	-	-	-	-
Total Net Utility Plant	\$ 433,441	\$ 980,834	\$ 945,539	\$ 959,447	\$ 897,495	\$ 365,335
CURRENT AND ACCRUED ASSETS						
Cash (131)	\$ 31,193	\$ 4,110	\$ 22,511	\$ 3,641	\$ 11,491	\$ 83,679
Special Deposits (132)	334	3,538	3,896	3,630	3,654	3,684
Other Special Deposits (133)	52,500	55,590	-	-	-	-
Accounts Receivable (Less Accum. Prov. for Uncoll. Acct.) (141-144)	36,223	36,223	43,095	33,645	43,400	55,751
Prepayments (162)	-	-	2,500	4,404	-	-
Accrued Interest and Dividend Receivable (171)	597	-	3	2	2	3
Total Current and Accrued Assets	\$ 119,260	\$ 111,966	\$ 75,905	\$ 125,322	\$ 164,547	\$ 143,117
TOTAL ASSETS AND OTHER DEBITS	\$ 1,071,766	\$ 1,042,249	\$ 981,550	\$ 1,014,769	\$ 1,067,142	\$ 1,068,449
EQUITY CAPITAL AND LIABILITIES						
EQUITY CAPITAL						
Common Stock (101-104)	\$ 8,903	\$ 8,903	\$ 8,903	\$ 8,903	\$ 8,903	\$ 8,903
Other Paid-In Capital (211)	11,220	11,220	11,220	11,220	11,220	11,220
Retained Earnings (214-215)	553,653	559,923	517,159	555,614	604,400	612,853
Proprietary Capital (Proprietorship and Partnership) (216)	-	-	-	-	-	-
Total Equity Capital	\$ 673,776	\$ 680,046	\$ 637,252	\$ 675,737	\$ 624,523	\$ 632,976
LONG TERM DEBT						
Bonds (31)	139,820	139,820	139,820	139,820	139,820	139,820
Other Long Term Debt (32)	-	-	-	-	-	-
Total Long Term Debt	\$ 139,820	\$ 139,820	\$ 139,820	\$ 139,820	\$ 139,820	\$ 139,820
CURRENT LIABILITIES AND OTHER LIABILITIES						
Accounts Payable (221)	\$ 26,597	\$ 26,597	\$ 26,597	\$ 19,020	\$ 19,587	\$ 26,597
Customer Deposits (231)	8,910	8,910	8,910	8,400	8,940	8,910
Accrued Taxes (232)	9,749	9,749	9,749	1,174	11,573	9,749
Accrued Interest (233)	1,301	1,301	1,301	1,117	1,292	1,301
Accrued Dividend (234)	-	-	-	-	-	-
Fire Collection Payable (235)	2,520	2,520	2,520	2,053	2,997	2,520
Misc. Current and Accrued Liabilities (236)	-	-	-	-	-	-
Total Current and Accrued Liabilities	\$ 48,077	\$ 49,097	\$ 49,177	\$ 23,764	\$ 34,884	\$ 49,077
DEFERRED CREDITS						
Advances for Construction (251)	\$ 6,041	\$ 6,041	\$ 6,041	\$ 6,041	\$ 6,041	\$ 6,041
Other Deferred Credits (255)	-	-	-	-	-	-
Accumulated Deferred Investment Tax Credits (256)	-	-	-	-	-	-
Total Deferred Credits	\$ 6,041	\$ 6,041	\$ 6,041	\$ 6,041	\$ 6,041	\$ 6,041
CONTRIBUTION IN ADVANCEMENT OF CONSTRUCTION						
Contribution In Advance of Construction (31)	\$ 478,454	\$ 478,454	\$ 478,454	\$ 478,454	\$ 478,454	\$ 478,454
Tap-out Fees - Customer	158,119	155,521	-	-	-	-
Accumulated Depreciation on Contribution In Advance of Construction (32)	(117,664)	(198,511)	(208,317)	(179,322)	(227,993)	(237,919)
Total Contribution	\$ 518,909	\$ 435,464	\$ 270,137	\$ 299,132	\$ 250,461	\$ 240,535
TOTAL EQUITY CAPITAL AND LIABILITIES	\$ 1,071,766	\$ 1,042,249	\$ 981,550	\$ 1,014,769	\$ 1,067,142	\$ 1,068,449

APPENDIX E

SOUTH SHORE WATER WORKS COMPANY

RATE CASE NUMBER 2003-00044

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of

AN ADJUSTMENT OF RATES OF THE) CASE NO
SOUTH SHORE WATER WORKS CO) 2003-00044

ORDER

On February 5, 2003, South Shore Water Works Co. ("South Shore") applied to the Commission for authority to adjust its rates for service rendered on and after March 10, 2003. The application did not meet the minimum filing requirements, but all deficiencies were cured and the application deemed filed as of February 25, 2003. The proposed water rates will generate annual revenues of \$547,616, \$40,698 or 8.03 percent over South Shore's normalized test-period revenues from water sales of \$506,918.

On February 11, 2003, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("Attorney General"), submitted his motion for full intervention as authorized by KRS 367.150(8). The Commission granted the Attorney General's motion in its Order of March 14, 2003. To determine the reasonableness of the proposed rates, the Commission issued its Order on March 26, 2003 suspending the rates for 5 months from their effective date pursuant to KRS 278.190(2).¹

¹ The proposed rates were suspended from March 27, 2003 up to and including August 26, 2003.

Commission Staff performed a limited financial review of South Shore's operations, and on June 20, 2003 the Commission issued a report containing Staff's findings and recommendations regarding the proposed rates. In its report Staff's recommended pro forma operations, an allowance for income taxes, and an 88 percent operating ratio, result in a revenue requirement from rates of \$542,110, an increase of \$44,428 or 8.20 percent over Staff's normalized revenue from rates of \$497,682.

All parties were directed to file written comments upon Staff's findings and recommendations or to request a conference or hearing no later than June 30, 2003. On June 27, 2003, South Shore filed its comments advising the Commission that it accepts Staff's recommendations and that it will not request a hearing.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that

1. The recommendations and findings contained in the Staff Report are supported by the evidence of record and are reasonable.

2. The water rates recommended by Staff and contained in Appendix A will produce Staff's recommended revenue requirement of \$542,110.

IT IS THEREFORE ORDERED that:

1. The recommendations and findings contained in the Staff Report are adopted and incorporated by reference into this Order as if fully set out herein.

2. The water rates recommended by Staff and contained in Appendix A are approved for service rendered by South Shore on and after the date of this Order.

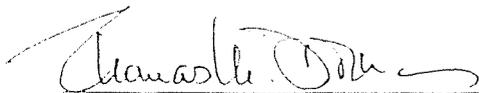
3. Within 30 days of the date of this Order, South Shore shall file with the Commission its revised tariff setting the rates approved herein.

4 Three years from the date of this Order, South Shore shall file an income statement, along with any pro forma adjustments, in sufficient detail to demonstrate that the rates approved herein are sufficient to meet its operating expenses and annual debt service.

Done at Frankfort, Kentucky, this 7th day of July, 2003.

By the Commission

ATTEST


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO 2003-00044 DATED July 7, 2003

The following rates are prescribed for the customers in the area served by the South Shore Water Works Company. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

MONTHLY RATES

Water Rates:

First	1,000 Gallons	\$	7.92	Minimum Bill
Next	9,000 Gallons	\$	3.39	per 1,000 Gallons
Over	10,000 Gallons	\$	2.38	per 1,000 Gallons

Fire Protection Rates:

Hydrant Charge	\$	9.74
Fire Line Charge	\$	9.74



Paul E. Patton, Governor

Imrie A. Miller, Secretary
Public Protection and
Regulation Cabinet

Thomas M. Dorman
Executive Director
Public Service Commission

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
211 SOWER BOULEVARD
POST OFFICE BOX 615
FRANKFORT, KENTUCKY 40602-0615
www.psc.state.ky.us
(502) 564-3440
Fax (502) 564-3466
June 20, 2003

Martin J. Huskisson
Chairman

Gar, W. Gibbs
Vice Chairman

Robert E. Spurlin
Commissioner

Honorable Bruce F. Clark
Attorney at Law
Slites & Harbison
421 West Main Street
P. O. Box 634
Frankfort, KY 40602-0634

RE: Case No. 2003-00044

We enclose one attested copy of the Commission's Order in the above case.

Sincerely,

Thomas M. Dorman
Executive Director

TD/sa
Enclosure





Paul E. Patton, Governor

Janie A. Miller, Secretary
Public Protection and
Regulation Cabinet

Thomas M. Dorman
Executive Director
Public Service Commission

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June 20, 2003

Marin J. Huelsmann
Chairman

Gary W. Gillis
Vice Chairman

Robert E. Spurlin
Commissioner

George J. Hannah
South Shore Water Works Company
809 Main Street
P. O. Box 485
South Shore, KY 41175

RE: Case No. 2003-00044

We enclose one attested copy of the Commission's Order in the above case

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas M. Dorman".

Thomas M. Dorman
Executive Director

TD/sa
Enclosure



AN EQUAL OPPORTUNITY EMPLOYER M/F/D



Paul E. Patton, Governor

Jane A. Miller, Secretary
Public Protection and
Regulation Cabinet

Thomas M. Dorman
Executive Director
Public Service Commission

COMMONWEALTH OF KENTUCKY
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(502) 564-3940
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June 20, 2003

Marion J. Huelsmann
Chairman

Gary W. Gillis
Vice Chairman

Robert E. Spurlin
Commissioner

Honorable David Edward Spenard
Assistant Attorney General
Office of the Attorney General Utility & Rate Intervention Division
1024 Capital Center Drive
Suite 200
Frankfort, KY 40601

RE: Case No. 2003-00044

We enclose one attested copy of the Commission's Order in the above case.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas M. Dorman".

Thomas M. Dorman
Executive Director

TD/sa
Enclosure



COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of

AN ADJUSTMENT OF RATES OF THE) CASE NO.
SOUTH SHORE WATER WORKS CO) 2003-00044

ORDER

On February 5, 2003, South Shore Water Works Co. ("South Shore") applied to the Commission for authority to adjust its rates for service rendered on and after March 10, 2003. The application did not meet the minimum filing requirements, but all deficiencies were cured and the application deemed filed as of February 25, 2003.

Commission Staff, having performed a limited financial review of South Shore's operations, has prepared the attached report containing Staff's findings and recommendations regarding the proposed rates. All parties should review the report carefully and submit any written comments on Staff's findings and recommendations or requests for a hearing or informal conference no later than 10 days from the date of this Order.

IT IS THEREFORE ORDERED that all parties shall, no later than 10 days from the date of this Order, submit written comments, if any, regarding the attached Staff Report or request for hearing or informal conference. If no request for a hearing or informal conference is received by this date, this case shall stand submitted to the Commission for a decision on all issues raised by the application.

Done at Frankfort Kentucky, this 20th day of June, 2003.

By the Commission

ATTEST.



Executive Director

Case No. 2003-00044

STAFF REPORT
ON
SOUTH SHORE WATER SYSTEM
CASE NO 2003-00044

On February 5, 2003, South Shore Water Works Co ("South Shore") applied to the Commission for authority to adjust its rates for service rendered on and after March 10, 2003. The application did not meet the minimum filing requirements, but all deficiencies were cured and the application deemed filed as of February 25, 2003. The proposed water rates will generate annual revenues of \$547,616, \$40,698 or 8.03 percent over South Shore's normalized test period revenues from water sales of \$406,918.

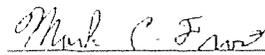
In order to evaluate the requested increase Commission Staff performed a limited financial review of South Shore's test period operations for the 2002 calendar year. The Scope of Staff's review was limited to obtaining information as to whether the test period operating revenues and expenses were representative of normal operations. Insignificant or immaterial discrepancies were not pursued and are not addressed herein.

Mark Frost and Eddie Beavers of the Commission's Division of Financial Analysis began the limited review on April 15, 2003. This report summarizes Staff's review and recommendations. Mr. Frost is responsible for the preparation of this Staff Report except for the determination of normalized operating revenue and Attachment D, the Cost-of-Service Study, which were prepared by Mr. Beavers.

Attachment A is the comparison of South Shore's actual and pro forma operations. Based upon Staff's recommendations, South Shore's operating statement would appear as set forth in Attachment B.

As shown in Attachment C, Staff's recommended pro forma operations, an allowance for income taxes, and a 88 percent operating ratio, results in a revenue requirement from rates of \$542,110, an increase of \$44,428 or 8.20 percent over Staff's normalized revenue from rates of \$497,682. Staff's recommended revenue requirement from rates will allow South Shore to meet its pro forma test-period operating expenses including depreciation expense and provide for adequate equity growth. Staff's proposed rates are calculated in the Cost-of-Service Study attached hereto as Attachment D.

Signatures



Prepared by: Mark C. Frost
Financial Analyst, Water and Sewer
Revenue Requirements Branch
Division of Financial Analysis



Prepared by: Eddie Beavers
Acting Manager, Communications,
Water and Sewer Rate Design Branch
Division of Financial Analysis

ATTACHMENT A
STAFF REPORT CASE NO 2003-00044
SOUTH SHORE'S PRO FORMA OPERATIONS

	Test Period Operations	Pro Forma Adjustments	Pro Forma Operations
Operating Revenues			
Water Sales	\$ 469,250	\$ 37,668	\$ 506,918
Other Operating Revenue	12,434	0	12,434
Total Operating Revenues	<u>\$ 481,684</u>	<u>\$ 37,668</u>	<u>\$ 519,352</u>
Operating Expenses:			
Operation & Maintenance			
Wages	\$ 121,713	\$ 3,652	\$ 125,365
Salaries	74,387	(21,692)	52,695
Employee Insurance	54,413	0	54,413
Pensions	3,673	0	3,673
Power Plant	34,136	0	34,136
Chemicals	10,970	0	10,970
Materials & Supplies - Office	18,537	0	18,537
Materials & Supplies - Plant	12,079	0	12,079
Well Amortization Expense	8,877	(1,862)	7,015
Purchased Water	3,887	359	4,246
Materials & Supplies - Distribution	8,190	0	8,190
Reservoir Amortization	45,979	(39,918)	6,061
Accounting	2,400	0	2,400
Accounting – Amortization	600	(200)	400
Legal	133	0	133
Legal Amortization	23,972	(13,857)	10,115
Property Rentals – Building	9,900	0	9,900
Property Leases – Tanks	850	0	850
Property Rentals – Easements	300	0	300
Equipment Rentals	12,077	964	13,041
Transportation Expense	8,687	0	8,687
Insurance – Vehicles	3,232	0	3,232
Insurance – Property/Liability	6,043	0	6,043
Workers' Compensation	5,680	0	5,680
Insurance – Other	2,898	0	2,898
Total Operation & Maint. Exp	<u>\$ 473,613</u>	<u>\$ (72,554)</u>	<u>\$ 401,059</u>
PSC Assessment	894	0	894
Taxes – Property	12,448	0	12,448
Taxes – Payroll	15,371	(1,381)	13,990
Depreciation	43,555	0	43,555
Total Operating Expenses	<u>\$ 545,867</u>	<u>\$ (75,935)</u>	<u>\$ 471,946</u>
Net Operating Income	<u>\$ (64,197)</u>	<u>\$ 111,603</u>	<u>\$ 47,406</u>

Non-Operating Income/(Expense)			
Jobbing Revenue	\$ 10,264	\$ (5,132)	\$ 5,132
Jobbing Expenses	(61)	61	0
Interest Income	1,221	0	1,221
Interest Income – Investment	752	(752)	0
Recurring Non-Utility Income	270	0	270
Interest Expense	(11,447)	881	(10,566)
Total Non-Operating Income/(Exp)	\$ 999	\$ (4,942)	\$ (3,943)
Net Income Before Income Taxes	\$ (63,198)	\$ 106,661	\$ 43,463

ATTACHMENT B
STAFF REPORT CASE NO 2003-00044
STAFF'S PRO FORMA OPERATIONS

	Test Period Operations	Pro Forma Adjustments	Adj. Ref	Pro Forma Operations
Operating Revenues:				
Water Sales	\$ 466,654	\$ 31,028	(b)	\$ 497,682
Fire Protection – Hydrants	2,596	(188)	(a)	2,408
Other Operating Revenue	12,434	0		12,434
Total Operating Revenues	\$ 481,684	\$ 30,840		\$ 512,524
Operating Expenses:				
Operation & Maintenance:				
Wages	\$ 121,713	\$ 3,652	(a)	\$ 125,365
Salaries	74,387	(23,084)	(c)	51,303
Employee Insurance	54,413	(15,124)	(d)	39,289
Pensions	3,673	(800)	(e)	2,873
Power Plant	34,136	0		34,136
Chemicals	10,970	0		10,970
Materials & Supplies - Office	18,537	0		18,537
Materials & Supplies - Plant	12,079	(1,980)	(f)	10,099
Well Amortization Expense	8,877	(2,845)	(g)	6,032
Purchased Water	3,887	360	(a)	4,247
Materials & Supplies - Distribution	8,190	(1,267)	(h)	6,923
Reservoir Amortization	45,979	(39,174)	(i)	6,805
Accounting	2,400	0		2,400
Accounting -- Amortization	600	0		600
Legal	133	0		133
Legal Amortization	23,972	(14,958)	(j)	9,014
Property Rentals – Building	9,900	0		9,900
Property Leases – Tanks	850	0		850
Property Rentals – Easements	300	0		300
Equipment Rentals	12,077	967	(a)	13,044
Transportation Expense	8,687	(2,344)	(k)	6,343
Lease Termination Amortization	0	2,576	(l)	2,576
Insurance – Vehicles	3,232	0		3,232
Insurance -- Property/Liability	6,043	0		6,043
Workers' Compensation	5,680	0		5,680
Insurance – Other	2,898	0		2,898
Total Operation & Maint. Exp.	\$ 473,613	\$ (94,021)		\$ 379,592
PSC Assessment	894	0		894
Taxes – Property	12,448	0		12,448
Taxes – Payroll	15,371	(1,487)	(m)	13,884
Depreciation	43,555	2,987	(n)	46,542
Total Operating Expenses	\$ 545,881	\$ (92,521)		\$ 453,360
Net Operating Income	\$ (64,197)	\$ 123,361		\$ 59,164

Non-Operating Income/(Exp)			
Jobbing Revenue	\$ 10,264	\$ (5,132)	(a) \$ 5,132
Jobbing Expenses	(61)	61	(a) 0
Interest Income	1,221	0	1,221
Interest Income – Investment	752	(752)	(a) 0
Recurring Non Utility Income	270	0	270
Interest Expense	(11,447)	881	(a) (10,566)
Total Non-Operating Income/(Exp)	<u>\$ 999</u>	<u>\$ (4,942)</u>	<u>\$ (3,943)</u>
Net Income Before Income Taxes	<u>\$ (63,198)</u>	<u>\$ 118,419</u>	<u>\$ 55,221</u>

(a) Accepted Adjustments. South Shore proposes the following adjustments. Upon its review of South Shore's proposed adjustments and the supporting documentation, Staff recommends that they be accepted.

Account Title	Adjustment
Fire Protection – Hydrants	\$ (188)
Wages	\$ 3,652
Purchased Water	\$ 360
Equipment Rentals	\$ 967
Jobbing Revenues	\$ (5,132)
Jobbing Expenses	\$ 61
Interest Income – Investment	\$ (752)
Interest Expense	\$ 881

(b) Operating Revenues. South Shore recorded test period operating revenues from water sales of \$469,250. South Shore received Commission approval for an increase in water rates for service rendered on or after September 27, 2002¹. By applying these rates to the 2002 water sales of 133,904,000 gallons², South Shore arrives at its

¹ Order Case No. 2002-00193: An Adjustment of Rates of the South Shore Water Works Co. (September 27, 2002).

² Application, Exhibit 6, 2002 Gallons Sold Register.

normalized operating revenues from water sales of \$506,918, which is \$37,670 greater than the actual test period level.

Using the 2002 usage information Staff prepared its billing analysis, which shows that South Shore's test-period water sales were 134,045,100 gallons. Applying the September 27, 2002 water rates to Staff's billing analysis results in a normalized level of operating revenues from water sales of \$497,682, which is \$31,028 greater than the test period level. Accordingly, Staff adjusts test period operating revenues to reflect the results of its billing analysis and to normalize revenues to reflect a full 12-months of the increased water rates.

(c) Salary. As the president and majority stockholder, George J. Hannah is responsible for overseeing the daily operations of South Shore. In South Shore's last rate proceeding, Staff found that South Shore did not demonstrate how Mr. Hannah's duties and responsibilities had substantially changed since its last rate cases³ or that \$79,500 is reasonable compensation for the work performed by Mr. Hannah. In that proceeding Staff calculated a pro forma salary for Mr. Hannah of \$49,028 using the base salaries established in the prior cases adjusted for the 3 percent cost of living allowances ("COLA") given to all other South Shore employees since 1997.

In its application, South Shore compares the hourly wages paid to its full-time employees during the period of 1997 through 2002 and concludes that over this period.

³ See Case No. 1994-00188, An Adjustment of Rates of the South Shore Water Works Co. (March 8, 1995).

See Case No. 1997-00321, An Adjustment of Rates of the South Shore Water Works Co. (November 14, 1997).

its full-time employees received average merit pay increases of 5.04 percent. Applying this average increase to the salary determined reasonable in Case No. 1997-00321 and including the 2002 COLA of 3 percent, South Shore arrives at its pro forma salary for Mr. Hannah of \$52,695, \$21,692 less than the test period salary of \$74,387.⁴

Upon its review of Exhibit 7, Staff determined that in 2002 South Shore gave its full-time employees average merit wage increases of 4.06 percent rather than the customary 3 percent COLA. Staff recommends that Mr. Hannah's salary be adjusted to reflect the 2002 average merit wage increases of 4.06 percent and the 3 percent COLA for 2003. Staff's adjustment is calculated as follows.

Pro forma salary Case No. 1997-00321	\$	42,292
Multiplied by 1.030 COLA for 1998		43,561
1.030 COLA for 1999		44,868
1.030 COLA for 2000		46,214
1.030 COLA for 2001		47,600
1.046 Avg. Adj. for 2002		49,309
1.030 COLA Pro Forma		51,303
Less: Test Period Actual Salary	-	74,387
Pro Forma Adjustment	\$	<u>(23,084)</u>

(d) Employee Health Insurance. South Shore reports a test period level of employee health insurance expense of \$54,413. On January 1, 2003, South Shore changed its employee health insurance provider from Medical Mutual of Ohio to United Health Care resulting in a decrease to the annual health insurance expense of \$15,124.⁵ Accordingly, employee health insurance expense has been decreased by that amount.

⁴ Application, Exhibit 7, Payroll and Adjustments to Test Year

Test-Period Health Insurance Premiums	\$	54,413
\$3,274.09 (Monthly Premium) x 12-Months =	-	39,289
Pro Forma Adjustment	\$	<u>15,124</u>

(e) Pensions South Shore contributes 1.75 percent of each full-time employee's gross pay to a retirement fund. Staff has adjusted the test period contribution to reflect the pro forma salaries and wages of the full-time employees recommended herein.

Pro Forma full-time wages	\$	112,806
Add: Pro forma salaries	+	51,303
Total full-time salaries & wages	\$	164,199
Multiplied by: Contribution rate	x	1.75%
Pro Forma Pensions	\$	2,873
Less: Test Period Actual	-	3,673
Pro Forma Adjustment	\$	<u>(800)</u>

(f) Materials and Supplies – Plant South Shore reports a test-period level of materials and supplies – plant expense of \$12,079. Upon its review of the invoices, Staff determined that South Shore expensed the purchase of manganese green sand in the amount of \$1,980. The cost to replace the sand in South Shore's filters is a non-recurring expenditure that should be amortized rather than expensed. Therefore, the materials and supplies -- plant expense has been reduced by \$1,980 to eliminate this cost from the test-period operating expenses. A provision for the recovery of the manganese green sand is included in the reservoir amortization adjustment.

(g) Well Cleaning Amortization In Case No. 2008-00108, South Shore presented evidence of the well cleaning costs it incurred during the period of 1998 through 2002. In that proceeding, Staff amortized these costs over 5 years, which resulted in a well cleaning amortization of \$7,160. Using the historical well cleaning costs, South Shore calculates a pro forma level of well cleaning amortization of \$7,015, a reduction of \$1,862 to the reported test period level of \$8,877.

⁶ Application, Exhibit 8, Detailed Description of Amortization Expense, Well Cleaning

Included in South Shore's proposed level is amortization for well #5 of \$1,063, which was fully recovered in 2002. Eliminating amortization expense for well #5 and correcting the amortization for the muriatic acid purchased on January 15, 2001, Staff calculates a pro forma level of \$6,032 as follows:

Description	Year	Cost	Life	Accumulated Amortization 2002	Pro Forma Amortization
Well #5	1998	\$ 5,313	5	\$ 5,313	\$ 0
Well #2	1999	\$ 4,941	5	\$ 3,952	988
Well #9	2000	\$ 3,650	5	\$ 2,190	730
Well #11 & #12	2000	\$ 4,930	5	\$ 2,958	986
Muriatic Acid	2000	\$ 400	5	\$ 240	80
Well #2	2000	\$ 1,350	5	\$ 810	270
Well #1	2000	\$ 1,350	5	\$ 810	270
Well #8	2000	\$ 1,350	5	\$ 810	270
Muriatic Acid	2000	\$ 270	5	\$ 162	54
Muriatic Acid	2000	\$ 169	5	\$ 102	34
Muriatic Acid	2000	\$ 169	5	\$ 102	34
Muriatic Acid	2000	\$ 169	5	\$ 102	34
Muriatic Acid	2001	\$ 778	5	\$ 234	156
Well #9	2001	\$ 1,450	5	\$ 580	290
Muriatic Acid	2001	\$ 300	5	\$ 120	60
Muriatic Acid	2002	\$ 617	5	\$ 123	123
Well #4	2002	\$ 2,639	5	\$ 528	528
Well #5	2002	\$ 2,953	5	\$ 591	591
Well #6	2002	\$ 2,668	5	\$ 534	534
Totals					\$ 6,032
Less: Test-Period Actual					8,877
Pro Forma Adjustment					<u>\$ (2,845)</u>

(h) Materials and Supplies -- Distribution South Shore reports a test-period level of materials and supplies -- distribution expense of \$8,190. Included in this expense is South Shore's purchase of meter box covers in the amount of \$1,267. The purchase of a meter box cover is a capital expenditure that should be depreciated rather than expensed. Therefore, the materials and supplies -- distribution expense has been reduced by \$1,267 to eliminate the cost of the meter box covers from the test-period

operating expenses. A provision for the recovery of the capital expenditures is included in the depreciation expense adjustment.

(i) Reservoir Amortization. In Case No. 2002-00108, Staff amortized South Shore's tank painting costs over 10 years. South Shore proposes to amortize the cost of painting the Fullerton and Morton tanks over 10 years, which results in a pro forma reservoir amortization expense of \$6,061, a reduction of \$39,918 to the reported test period level of \$45,979.

Amortizing the painting of the Fullerton and Morton Tanks, the purchase of the manganese sand and the cost to repair the filter over 10 years. Staff calculates a pro forma level of reservoir amortization expense of \$6,805 as follows.

Description	Year	Cost	Life	Pro Forma Amortization
Fullerton	2002	\$ 17,475	10	\$ 1,748
Morton	2002	\$ 850	10	85
Morton	2002	\$ 5,778	10	578
Morton	2002	\$ 3,216	10	322
Morton	2002	\$ 12,659	10	1,266
Morton	2002	\$ 6,000	10	600
Morton	2003	\$ 14,100	10	1,410
Manganese Sand	2002	\$ 1,980	10	198
Repair Filter	2003	\$ 5,980	10	598
Pro Forma Amortization				\$ 6,805
Less Test-Period Actual				45,979
Pro Forma Adjustment				\$ (39,174)

(j) Legal Amortization. South Shore proposes to reduce test period legal amortization expense of \$23,972 by \$13,857 to a pro forma level of \$10,115. This

adjustment reflects amortizing over 3 years the anticipated legal fees related to this case, and the actual legal fees incurred in Case No.'s 2002-00108 and 2002-00003.⁷

To date, South Shore has incurred legal fees associated with this current proceeding of \$1,135 and additional fees for Case No. 2003-00003 of \$2,130. Amortizing the legal fees associated with the prior rate case, the complaint case and this current proceeding over 3 years, Staff calculates a pro forma legal amortization expense of \$9,014 as follows:

Description	Year	Cost
Case No. 2002-00108	2002	\$ 6,180
Case No. 2002-00003	2002	17,597
Case No. 2002-00003	2003	2,130
Case No. 2003-00044	2003	1,135
Total Legal Fees		\$ 27,042
Divided by 3 Years		3
Pro Forma Expense		\$ 9,014
Less: Test-Period Actual		23,972
Pro Forma Adjustment		\$ (14,958)

(k) Transportation. South Shore reports a test-period level of transportation expense of \$8,687. After reviewing the invoices, Staff determined that South Shore expensed the payment of an automobile lease termination fee of \$2,344. The payment for the lease termination is a non-recurring expenditure that should be amortized rather than expensed. Therefore, the transportation expense has been reduced by \$2,344 to eliminate this cost from the test-period operating expenses. A provision for the recovery of the termination payment is included in the section that follows:

⁷ See Case No. 2002-00003, South Shore Water Works Company, Complainant, v. City of Greenup, Kentucky Defendant (July 24, 2002).

(l) Lease Termination During and subsequent to the test period South Shore has paid vehicle lease termination fees in the amount of \$7,729⁸. The fees represented charges for excessive miles and wear/tear to the leased vehicles. South Shore proposes and Staff agrees that the lease termination fees should be amortized over 3 years, the terms of the respective vehicle leases. Therefore, Staff recommends that operating expenses be increased by \$2,576⁹.

(m) Payroll Taxes South Shore proposes a pro forma payroll tax expense of \$13,990, a decrease of \$752 to the test period level of \$15,371. This adjustment reflects the corresponding impact South Shore's proposed salary and wage adjustments would have on this expense. Staff recommends that test period payroll taxes be decreased by \$1,487 to reflect its pro forma wages and salary adjustments. Staff's payroll tax adjustment is calculated as follows:

Pro Forma full-time wages	\$	112,806
Add: Pro forma salaries	+	51,303
Total full-time salaries & wages	\$	176,668
Multiplied by: Contribution rate	x	7.65%
Pro Forma Pensions	\$	13,515
Less: Test Period Actual	-	15,002
Pro Forma Adjustment	\$	<u>(1,487)</u>

(n) Depreciation South Shore reported test period depreciation expense of \$43,555. Subsequent to the test period South Shore recorded capital expenditures of \$15,989. Staff recommends a pro forma depreciation adjustment of \$2,987 to reflect

2000 Toyota Sienna - 02/14/2002	\$	2,344
2000 Chevrolet Truck - 02/14/2003		2,389
2000 Chevrolet Truck - 02/14/2003	+	2,996
Total Vehicle Lease Termination Fees	\$	<u>7,729</u>

⁹ \$7,729 (Vehicle Lease Termination Fees) ÷ 3 Years = \$2,576.

depreciating these capital expenditures over their estimated useful lives Staff's depreciation adjustment is calculated as follows

Description	Year	Cost	Life	Pro Forma Depreciation
Well #12	2003	\$ 3,876	5	\$ 775
Well #3	2003	\$ 630	5	126
Well #6	2003	\$ 650	5	130
Well #8	2003	\$ 6,149	5	1,230
Pumping Equipment	2003	\$ 3,091	5	618
Pumping Equipment	2003	\$ 913	10	91
Services	2003	\$ 680	40	17
Pro Forma Adjustment				<u>\$ 2,987</u>

ATTACHMENT C
 STAFF REPORT CASE NO 2003-00044
 STAFF'S RECOMMENDED
 REVENUE REQUIREMENT

Revenue Requirement Determination

Pro Forma Operating Expenses	\$ 453,360
Divided by: Operating Ratio	88%
Subtotal	<u>\$ 515,182</u>
Less: Pro Forma Operating Expenses	453,360
Net Operating Income After Income Taxes	\$ 61,822
Multiplied by: Gross-up Factor	1.6118633
Net Operating Income Before Income Taxes	<u>\$ 99,649</u>
Add: Pro Forma Operating Expenses	453,360
Other Income & Deductions	3,943
Total Revenue Requirement	<u>\$ 556,952</u>
Less: Other Operating Revenues	12,434
Fire Protection – Hydrants	2,408
Revenue Requirement from Rates	<u><u>\$ 542,110</u></u>

Increase in Operating Revenue from Rates

Revenue Requirement from Rates	\$ 542,110
Less: Normalized Operating Revenue from Rates	497,682
Recommended increase in Revenue from Rates	<u><u>\$ 44,428</u></u>

Calculation of State and Federal Income Taxes

Total Revenue Requirement	\$ 556,952
Less: Recommended Operating Expenses Net Income Tax	453,360
Net Income Before Interest & Income Tax	<u>\$ 103,592</u>
Less: Interest Expense	3,943
Net Income Before State & Federal Income Tax	<u>\$ 99,649</u>
Less: State Income Tax at 6%	5,979
Net Income Before Federal Tax	<u>\$ 93,670</u>
Less: Federal Income Tax at 34%	31,848
Net Income	<u><u>\$ 61,822</u></u>

ATTACHMENT D
STAFF REPORT CASE NO. 2003-00044
STAFF'S COST-OF-SERVICE STUDY

In seeking to establish fair, just and reasonable rates for a water utility, a sound analysis must be performed that reflects the actual cost of providing water service to each customer classification. That analysis must allocate the costs of providing water service among the customer classes commensurate with their service requirements so that the differences in costs of providing services to different types of customers is recognized. Therefore, to develop a proper rate schedule for South Shore Water Works Company, Commission Staff prepared a cost of service study based on the commodity demand methodology as set out in the America Water Works Association ("AWWA") Manual M-1. This study recognizes that a utility must be prepared for meeting peak demand requirements as well as the average water use needs. In other words, a system must be sized to meet the demand of most small usage customers that use very little water throughout the day, but place a tremendous burden on the system at the peak times such as mornings and evenings. Most large-usage customers place a more consistent demand on the system by using a constant rate of water throughout the day and night. Therefore, those customers do not contribute to a system's strain to meet peak demands.

Retail Rates Staff's review established the total revenue required for South Shore is \$556,952 and \$12,434 is obtained through other operating revenue and \$2,571 is obtained through the public utility rates. The next step is to develop rates that will collect the remaining \$541,947 from the company's retail customers. The utility's expenses are analyzed and allocated according to three different classifications: Commodity, Demand and Customer.

Commodity costs are those directly associated with the cost of water. The major expense in this classification is the amount paid to run the power plant of the utility. The only other commodity cost that the company experienced was for the chemicals to treat the water.

Demand costs are those associated with providing the facilities to meet the peak demands placed on the system. Costs consist of the salaries and other expenses associated with monitoring and maintaining these facilities.

Customer costs are those incurred to serve customers without regard to varying usage. These costs include the salaries and expenses associated with meter reading, billing, collections, accounting expenses and the costs associated with service lines and meters.

On the Allocation of O&M Expense schedule the allocation of operation and maintenance expenses are allocated to the functional cost components. Staff utilized information obtained through the utility's application and field reviews to allocate these costs. Administrative and general expenses are allocated to the cost components based on the subtotal allocated percentages of Demand and Customer expenses, excluding commodity costs.

On the Allocation of Cost of Service schedule the revenue requirement from rates is allocated to the functional cost components. The allocation process results in \$49,353 in commodity costs, \$394,728 in demand costs and \$97,500 in customer costs.

The Calculation of Water Rates schedule is Staff's calculation of the South Shore's retail water rates. Total commodity costs are allocated across the rate steps in accordance with usage percentages. Total demand costs are allocated across the rate

steps in accordance with usage that has been adjusted to reflect the higher peak demands that are caused in the lower rate steps. Total customer costs are all collected in the first rate step, or minimum bill, since those costs do not differ with varying usage.

The total for the first rate step is \$200,843 which is divided by the number of bills issued on an annual basis which calculates to a minimum bill of \$7.92 for the first 1,000 gallons. The totals for the remaining rate steps are each divided by the actual water usage for each rate step to calculate the remainder of the rates.

Additionally, Staff reviewed the information provided in the South Shore's application and determined there was not enough information to support the requested increase in the fire protection rates. Utilizing information filed with their application in this case, Staff reviewed the previous case, Case No. 2002-00108, and utilized the method of allocation of the fire prevention in the same manner. After review of the information provided by South Shore, Staff determined that there was not enough supporting information available to agree with an eight percent (8%) increase in these rates. Staff determined that the most fair, just and reasonable method to increase the fire protection rates is to determine the percentage increase in the allocated Demand Expenses from Case No. 2002-00108 to the allocated Demand Expenses in this case and increase the fire protection revenue accordingly with that percentage. The allocated Demand Expenses were increased by six and eight-tenths percent (6.8%) over the previous case. Adjusting the revenue of \$2,408.11, this percentage increases revenue of fire protection to \$2,571. Dividing this figure by the total number of bills issued on an annual basis for fire protection, the rate for the hydrant charge and the fire line charge should be \$9.74.

Allocation of Plant Value				
	Total	Commodity	Demand	Customer
Land & Land Rights	\$4,529		\$4,529	
Structures and Improvements	49,752		49,752	
Wells and Springs	269,308		269,308	
Pumping Equipment	94,187		94,187	
Water Treatment Equipment	97,688		97,688	
Distribution Reservoirs & Standpipes	213,622		213,622	
Transmission & Distribution Mains	682,696		682,696	
Services	66,641			\$66,641
Meters & Meter Installations	139,647			139,647
Hydrants	12,907			12,907
Subtotal	\$1,630,977		\$1,411,782	\$219,195
Allocation Percentages	100%		86.6%	13.4%
Office Furniture & Equipment	\$25,914		\$22,442	\$3,472
Tools, Shop & Garage Equipment	21,724		18,813	2,911
Subtotal	\$47,638		\$41,255	\$6,383
Total	\$1,678,615		\$1,453,037	\$225,578
Percentages	100%		86.6%	13.4%
Allocation Percentages	100%		86.6%	13.4%

Source: PSC Annual Report 2001

Allocation of Depreciation				
	Total	Commodity	Demand	Customer
Land & Land Rights	4529		4529	
Wells	\$268,879		\$268,879	
Pumping Equipment	94,690		94,690	
Treatment Equipment	97,688		97,688	
Dist. Reservoirs & Standpipes	243,165		243,165	
Transmission & Distribution Mains	267,992		267,992	
Meters	144,786			\$144,786
Hydrants	61,374			61,374
Subtotal	\$1,183,103		\$976,943	\$206,160
Allocation Percentages	100%		82.6%	17.4%
Office Furniture & Equipment	\$27,589		\$22,789	\$4,800
Building	46,422		38,345	8,077
Tools, Shop & Garage Equip	22,466		18,557	3,909
Subtotal	\$96,477		\$79,691	\$16,786
Total	\$1,279,580		\$1,056,634	\$222,946
Percentages	100%		82.6%	17.4%

Source: South Shore Application for Rate Adjustment 2003-00034

Allocation of Operation & Maintenance Expense				
	Total	Commodity	Demand	Customer
Wages	\$105,307		\$78,980	\$26,327
Employee Insurance	33,003		24,752	8,251
Pension	2,413		1,810	603
Insurance-Workers Comp	4,771		3,578	1,193
Power Plant	34,136	34,136		
Chemicals	10,970	10,970		
Purchased Water	4,247	4,247		
Materials & Supplies-Plant	10,099		10,099	
Materials & Supplies-Distribution	6,923		6,923	
Property Rentals Tanks	850		850	
Property Rentals Easements	300		300	
Well Cleaning Amortization	6,032		6,032	
Reservoir Amortization	6,805		6,805	
Subtotal	\$225,856	\$49,353	\$140,129	\$36,374
Less Commodity	(\$49,353)			
Total	\$176,503	\$49,353	\$140,129	\$36,374
Allocation Percentages	100%		79%	21%
Wages-Admin	\$20,058		\$15,846	\$4,212
Salaries – Officers	51,303		40,529	10,774
Employee Insurance	6,286		4,966	1,320
Pension	460		363	97
Accounting – Amortization	600		474	126
Accounting	2,400		1,896	504
Legal	133		105	28
Legal – Amortization	9,014		7,121	1,893
Lease Termination Amortization	2,576		2,035	541
Materials & Supplies-Office	18,537		14,644	3,893
Property Rentals Building	9,900		7,821	2,079
Equipment Rentals	13,044		10,305	2,739
Transportation Expense	6,343		5,011	1,332
Insurance-Vehicles	3,232		2,553	679
Insurance-Property & Liability	6,043		4,774	1,269
Insurance-Workers Comp	909		718	191
Insurance-Other	2,898		2,289	609
Income Taxes	37,827		29,883	7,944
PSC Assessment	894		706	188
Property Taxes	12,448		9,834	2,614
Payroll Taxes	13,884		10,968	2,916
Interest Expense	3,943		3,115	828
Subtotal	\$222,732		\$175,956	\$46,776
Total Operating Expenses	\$448,588	\$49,353	\$316,085	\$83,150

Allocation of Cost of Service South Shore Water Works Company				
	Total	Commodity	Demand	Customer
Operation & Maintenance	\$448,588	\$49,353	\$316,085	\$83,150
Operating Ratio ¹	61,822		53,538	8,284
Depreciation ²	46,542		38,444	8,098
General Water Service Cost	\$556,952	\$49,353	\$408,067	\$99,532
Less:				
Other Operating Revenue	(12,434)		(10,768)	(1,666)
Fire Protection Revenue	(2,571)		(2,571)	
Revenue Required from Rates	\$541,947	\$49,353	\$394,728	\$97,866

NOTES:

¹Operating Ratio has been allocated by the percentage on the Allocation of Plant Value Sheet.

²Depreciation has been allocated by the percentage on the Allocation of Depreciation Sheet.

Calculation of Water Rates				
	Total	First 1,000 gallons	Next 9,000 gallons	Over 10,000 gallons
Actual Water Sales:				
Thousand Gallons	134,045,100	23,408,100	76,732,000	33,905,000
Percent	100%	17.5%	57.2%	25.3%
Weighted Sales for Demand:		2	1.5	1
Thousand Gallons	195,819,200	46,816,200	115,098,000	33,905,000
Percent	100%	23.9%	58.8%	17.3%
Allocation of Volumetric Costs:				
Commodity	\$49,353	\$8,637	\$28,230	\$12,486
Demand	394,728	94,340	232,100	68,288
Customer	97,866	97,866		
Total	\$541,947	\$200,843	\$260,330	\$80,774
Number of Bills	25,416			
Proposed Rates		\$7.92	\$3.39	\$2.38

\$0.02 added to Minimum Bill to provide revenue to obtain Staff's Revenue Requirement from Rates.

Verification of Rates				
	Bills	Gallons	Rate	Revenue
First 1,000 gallons	25,416	23,408,100	\$7.92	\$201,295
Next 9,000 gallons		76,732,000	3.39	260,121
Over 10,000 gallons		33,905,000	2.38	80,694
Total Revenue from Rates				\$542,110
Other Operating Income				12,434
Fire Protection	264		9.74	2,571
Total Operating Revenue		134,045,100		\$557,115

Cost of Service Monthly Water Rates			
First 1,000 gallons		\$7.92	Minimum bill
Next 9,000 gallons		3.39	per 1,000 gallons
Over 10,000 gallons		2.38	per 1,000 gallons
Fire Protection Rates:			
Hydrant Charge		\$9.74	
Fire Line Charge		\$9.74	

*

Comparison of Rates				
Gallon Usage	Current Rates	Cost of Service Rates	Increase	Percentage
1,000	\$7.76	\$7.92	\$0.16	2.1%
2,000	10.77	11.31	0.54	5.0%
3,000	13.78	14.70	0.92	6.7%
4,000	16.79	18.09	1.30	7.7%
5,000	19.80	21.48	1.68	8.5%
6,000	22.81	24.87	2.06	9.0%
7,000	25.82	28.26	2.44	9.5%
8,000	28.83	31.65	2.82	9.8%
9,000	31.84	35.04	3.20	10.1%
10,000	34.85	38.43	3.58	10.3%
15,000	45.40	50.33	4.93	10.9%
20,000	55.95	62.23	6.28	11.2%
25,000	66.50	74.13	7.63	11.5%
30,000	77.05	86.03	8.98	11.7%
35,000	87.60	97.93	10.33	11.8%
40,000	98.15	109.83	11.68	11.9%
50,000	119.25	133.63	14.38	12.1%
75,000	172.00	193.13	21.13	12.3%
100,000	224.75	252.63	27.88	12.4%
150,000	330.25	371.63	41.38	12.5%
200,000	435.75	490.63	54.88	12.6%
250,000	541.25	609.63	68.38	12.6%
300,000	646.75	728.63	81.88	12.7%
350,000	752.25	847.63	95.38	12.7%

Comparison of Rates				
Block Usage			Current Rates	Cost of Service Rates
First	1,000	Gallons	\$7.76	\$7.92
Next	9,000	Gallons	3.01	3.39
Over	10,000	Gallons	2.11	2.38

Effect on Customer's Average Bill 5,000 Gallons Usage			
Current Rates	Proposed Rates	Amount Increase	% Increase
\$19.80	\$21.48	\$1.68	8.50%

STITES & HARBISON^{PLLC}
ATTORNEYS

June 26, 2003

Mr. Thomas M. Dorman
Executive Director
Public Service Commission
P. O. Box 615
Frankfort, KY 40602

RE: South Shore Water Works Co.
~~PSC Case No. 2003-00044~~

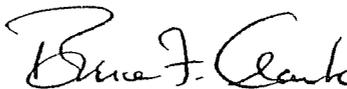
Dear Mr. Dorman:

Please be advised that South Shore Water Works Co. has reviewed and accepts the Commission's Staff Report in the above-referenced matter. Pursuant to the Commission's Order dated June 20, 2003, a hearing is not being requested.

If you have any questions, please feel free to contact me.

Yours very truly,

STITES & HARBISON PLLC


Bruce F. Clark

BFC:pjt

cc: Mr. Joe Hannah (w/o enc.)

SO021:OSO10:8763:FRANKFORT

RECEIVED

JUN 27 2003

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APPENDIX F

SUPPORTING DATA FOR INCOME APPROACH

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ABOUT THE FED

NEWS & EVENTS

ECONOMIC RESEARCH

CONSUMER INFORMATION

PUBLICATIONS

COMMUNITY DEVELOPMENT

ECONOMIC EDUCATION

PAULSON CARD CENTER

BOARD OF GOVERNORS

REGULATORY AFFAIRS

FINANCIAL INSTITUTIONS

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Home > Economic Research > Survey of Professional Forecasters > Third Quarter

Survey of Professional Forecasters

Release Date: August 14, 2006

A complete writeup of this survey, including all tables, is available here in pdf format.

Third Quarter 2006

Forecasters Expect Lower Growth and Higher Inflation in the Near Term

Growth in U.S. real output over the near term looks a bit slower and inflation a bit higher than they did just three months ago, according to 51 forecasters surveyed by the Federal Reserve Bank of Philadelphia. The forecasters peg current quarter growth in real GDP at an annual rate of 2.7 percent, down from 3.1 percent in the last survey. Growth in the fourth quarter will average 2.9 percent, down just a bit from the forecasters' previous estimate of 3.0 percent. Our panelists project growth on an annual-average over annual-average basis of 3.4 percent this year, unchanged from their previous estimate, and 2.8 percent in 2007, down from their previous estimate of 3.0 percent.

A slightly weaker near-term outlook for the labor market accompanies the outlook for slower growth. On the jobs front, the forecasters see nonfarm payroll employment expanding at a rate of 125,000 jobs per month this quarter, down from 166,000 in the last survey. Somewhat smaller downward revisions to job gains characterize the following two quarters. Over the next two years, the forecasters see jobs expanding at a pace of 154,000 per month in 2006, down from 170,000 previously, and 126,000 per month in 2007, down from 138,000. The forecasters see the rate of unemployment averaging 4.7 percent this quarter, the same rate they expected in the last survey, although they expect it to rise over the next few quarters at a pace that is a bit faster than they previously thought. Currently, the forecasters see unemployment rising to 4.9 percent in the second quarter of 2007. In the previous survey, unemployment was expected to rise to 4.8 percent over the same period.

Upward revisions to inflation—measured by either the growth in the consumer price index or the price index for GDP—accompany the outlook for the real side of the economy. The forecasters have raised their projections for CPI inflation over each of the next four quarters. They now think CPI inflation will average 3.6 percent (annual rate) this quarter, up a full percentage point from their previous estimate. Smaller upward revisions characterize the next few quarters. Similarly, projections for inflation in the GDP price index are also higher, particularly in the current quarter. On a fourth-quarter over fourth-quarter basis, CPI inflation will average 3.3 percent this year and 2.6 percent next year, up from 2.6 percent and 2.4 percent, respectively, in the last survey. As the table below shows, the forecasters have also revised upward their annual forecasts for the rate of inflation (annual-average over annual-average) in the GDP price index.

Little Change to Longer-Horizon Inflation Forecasts

Although the near-term outlook for CPI inflation has worsened in this survey, the outlook over longer horizons is holding relatively unchanged. As the table below shows, in answer to a special question, the forecasters have raised their expectations

for CPI inflation in 2008, from 2.35 percent last survey to 2.50 percent this survey. However, the forecast for the annual average rate of inflation over the next 10 years is holding steady at 2.50 percent, the same rate the forecasters have expected since the late 1990s. Over the first five years of this horizon (2006-2010), CPI inflation is expected to average 2.60 percent, up marginally from the previous forecast of 2.50 percent. Over the second five years of the 10-year horizon (2011-2015), the forecasters have lowered their projection to 2.45 percent from their previous estimate of 2.50 percent. These results suggest that the factors the forecasters anticipate will increase inflation over the next few years will not persist and lead to permanently higher inflation.

Equilibrium Unemployment Pegged at 4.95 Percent

In third-quarter surveys, we ask the forecasters to provide their estimates of the natural rate of unemployment—the rate of unemployment that occurs when the economy reaches equilibrium. For the third-quarter surveys conducted since 2001, the following table tracks the median estimate of the natural rate (computed from the responses of those forecasters who use the natural rate concept in preparing their projections), as well as the percentage of forecasters who use the concept and the lowest and highest estimates (among those who use the concept). Twenty-six of the 49 participants who answered the question report that they use the natural rate in their forecasts. Among these 26, the median estimate for the natural rate is 4.95 percent, nearly the same estimate recorded in the survey of a year ago, and close to the forecasters' projection for the annual average rate of actual unemployment in 2007. The lowest estimate of the natural rate is 4.00 percent, and the highest estimate is 5.50 percent.

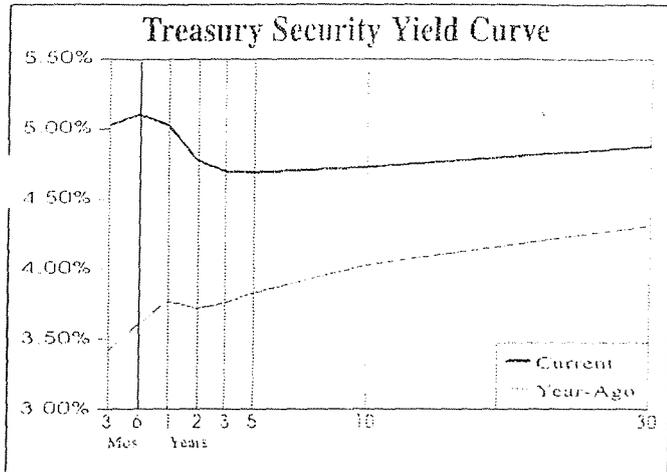
The Federal Reserve Bank of Philadelphia thanks the following forecasters for their participation in our surveys:

Joseph T. Abate, Lehman Brothers; **Scott Anderson**, Wells Fargo and Company; **Robert J. Barbera**, ITG; **David W. Berson**, Fannie Mae; **Joseph Carson**, Alliance Capital Management; **Gary Ciminero**, CFA, Rhode Island House Policy Office; **Richard DeKaser**, National City Corporation; **Rajeev Dhawan**, Georgia State University; **Doug Duncan**, Mortgage Bankers Association; **Michael R. Englund**, Action Economics, LLC; **Gerard F. Fuda**, Independent Economist; **Stephen Gallagher**, Societe Generale; **James Glassman**, JP Morgan Chase & Co.; **Global Insight**; **Keith Hembre**, First American Funds; **David Huether**, National Association of Manufacturers; **William B. Hummer**, Wayne Hummer Investments; **Saul Hymans**, **Joan Crary**, and **Janet Wolfe**, RSQE, The University of Michigan; **Fred Joutz**, Benchmark Forecasts and Research Program on Forecasting, George Washington University; **Kurt Karl**, Swiss Re; **Dr. Irwin Kellner**, Hofstra University/MarketWatch/North Fork Bank; **Thomas Lam**, UOB Group; **L. Douglas Lee**, Economics from Washington; **Joseph Liro**, Stone & McCarthy Research Associates; **John Lonski**, Moody's Investors Service; **Dean Maki**, Barclays Capital; **Edward F. McKelvey**, Goldman Sachs; **Jim Meil**, Eaton Corporation; **Anthony Metz**, Pareto Optimal Economics; **Michael Moran**, Daiwa Securities America; **Joel L. Naroff**, Naroff Economic Advisors; **Mark Nielson, Ph.D.**, MacroEcon Global Advisors; **Michael P. Niemira**, International Council of Shopping Centers; **Martin A. Regalia**, U.S. Chamber of Commerce; **David Resler**, Nomura Securities International, Inc.; **David Rosenberg**, Merrill Lynch; **John Ryding**, Bear, Stearns, and Company, Inc.; **David F. Seiders**, National Association of Home Builders; **Xiaobing Shuai, Ph.D.**, Chmura Economics & Analytics; **Allen Sinai**, Decision Economics, Inc.; **Tara M. Sinclair**, Research Program on Forecasting, The George Washington University; **Sean M. Snaith, Ph.D.**, University of Central Florida; **Constantine G. Soras, Ph.D.**, Verizon Communications; **Neal Soss**, Credit Suisse First Boston; **Stephen Stanley**, RBS Greenwich Capital; **Susan M. Sterne**, Economic Analysis Associates, Inc.; **Edward Sullivan**, Portland Cement Association; **Thomas Kevin Swift**, American Chemistry Council; **David Teolis**, General Motors Corporation; **Lea Tyler**, Oxford Economics USA, Inc.; **Albert M. Wojnilower**; **Richard Yamarone**, Argus Research Group; **Mark Zandi**, Economy.com; **Ellen Beeson Zentner**, Bank of Tokyo-Mitsubishi UFJ, Ltd.

This is a partial list of participants. We also thank those who wish to remain anonymous.

Selected Yields

	Recent (8/31/06)	3 Months Ago (6/01/06)	Year Ago (9/01/05)		Recent (8/31/06)	3 Months Ago (6/01/06)	Year Ago (9/01/05)
TAXABLE							
Market Rates				Mortgage-Backed Securities			
Discount Rate	6.25	6.00	4.50	GNMA 6.5%	5.82	6.03	5.00
Federal Funds	5.25	5.00	3.50	FHLMC 6.5% (Gold)	6.08	6.24	5.44
Prime Rate	8.25	8.00	6.50	FNMA 6.5%	6.04	6.20	4.97
30-day CP (A1/P1)	5.24	5.00	3.56	FNMA ARM	5.45	4.95	3.88
3-month LIBOR	5.40	5.27	3.86	Corporate Bonds			
Bank CDs				Financial (10-year) A	5.68	6.04	4.92
6-month	3.27	3.07	2.29	Industrial (25/30-year) A	5.90	6.25	5.20
1-year	4.02	3.88	2.91	Utility (25/30-year) A	5.92	6.25	5.15
5-year	4.15	4.04	3.88	Utility (25/30-year) Baa/BBB	6.33	6.62	5.54
U.S. Treasury Securities				Foreign Bonds (10-Year)			
3-month	5.03	4.82	3.42	Canada	4.11	4.40	3.74
6-month	5.10	5.04	3.60	Germany	3.76	4.00	3.07
1-year	5.03	5.07	3.77	Japan	1.63	1.95	1.33
5-year	4.69	5.02	3.83	United Kingdom	4.52	4.64	4.12
10-year	4.73	5.10	4.03	Preferred Stocks			
10-year (inflation-protected)	2.25	2.43	1.54	Utility A	7.13	7.23	7.02
30-year	4.88	5.19	4.31	Financial A	6.23	6.32	6.08
30-year Zero	4.79	5.08	4.30	Financial Adjustable A	N/A	N/A	5.53



TAX-EXEMPT

Bond Buyer Indexes							
20-Bond Index (GOs)	4.30	4.57	4.18				
25-Bond Index (Revs)	4.91	5.23	4.83				
General Obligation Bonds (GOs)							
1-year Aaa	3.50	3.52	2.79				
1-year A	3.60	3.63	2.91				
5-year Aaa	3.52	3.67	3.09				
5-year A	3.66	3.91	3.36				
10-year Aaa	3.80	4.07	3.49				
10-year A	4.09	4.35	3.81				
25/30-year Aaa	4.25	4.53	4.22				
25/30-year A	4.53	4.78	4.49				
Revenue Bonds (Revs) (25/30-Year)							
Education AA	4.32	4.60	4.29				
Electric AA	4.30	4.59	4.37				
Housing AA	4.58	4.73	4.46				
Hospital AA	4.60	4.83	4.44				
Toll Road Aaa	4.38	4.80	4.40				

Federal Reserve Data

BANK RESERVES

(Two-Week Period, in Millions, Not Seasonally Adjusted)

	Recent Levels			Average Levels Over the Last...		
	8/30/06	8/16/06	Change	12 Wks.	26 Wks.	52 Wks.
Excess Reserves	1449	1570	-121	1639	1657	1730
Borrowed Reserves	380	344	36	315	245	225
Net Free/Borrowed Reserves	1069	1226	-157	1324	1412	1506

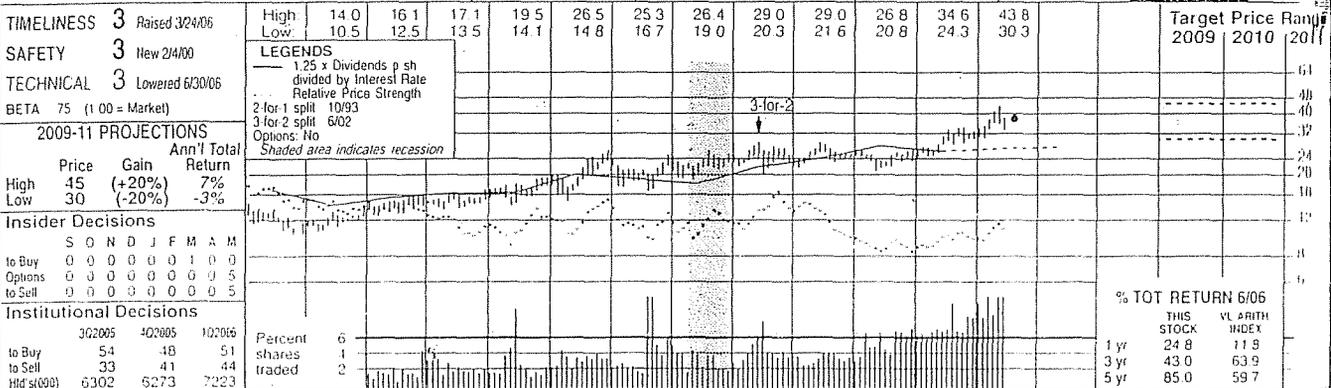
MONEY SUPPLY

(One-Week Period, in Billions, Seasonally Adjusted)

	Recent Levels			Growth Rates Over the Last...		
	8/21/06	8/14/06	Change	3 Mos.	6 Mos.	12 Mos.
1 (Currency+demand deposits)	1369.7	1347.1	22.6	-7.6%	-1.1%	-1.2%
2 (M1+savings+small time deposits)	6884.4	6848.1	36.3	4.6%	3.4%	4.7%

AMER. STATES WATER NYSE-AWR

RECENT PRICE **37.73** P/E RATIO **23.6** (Trailing: 25.8 Median: 17.0) RELATIVE P/E RATIO **1.36** DIV'D YLD **2.4%** VALUE LINE **1418**



1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	VALUE LINE PUB., INC.	09-11
9.58	9.15	10.10	9.27	10.43	11.03	11.37	11.44	11.02	12.91	12.17	13.06	13.78	13.98	13.61	14.06	15.45	15.60	Revenues per sh	18.00
1.49	1.78	1.81	1.67	1.68	1.75	1.75	1.85	2.04	2.26	2.20	2.53	2.54	2.08	2.23	2.64	3.00	3.05	"Cash Flow" per sh	3.00
94	119	115	111	95	103	113	104	108	119	128	135	134	78	105	132	1.60	1.65	Earnings per sh ^A	1.90
.72	.73	.77	.79	.80	.81	.82	.83	.84	.85	.86	.87	.87	.88	.89	.90	.91	.92	Div'd Decl'd per sh ^B	.96
2.53	2.77	2.31	1.90	2.43	2.19	2.40	2.58	3.11	4.30	3.03	3.18	2.68	3.76	5.03	4.24	4.00	4.10	Cap'l Spending per sh	4.50
7.54	8.39	8.85	9.95	10.07	10.29	11.01	11.24	11.48	11.82	12.74	13.22	14.05	13.97	15.01	15.72	17.00	17.85	Book Value per sh	20.00
9.43	9.91	9.96	11.71	11.77	11.77	13.33	13.44	13.44	13.44	15.12	15.12	15.18	15.21	16.75	16.80	17.50	18.25	Common Shs Outst'g ^C	20.50
10.2	8.8	10.6	13.4	12.8	11.6	12.6	14.5	15.5	17.1	15.9	16.7	18.3	31.9	23.2	21.9	20.0	19.5	Avg Ann'l P/E Ratio	19.5
76	56	64	79	84	78	79	84	81	97	103	86	100	182	123	117	117	117	Relative P/E Ratio	1.26
7.5%	7.0%	6.3%	5.3%	6.6%	6.7%	5.8%	5.5%	5.0%	4.2%	4.2%	3.9%	3.6%	3.5%	3.6%	3.1%	3.1%	3.1%	Avg Ann'l Div'd Yield	2.6%

CAPITAL STRUCTURE as of 3/31/06		2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Total Debt	\$299.9 mill	151.5	153.8	148.1	173.4	184.0	197.5	209.2	212.7	228.0	236.2	270	285	370
LT Debt	\$268.3 mill	13.5	14.1	14.6	16.1	18.0	20.4	20.3	11.9	16.5	22.5	28.5	31.0	40.0
LT Interest earned	\$20.0 mill	43.3%	41.1%	40.9%	46.0%	45.7%	43.0%	38.9%	43.5%	37.4%	47.0%	42.0%	42.0%	42.0%
coverage: 4.1x	(50% of Cap'l)	---	---	---	---	---	---	---	---	---	---	---	---	---
Leases, Uncapitalized	None	41.9%	43.0%	43.6%	51.0%	47.5%	54.9%	52.0%	52.0%	47.7%	50.4%	50.5%	51.0%	52.0%
Pension Assets-12/05	\$56.6 mill	57.3%	56.3%	55.7%	48.4%	51.9%	44.7%	48.0%	48.0%	52.3%	49.6%	49.5%	49.0%	48.0%
Oblig. \$83.2 mill		256.0	268.4	277.1	328.2	371.1	447.6	444.4	442.3	480.4	532.5	600	665	850
Pfd Stock None	Pfd Div'd None	357.8	383.6	414.8	449.6	509.1	539.8	563.3	602.3	664.2	713.2	785	835	1000
Common Stock	16,825,639 shs	6.9%	6.9%	7.0%	6.6%	6.4%	6.1%	6.5%	4.6%	5.2%	5.4%	6.5%	6.5%	6.5%
MARKET CAP: \$625 million (Small Cap)		9.0%	9.2%	9.4%	10.0%	9.2%	10.1%	9.5%	5.6%	6.6%	8.5%	9.5%	9.5%	10.0%
		9.0%	9.2%	9.4%	10.1%	-9.3%	10.1%	9.5%	5.6%	6.6%	8.5%	9.5%	9.5%	10.0%

CURRENT POSITION	2004	2005	3/31/06
Cash Assets (\$MILL)	4.3	13.0	14.4
Receivables	14.3	13.3	10.0
Inventory (Avg Cst)	1.5	1.4	1.4
Other	32.9	41.2	42.0
Current Assets	53.0	68.9	67.8
Acc'ts Payable	18.2	19.7	20.0
Debt Due	45.9	27.6	31.6
Other	22.2	30.3	48.4
Current Liab	86.3	77.6	80.4
Fix. Chg. Cov.	246%	325%	335%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Revenues	3.0%	3.0%	3.5%
"Cash Flow"	3.0%	1.5%	4.5%
Earnings	---	-2.5%	4.5%
Dividends	1.0%	1.0%	1.0%
Book Value	4.0%	4.5%	5.0%

Cal-endar	QUARTERLY REVENUES (\$mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2003	46.7	51.8	63.7	50.5	212.7
2004	46.7	59.3	69.0	53.0	228.0
2005	49.8	60.5	68.1	57.8	236.2
2006	60.6	68.0	77.0	64.4	270
2007	63.0	73.0	81.0	68.0	285

Cal-endar	EARNINGS PER SHARE ^A				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2003	20	19	51	d 12	78
2004	08	30	52	15	1.05
2005	22	34	47	29	1.32
2006	35	38	55	32	1.60
2007	31	42	58	34	1.65

Cal-endar	QUARTERLY DIVIDENDS PAID ^B				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2002	217	217	217	221	87
2003	221	221	221	221	88
2004	221	221	221	225	89
2005	225	225	225	225	90
2006	225	225			

BUSINESS: American States Water Co. operates as a holding company. Through its principal subsidiary, Golden State Water Company, it supplies water to 75 communities in 10 counties. Service areas include the greater metropolitan areas of Los Angeles and Orange Counties. The company also provides electric utility services to approximately 23,000 customers in the city of Big Bear Lake and in areas of San Bernardino County. Acquired Chaparral City Water of Arizona (10/00); 11,400 customers. Has roughly 515 employees. Off. & dir. own 3.1% of common stock (4/06 Proxy). Chairman: Lloyd Ross. President & CEO: Floyd Wicks. Incorporated: CA. Add: 630 East Foothill Boulevard, San Dimas, CA 91773. Tel: 909-394-3600. Web: www.aswater.com.

We have raised our 2006 share-net estimate for American States Water by \$0.15, to \$1.60. Although \$0.11 of the increase is attributable to a better-than-expected first quarter, we have also raised our second-half estimate by roughly a nickel. Usage rates for water are rising. We suspect that this trend will continue as the year progresses and weather patterns take a more normal shape. Water consumption levels declined about 4% in 2005 because of unusually rainy conditions. Meanwhile, we are also encouraged by recent changes to the California Public Utilities Commission (CPUC). Long a nemesis to utility companies looking for rate relief, the CPUC is showing signs of being more business friendly in recent months. Indeed, the board has been redesigned and now looks to be handing down more timely and favorable rulings. **This is a major boon for AWR. Still, we look for earnings growth to slow in 2007.** Despite the improving regulatory backdrop, we remain extremely concerned about elevated infrastructure costs, given the state of the company's water systems. Indeed, EPA demands for water

quality will likely only grow more stringent with time. Unfortunately, AWR does not have the means to fund many of these changes internally and will likely have to look to equity and debt markets in order to do so. Such undertakings will likely cause earnings growth to slow considerably in 2007 and to late decade, as well as preclude the company from participating in the attractive acquisition market. We estimate earnings of \$1.65 a share in 2007.

We think that most investors would be better served to look elsewhere. Although untimely AWR shares have tumbled roughly 10% since our April report, their 3- to 5-year total-return potential is unexciting, given the concerns we have about infrastructure costs. In fact, the stock is trading within our 2009-2011 Target Price Range. Meanwhile, there are better income vehicles out there at this time. It should be noted, however, that the company's foray into military bases is paying off. Continued progression in this area could be accretive to our current 2009-2011 projections.

Andre J. Costanza July 28, 2006

(A) Primary earnings. Excludes nonrecurring gains: '91, 73c; '92, 43c; '04, 14c; '05, 25c. Quarterly earnings may not sum due to change in share count. Next earnings report due early August.
 (B) Dividends historically paid in early March, June, September, December. Div'd reinvestment plan available.
 (C) In millions, adjusted for splits.
 Company's Financial Strength B++
 Stock's Price Stability 80
 Price Growth Persistence 80
 Earnings Predictability 60
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AQUA AMERICA

NYSE-WTR

RECENT PRICE **22.25**

P/E RATIO **29.7** (Trailing: 32.2; Median: 23.0)

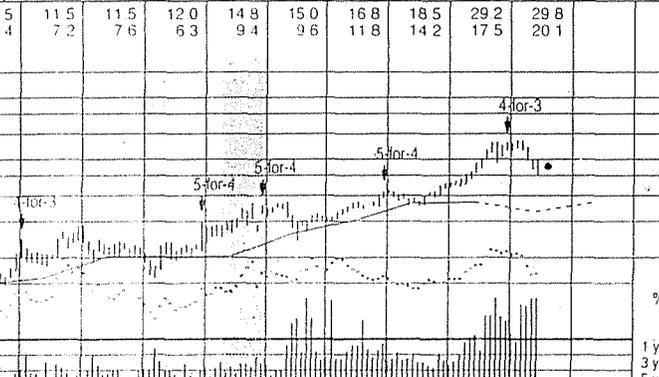
RELATIVE P/E RATIO **1.71**

DIV'D YLD **1.9%**

VALUE LINE **1419**

TIMELINESS 5 Lowered 5/12/06
SAFETY 3 Lowered 8/1/03
TECHNICAL 4 Raised 7/28/06

High: 4 1 5 7 8 5 11 5 11 5 12 0 14 8 15 0 16 8 18 5 29 2 29 8
 Low: 3 3 3 9 4 4 7 2 7 6 6 3 9 4 9 6 11 8 14 2 17 5 20 1



Target Price Range
 2009 2010 2011
 64
 48
 40
 32
 24
 20
 16
 12
 8
 6

% TOT. RETURN 6/06
 THIS STOCK VL ARITH. INDEX
 1 yr 3.6 11.8
 3 yr 65.4 63.9
 5 yr 106.4 59.7

2009-11 PROJECTIONS
 Price Gain Ann'l Total
 High 35 (+55%) 14%
 Low 20 (-10%) Nil

LEGENDS
 150 = Dividends p sh divided by Interest Rate
 Relative Price Strength
 3-for-2 split 7/96
 4-for-3 split 1/98
 5-for-4 split 12/00
 5-for-4 split 12/01
 5-for-4 split 12/03
 4-for-3 split 12/05
 Options Yes
 Shaded area indicates recession

Insider Decisions
 S O N D J F M A M
 to Buy 0 0 0 0 0 0 0 0 0
 to Sell 2 3 2 1 2 2 0 1 0
 Options 3 3 2 1 2 1 0 1 0

Institutional Decisions
 3Q2005 4Q2005 1Q2006
 to Buy 12 1 112 111
 to Sell 7 3 123 93
 Held (in 000) 37964 37756 39210

Year	2000	2001	2002	2003	2004	2005	2006	2007	09-11
Revenues per sh	2.46	2.70	2.85	2.97	3.48	3.85	4.15	4.60	5.05
"Cash Flow" per sh	2.76	3.6	3.94	3.96	1.09	1.21	1.30	1.40	1.85
Earnings per sh ^A	47	51	54	57	64	71	75	85	1.20
Div'd Decl'd per sh ^B	28	30	32	35	37	40	44	49	.66
Cap'l Spending per sh	1.16	1.09	1.20	1.32	1.54	1.84	1.90	2.15	2.60
Book Value per sh	3.85	4.15	4.36	5.34	5.89	6.30	6.75	7.20	9.00
Common Shs Outst'g ^C	111.82	113.97	113.19	123.45	127.18	128.97	130.00	131.00	134.00
Avg Ann'l P/E Ratio	18.2	23.6	24.5	25.1	31.8	31.8	31.8	31.8	23.0
Relative P/E Ratio	1.18	1.21	1.29	1.40	1.33	1.70	1.70	1.70	1.55
Avg Ann'l Div'd Yield	3.3%	2.5%	2.5%	2.5%	2.3%	1.8%	1.8%	1.8%	2.4%

CAPITAL STRUCTURE as of 3/31/06
 Total Debt \$1108.4 mill Due in 5 Yrs \$290.0 mill
 LT Debt \$916.5 mill LT Interest \$50.0 mill
 (LT interest earned: 3.4x; total interest coverage: 2.9x)

Pension Assets-12/05 \$117.7 mill
 Oblig. \$179.7 mill

Year	2000	2001	2002	2003	2004	2005	2006	2007	09-11
Revenues (\$mill)	122.5	136.2	151.0	257.3	275.5	307.3	322.0	367.2	675
Net Profit (\$mill)	19.8	23.2	28.8	45.0	50.7	58.5	62.7	67.3	160
Income Tax Rate	41.4%	40.6%	40.5%	38.4%	38.9%	39.3%	38.5%	39.3%	39.0%
AFUDC % to Net Profit	54.1%	54.4%	52.7%	52.9%	52.0%	54.2%	51.4%	51.4%	51.0%
Long-Term Debt Ratio	44.0%	44.8%	46.6%	46.7%	47.8%	47.7%	45.8%	48.6%	50.0%
Common Equity Ratio	401.7	427.2	496.6	782.7	901.1	990.4	1076.2	1355.7	1920
Total Capital (\$mill)	502.9	534.5	609.8	1135.4	1251.4	1368.1	1490.8	1824.3	2465
Return on Total Cap'l	6.8%	7.4%	7.6%	7.6%	7.4%	7.8%	7.6%	6.4%	6.7%
Return on Shr. Equity	10.7%	11.9%	12.3%	12.2%	11.7%	12.3%	12.7%	10.2%	10.7%
Return on Com Equity	11.2%	12.0%	12.4%	12.3%	11.7%	12.4%	12.7%	10.2%	10.7%
Retained to Com Eq	2.8%	3.6%	4.5%	4.3%	4.7%	5.1%	5.2%	4.2%	4.6%
All Div'ds to Net Prof	75%	70%	64%	63%	60%	59%	59%	59%	57%

MARKET CAP: \$2.9 billion (Mid Cap)
 Pfd Stock None
 Common Stock 129,512,881 shares as of 4/21/06

MARKET CAP: \$2.9 billion (Mid Cap)

Year	2004	2005	3/31/06
Cash Assets (\$mill)	13.1	11.9	51.4
Receivables	64.5	62.7	57.6
Inventory (AvgCst)	6.9	7.8	8.0
Other	5.6	7.6	8.8
Current Assets	90.1	90.0	125.8
Accts Payable	23.5	55.5	29.9
Debt Due	135.3	163.1	191.9
Other	58.6	44.7	46.7
Current Liab	217.4	263.3	268.5
Fix. Chg. Cov.	364%	377%	284%

ANNUAL RATES
 of change (per sh)
 Revenues 7.0%
 "Cash Flow" 9.5%
 Earnings 9.0%
 Dividends 6.0%
 Book Value 9.5%

ANNUAL RATES
 Past 10 Yrs
 Past 5 Yrs
 Est'd '03-'05 to '09-'11

Year	2003	2004	2005	2006	2007
Revenues (\$mill)	80.5	83.4	102.1	101.2	367.2
"Cash Flow" (\$mill)	99.8	106.5	120.3	115.4	442.0
Earnings (\$mill)	114.0	123.1	136.8	122.9	496.8
Dividends (\$mill)	117.9	135	145	142.1	540
Book Value (\$mill)	135	150	165	155	605

QUARTERLY REVENUES (\$mill.)
 Full Year

QUARTERLY REVENUES (\$mill.)
 Full Year

Year	2003	2004	2005	2006	2007
Revenues (\$mill)	11	14	18	14	57
"Cash Flow" (\$mill)	13	14	20	17	64
Earnings (\$mill)	15	17	22	17	71
Dividends (\$mill)	13	.17	.25	.20	.75
Book Value (\$mill)	.16	.19	.28	.22	.85

QUARTERLY DIVIDENDS PAID^B
 Full Year

QUARTERLY DIVIDENDS PAID^B
 Full Year

Year	2002	2003	2004	2005	2006	2007
Dividends (\$mill)	08	08	08	084	084	32
Dividends (\$mill)	084	084	084	09	09	34
Dividends (\$mill)	09	09	09	098	098	37
Dividends (\$mill)	098	098	098	108	108	40
Dividends (\$mill)	108	108				32

Business: Aqua America, Inc. is the holding company for water and wastewater utilities that serve approximately 2.5 million residents in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, Florida, Indiana, and five other states. Divested three of four non-water businesses in '91; telemarketing group in '93; and others. Acquired AquaSource, 7/03; Consumers Water, 4/99; and

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others. Water supply revenues '05: residential, 59%; commercial, 15%; industrial & other, 26%. Officers and directors own 1.2% of the common stock (4/06 Proxy). Chairman & Chief Executive Officer: Nicholas DeBenedictis. Incorporated: Pennsylvania. Address: 762 West Lancaster Avenue, Bryn Mawr, Pennsylvania 19010. Telephone: 610-525-1400. Internet: www.aquaamerica.com.

Aqua America is suffering from regulatory lag. First-quarter share net was \$0.13, a bit below our estimate, and revenues, too, fell slightly (2%) short of our tally. The water utilities giant is being hurt by high fuel costs and unfavorable timing of its rate cases. The company is awaiting judgment on over \$50 million of annual rate hikes. The stock has come under increasing pressure since management announced first-half earnings growth in 2006 would be below historical averages. Therefore, we suspect profit growth this year will be confined to the latter two quarters. Accordingly, earnings comparisons should turn positive by the September interim. Aqua announced in June that a rate case settlement was approved in Pennsylvania. The win will augment annual revenue by about \$25 million, a 9.2% increase over current rates in the state. The new rates should take effect in time to support third-quarter revenue growth. The acquisition of New York Water Service should further top-line advances in 2007. The system would cost \$51 million and enhance Aqua's total customer count by 135,000 (5%). As well, it

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ought to contribute roughly \$0.02 a share to the bottom line beginning in 2007. Aqua already supplies water to New York, but because New York Water Service does not encroach on any existing infrastructure, cannibalization should be minimal. New York will become Aqua's seventh-largest state when the deal closes later this year. The company's growth strategy, for the most part, centers around acquisitions. The highly fragmented nature of the water industry facilitates industry consolidation by big players like Aqua. Many of the smaller water utilities are run less efficiently than Aqua's divisions; it is their capacity for improvement that make them good targets for acquisition. The company's most recent purchase was a troubled water system in North Carolina, bringing the total number of transactions closed this year to 10. We expect another five deals to close by yearend. This stock is ranked 5 (Lowest) for year-ahead performance. Despite a recent price drop, Aqua is still trading at a hefty premium. Moreover, the water utility sector seems to be cooling down. Praneeth Satish July 28, 2006

Company's Financial Strength B+
 Stock's Price Stability 85
 Price Growth Persistence 95
 Earnings Predictability 100

Company's Financial Strength B+
 Stock's Price Stability 85
 Price Growth Persistence 95
 Earnings Predictability 100

Company's Financial Strength B+
 Stock's Price Stability 85
 Price Growth Persistence 95
 Earnings Predictability 100

(A) Primary shares outstanding through '96; diluted thereafter. Excl. nonrec gains (losses): '90, (38c); '91, (34c); '92, (38c); '99, (11c); '00, 2c; '01, 2c; '02, 5c; '03, 4c. Excl gain from

disc operations: '96, 2c. Next earnings report due early August (B) Dividends historically paid in early March, June, Sept & Dec. Div'd reinvestment plan available (5% discount)

(C) In millions, adjusted for stock splits

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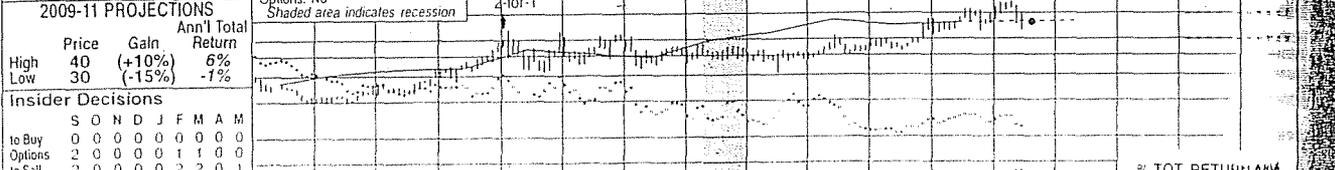
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CALIFORNIA WATER NYSE-CWT

RECENT PRICE **36.25** P/E RATIO **22.0** (Trailing: 24.5 Median: 19.0) RELATIVE P/E RATIO **1.26** DIV'D YLD **3.2%** VALUE LINE **1470**

TIMELINESS 4 Raised 11/4/05	High: 17.6 21.9 29.6 33.8 32.0 31.4 28.6 26.9 31.4 37.9 42.1 45.8	Target Price 2009 2010
SAFETY 2 Lowered 8/11/95	Low: 14.8 16.3 18.6 20.8 22.6 21.5 22.9 20.5 23.7 26.1 31.2 32.8	
TECHNICAL 3 Lowered 7/7/06	LEGENDS 1.33 x Dividends p sh divided by Interest Rate Relative Price Strength 2-for-1 split 1/98 Options: No Shaded area indicates recession	
BETA 80 (1.00 = Market)	2-for-1	



2009-11 PROJECTIONS			
Price	Gain	Return	Ann'l Total
High 40	(+10%)	6%	
Low 30	(-15%)	-1%	

Insider Decisions		Institutional Decisions	
S O N D J F M A M	to Buy 0 0 0 0 0 0 0 0 0 0	302005 402005 102006	Percent shares traded 4.5
	Options 2 0 0 0 0 1 1 0 0	to Buy 38 39 36	1.5
	to Sell 2 0 0 0 0 2 2 0 1	to Sell 39 32 35	
		Hld's (000) 4897 4959 5618	

Year	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues per sh	10.93	11.18	12.29	13.34	12.59	13.17	14.48	15.48	14.76	15.96	16.16	16.26	17.33	16.37	17.18	17.44	17.30	18.70
"Cash Flow" per sh	1.97	1.98	1.92	2.25	2.02	2.07	2.50	2.92	2.60	2.75	2.52	2.20	2.65	2.51	2.83	3.04	3.05	3.40
Earnings per sh	1.25	1.21	1.09	1.35	1.22	1.17	1.51	1.83	1.45	1.53	1.31	94	1.25	1.21	1.46	1.47	1.55	1.75
Div'd Decl'd per sh	.87	.90	.93	.96	.99	1.02	1.04	1.06	1.07	1.09	1.10	1.12	1.12	1.12	1.13	1.14	1.15	1.16
Cap'l Spending per sh	2.36	3.03	3.09	2.53	2.26	2.17	2.83	2.61	2.74	3.44	2.45	4.09	5.82	4.39	3.73	5.14	5.00	4.50
Book Value per sh	10.04	10.35	10.51	10.90	11.56	11.72	12.22	13.00	13.38	13.43	12.90	12.95	13.12	14.44	15.66	15.98	16.70	17.50
Common Shs Outst'g	11.38	11.38	11.38	11.38	12.49	12.54	12.62	12.62	12.94	15.15	15.18	15.18	16.93	18.37	18.39	19.00	19.50	
Avg Ann'l P/E Ratio	10.4	11.2	14.1	13.6	14.1	13.7	11.9	12.6	17.8	17.8	19.6	27.1	19.8	22.1	20.1	24.9		
Relative P/E Ratio	.77	.72	.86	.80	.92	.92	.75	.73	.93	1.01	1.27	1.39	1.08	1.26	1.06	1.06		
Avg Ann'l Div'd Yield	6.7%	6.6%	6.1%	5.2%	5.8%	6.4%	5.8%	4.6%	4.2%	4.0%	4.3%	4.4%	4.5%	4.2%	3.9%	3.1%		

CAPITAL STRUCTURE as of 3/31/06		2004	2005	3/31/06
Total Debt	\$282.4 mill	182.8	195.3	186.3
Due in 5 Yrs	\$9.0 mill	19.1	23.3	18.4
LT Debt	\$273.8 mill	163.7	172.0	167.9
LT Interest	\$18.5 mill	38.9%	37.4%	36.4%
(LT interest earned: 3.5x; total int cov: 3.2x)		37.9%	42.3%	39.4%
		39.7%	39.7%	39.9%
		39.4%	39.7%	39.9%
		10.3%		

Pension Assets-12/05 \$70.2 mill		2004	2005	3/31/06
Oblig.	\$103.2 mill	47.4%	45.4%	44.2%
Pfd Stock	\$3.5 mill	51.4%	53.5%	54.7%
Pfd Div'd	\$.15 mill	29.9%	30.6%	30.8%
139,000 shares, 4.4% cumulative (\$25 par)		443.6	460.4	478.3
		515.4	582.0	624.3
		697.0	759.5	800.3
		856.7	925	950
		6.3%	9.4%	7.8%
		7.8%	7.8%	6.8%
		5.3%	5.9%	5.6%
		6.1%	6.4%	6.5%
		6.5%	6.5%	6.5%
		12.1%	13.9%	10.7%
		11.2%	10.0%	7.2%
		9.4%	7.8%	8.9%
		9.1%	9.5%	10.5%
		12.3%	14.1%	10.8%
		11.4%	10.1%	7.2%
		9.5%	7.9%	9.0%
		9.3%	9.5%	10.5%
		3.8%	6.0%	2.8%
		3.5%	1.8%	NMF
		1.0%	1.0%	1.0%
		.7%	.7%	2.1%
		2.1%	2.1%	2.5%
		4.0%	4.0%	6.3%

CURRENT POSITION (\$MILL.)		2004	2005	3/31/06
Cash Assets	18.9	9.5	5.1	
Other	51.6	42.7	39.2	
Current Assets	70.4	52.2	44.3	
Acc'ts Payable	19.8	36.1	28.9	
Debt Due	1.1	1.1	8.6	
Other	36.3	39.6	44.8	
Current Liab.	57.2	76.8	82.3	
Fix. Chg. Cov.	338%	361%	370%	

ANNUAL RATES of change (per sh)		Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Revenues	3.0%	2.0%	3.5%	
"Cash Flow"	2.5%	-0.5%	4.5%	
Earnings	0.5%	-4.0%	4.5%	
Dividends	1.5%	1.0%	1.0%	
Book Value	2.5%	1.5%	5.0%	

QUARTERLY REVENUES (\$ mill.)		Full Year
Cal-endar	Mar.31 Jun.30 Sep.30 Dec.31	Year
2003	51.3 68.0 88.2 69.6	277.1
2004	60.2 88.9 97.1 69.4	315.6
2005	60.3 81.5 101.1 77.8	320.7
2006	65.2 94.8 105 80.0	345
2007	70.0 100 110 85.0	365

EARNINGS PER SHARE		Full Year
Cal-endar	Mar.31 Jun.30 Sep.30 Dec.31	Year
2003	.05 30 .53 .41	1.21
2004	.08 59 .59 .20	1.46
2005	.03 41 .71 .32	1.47
2006	.04 .56 .72 .33	1.65
2007	.08 .58 .74 .35	1.75

QUARTERLY DIVIDENDS PAID		Full Year
Cal-endar	Mar.31 Jun.30 Sep.30 Dec.31	Year
2002	.28 28 28 28	1.12
2003	.281 281 281 281	1.12
2004	.283 283 283 283	1.13
2005	.285 285 285 285	1.14
2006	.2875 2875	

California Water Service Group looks to be dealing with a more favorable regulatory administration. In the past, the California Public Utilities Commission (CPUC), which is in charge of supervising local utilities, was not very friendly to those seeking rate relief. Indeed, decisions were typically unfavorable compared to other states and, in many cases, delayed. However, since taking office, Governor Schwarzenegger has made it a priority to correct the regulatory environment. Personnel changes made under his tenure have improved the climate for rates of return, and significantly cleared the backlog of cases pending decisions. This is obviously a positive development for CWT, which files a general rate case (GRC) each year for eight of its 24 districts. It is currently waiting for a ruling on its 2005 GRC, requesting about \$11 million, assuming a 12.23% return on equity. Meanwhile, the commission has also ruled that utilities could recover costs tracked in balancing accounts without having to pass an earnings test. We look for a double-digit earnings advance this year.

Infrastructure costs will probably remain a thorn in the company's path, going forward, though. The costs of maintaining well and pipeline infrastructure continue to rise due to the growing demands of the EPA for drinking water standards. However, CWT does not currently have the means to continuously meet these expenses and will likely have to look to equity and debt markets to fund the bill. Meanwhile, we are also concerned that the financial burden will prevent CWT from taking advantage of the highly fragmented industry and making acquisitions. Therefore, we look for bottom-line growth to moderate considerably in 2007 and thereafter out to late decade.

Most investors will want to take pass on these untimely shares. Indeed, they still hold below-average 3- to 5-year appreciation potential, despite about a 25% slide in price since our April review (Business appears to be fine, although the stock got ahead of itself.) Dividend growth is likely to be slow but steady. However, the current yield doesn't especially stand out. Income-minded investors have better alternatives to choose from.

Andre J. Costanza July 28, 2006

(A) Basic EPS. Excl nonrecurring gain (loss): '00, (.7c); '01, .4c; '02, 8c. Next earnings report due late October. (B) Dividends historically paid in mid-Feb., May, Aug., and Nov. Div'd reinvestment plan available. (C) Incl. deferred charges. In '05: \$63.9 mill, \$3.47/sh. (D) In millions, adjusted for split. (E) May not total due to change in shares.

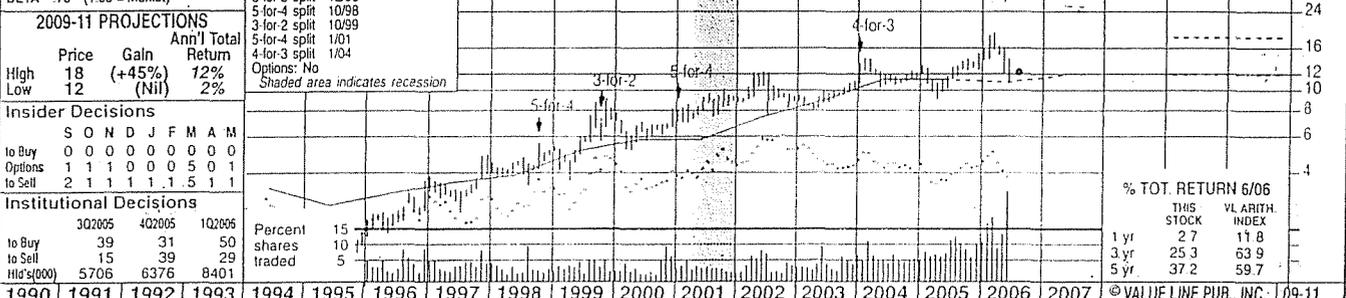
Company's Financial Strength
Stock's Price Stability
Price Growth Persistence
Earnings Predictability

SOUTHWEST WATER NDQ-SWWC

RECENT PRICE **12.30** P/E RATIO **33.2** (Trailing: 32.4) Median: 19.0
 RELATIVE P/E RATIO **1.91** DIV'D YLD **1.7%** **VALUE LINE** **1421**

TIMELINESS 4 Lowered 3/24/06	SAFETY 3 New 10/28/05	TECHNICAL 3 Lowered 6/30/06	BETA .70 (1.00 = Market)	2009-11 PROJECTIONS	High: 2.1, 3.7, 5.0, 5.6, 9.2, 8.3, 10.2, 12.4, 11.2, 14.3, 15.2, 19.1 Low: 1.5, 2.0, 2.6, 3.5, 3.6, 5.1, 6.9, 7.6, 8.1, 10.3, 9.0, 10.8	Target Price Range 2009 | 2010 | 2011
-------------------------------------	------------------------------	------------------------------------	--------------------------	---------------------	---	---------------------------------------

LEGENDS
 2.50 x Dividends p sh divided by Interest Rate Relative Price Strength
 6-for-5 split 12/96
 5-for-4 split 10/98
 3-for-2 split 10/99
 5-for-4 split 1/01
 4-for-3 split 1/04
 Options: No
 Shaded area indicates recession



Insider Decisions		Institutional Decisions		% TOT. RETURN 6/06											
S	O	N	D	J	F	M	A	M	3Q2005	4Q2005	1Q2006	THIS STOCK	VL ARITH. INDEX		
to Buy	0	0	0	0	0	0	0	0	to Buy	39	31	50	1 yr	2.7	11.8
Options	1	1	1	0	0	5	0	1	to Sell	15	39	29	3 yr	25.3	63.9
to Sell	2	1	1	1	1	5	1	1	Mid's(000)	5706	6376	8401	5 yr	37.2	59.7

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
3.58	3.34	3.77	4.03	4.20	4.84	5.31	5.61	5.63	6.16	7.49	8.15	9.12	10.70	9.23	9.10	9.35	10.00	Revenues per sh	12.10
.46	.28	.44	.38	.38	.44	.46	.53	.59	.65	.76	.87	.86	.91	.67	.78	.95	.95	"Cash Flow" per sh	1.25
.22	.02	.19	.08	.09	.12	.15	.21	.25	.31	.38	.42	.39	.44	.23	.34	.37	.45	Earnings per sh ^A	.70
.18	.18	.18	.14	.08	.08	.09	.09	.10	.11	.13	.14	.15	.16	.18	.20	.23	.25	Div'd Decl'd per sh ^B	.31
50	39	42	60	72	84	95	74	79	53	55	106	178	114	126	166	150	150	Cap'l Spending per sh	1.90
2.57	2.41	2.42	2.31	2.31	2.45	2.40	2.52	2.76	3.05	3.44	3.84	4.27	4.90	6.17	6.49	6.70	6.95	Book Value per sh ^D	7.90
11.48	11.60	11.80	11.97	12.13	11.74	12.45	12.65	12.83	13.12	13.99	14.17	14.35	16.17	20.36	22.33	23.00	23.00	Common Shs Outst'g ^C	24.00
14.2	NMF	14.5	35.8	22.3	14.6	16.5	16.9	17.2	19.6	17.0	19.8	24.8	21.2	NMF	35.5	NMF	35.5	Avg Ann'l P/E Ratio	21.0
1.05	NMF	88	2.11	1.46	98	1.03	.97	.89	1.12	1.11	1.01	1.35	1.21	NMF	1.90	NMF	1.90	Relative P/E Ratio	1.40
5.7%	5.5%	6.6%	4.7%	4.2%	4.7%	3.4%	2.7%	2.3%	1.8%	2.0%	1.7%	1.5%	1.7%	1.5%	1.6%	1.6%	1.6%	Avg Ann'l Div'd Yield	1.5%

CAPITAL STRUCTURE as of 3/31/06		66.2	71.0	72.2	80.9	104.7	115.5	130.8	173.0	188.0	203.2	215	230	Revenues (\$mill)	290
Total Debt \$132.1 mill. Due in 5 Yrs \$45.0 mill		1.9	2.6	3.4	4.2	5.4	6.2	6.0	7.2	4.5	7.3	8.0	10.0	Net Profit (\$mill)	15.0
LT Debt \$122.6 mill. LT Interest \$7.0 mill		41.8%	41.6%	39.5%	39.0%	37.0%	36.0%	34.9%	35.9%	36.1%	36.0%	36.0%	36.0%	Income Tax Rate	36.0%
(Total interest coverage: 1.4x) (45% of Cap'l)		..	..	..	..	..	14.4%	3.2%	..	11.0%	9.5%	11.5%	11.0%	AFUDC % to Net Profit	11.5%
Leases, Uncapitalized: Annual rentals \$6.7 mill		50.2%	47.9%	48.7%	45.2%	48.8%	51.4%	56.7%	47.9%	47.9%	44.7%	44.5%	47.5%	Long-Term Debt Ratio	46.5%
Pension Liability None		48.9%	51.3%	50.5%	54.1%	50.7%	48.2%	42.9%	51.8%	52.0%	55.1%	55.5%	52.5%	Common Equity Ratio	53.5%
Pfd Stock \$461,000 Pfd Div'd \$24,000		61.1	62.2	68.5	73.9	95.0	113.0	142.8	152.8	242.0	262.9	280	305	Total Capital (\$mill)	355
Common Stock 22,667,379 shs. as of 5/5/06		91.4	102.1	109.2	113.7	157.8	171.1	203.9	219.5	302.6	344.8	375	410	Net Plant (\$mill)	545
MARKET CAP: \$275 million (Small Cap)		5.5%	6.8%	7.1%	7.6%	7.6%	7.6%	5.8%	6.2%	3.1%	4.1%	4.0%	4.5%	Return on Total Cap'l	5.5%

CURRENT POSITION (SMILL)		2004	2005	3/31/06	2.9%	4.5%	6.0%	7.0%	7.8%	7.8%	6.3%	5.8%	8%	2.1%	2.0%	2.5%	2.5%	
Cash Assets		1.9	3.0	2.6	55%	45%	38%	33%	31%	32%	36%	36%	78%	58%	63%	60%	60%	
Receivables		23.9	26.5	25.8	BUSINESS: Southwest Water Company provides a broad range of services including water production, treatment and distribution; wastewater collection and treatment; utility billing and collection; utility infrastructure construction management; and public works services. It operates out of two groups, Utility (39% of 2005 revenues) and Services (61%). Utility owns and manages rate-regulated public water utilities in California, New Mexico, Oklahoma, and Texas. Services does mostly maintenance work on a contract basis. Off & dir own 8.2% of com. shs.; T. Rowe Price, 5.8% (4/06 proxy). Chairman: Anton C. Garnier; CEO: Mark Swatek. Inc. DE. Addr.: One Wilshire Building, 624 S Grand Avenue, Ste. 2900, Los Angeles, CA 90017. Tel: 213-929-1800. Internet: www.swwc.com.													
Inventory (Avg Cst)		1.9	..	..	Southwest Water Company is struggling. First-quarter share net was a penny above our estimate, but the out-performance was fleeting. Management revised down its full-year share earnings estimate; accordingly, we have reduced our 2006 assessment by \$0.05 (12%).													
Other		17.6	18.2	17.0	Changes on the regulatory front in California should fuel profit growth at the Utility Group in the coming years. Profitability for a water utility is largely dependent on state commissions. The commission determines the return on investment for a utility based on its operating costs and capital expenditures made to maintain the underlying infrastructure. California Governor Schwarzenegger nominated two candidates to fill vacant spots on the California Public Utilities Commission (CPUC) early last year. Until recently, return on investments allowed by the CPUC had been below those of many other states. With the regulatory situation improved, Southwest is seeking an 11% return on equity in its latest filing with the CPUC, compared to the current allowed return of 9.8%. Increased costs are hurting the Services Group. Margins have been spread thin here over the last few quarters, and during the March interim the business fell back into the red. While the recently acquired (in 2005) Alabama wastewater system has helped increase revenues, fixed costs have expanded at an equivalent rate. Services operates approximately 730 vehicles, which drive 18 million miles annually. Higher gasoline costs have offset much of the top-line gains in this segment. However, management anticipates it will be able to shrink the cost base with improved contract pricing over the next several months.													
Current Assets		45.3	47.7	45.4	Desalination technologies provide another avenue of growth. The United States has been slow to adopt desalination as a way to boost water supply. However, saltwater intrusion into many coastal states may well make this technology compelling for many cities. Southwest stands to benefit from any shift towards desalination, given its experience in the field. Nonetheless, this untimely stock has limited appreciation potential, based on its current quotation. Praneeth Satish													
Accts Payable		12.3	10.0	6.7														
Debt Due		3.4	9.5	9.5														
Other		20.0	21.1	19.6														
Current Liab.		35.7	40.6	35.8														

ANNUAL RATES of change (per sh)		Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11	8.5%	8.5%	4.0%									
Revenues		7.0%	3.5%	8.0%	6.3%	8.0%	9.5%	10.3%	11.1%	11.4%	9.7%	9.0%	3.6%	5.0%	5.0%	6.0%
"Cash Flow"		13.5%	1.5%	12.0%	6.3%	8.1%	9.6%	10.4%	11.1%	11.4%	9.7%	9.1%	3.6%	5.0%	5.0%	6.5%
Earnings		6.0%	10.0%	9.0%	2.9%	4.5%	6.0%	7.0%	7.8%	7.8%	6.3%	5.8%	8%	2.1%	2.0%	2.5%
Dividends		9.5%	14.0%	5.0%	55%	45%	38%	33%	31%	32%	36%	36%	78%	58%	63%	60%
Book Value																

QUARTERLY REVENUES (\$ mill.)		Full Year
Cal-endar	Mar.31 Jun.30 Sep.30 Dec.31	Year
2003	36.1 41.5 51.4 44.0	173.0
2004	39.8 45.7 55.0 47.5	188.0
2005	45.2 51.3 54.7 52.0	203.2
2006	50.8 55.0 60.0 49.2	215
2007	54.0 60.0 63.0 53.0	230

EARNINGS PER SHARE ^A		Full Year
Cal-endar	Mar.31 Jun.30 Sep.30 Dec.31	Year
2003	d.01 .13 .21 .11	44
2004	.. .13 .12 d.02	23
2005	d.01 .15 .14 .06	34
2006	.03 .12 .15 .07	37
2007	.04 .15 .16 .10	.45

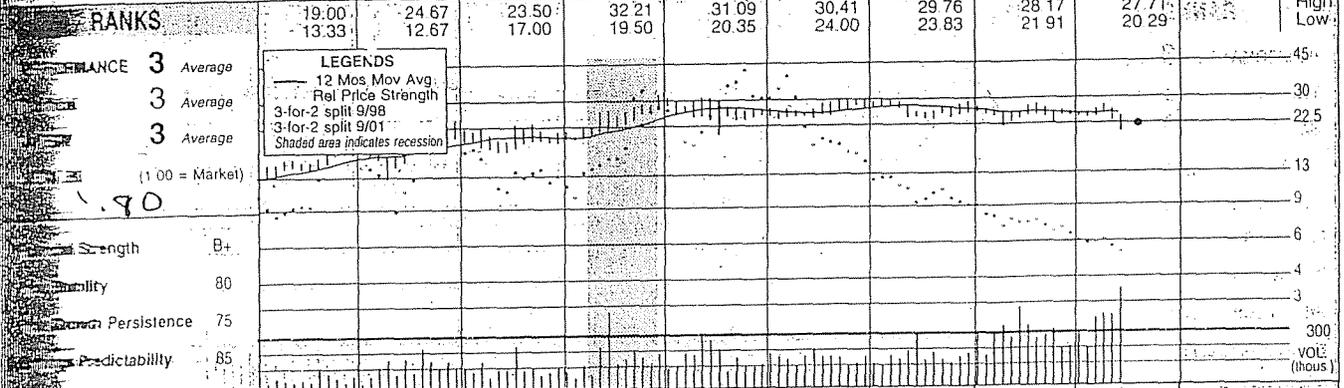
QUARTERLY DIVIDENDS PAID ^B		Full Year
Cal-endar	Mar.31 Jun.30 Sep.30 Dec.31	Year
2002	.038 .038 .038 .038	15
2003	.042 .042 .042 .046	17
2004	.046 .046 .046 .050	19
2005	.048 .048 .048 .052	20
2006	.052 .052 .052 .052	20

(A) Diluted earnings. Excludes nonrecurring gains (losses): '00, (3c); '01, (5c); '02, 1c; '05, (2)3c. Next earnings report due early August. (B) Dividends historically paid in late January. (C) In millions, adjusted for splits. (D) Includes intangibles. In 2005: \$35.9 million, \$1.61/share.

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WATER SERVICES NDQ-CTWS RECENT PRICE **22.28** TRAILING P/E RATIO **26.2** RELATIVE P/E RATIO **1.37** DIV'D YLD **3.8%** VALUE LINE **4699**



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007/2008
PER SH	5.58	5.87	5.70	5.93	5.77	5.91	6.04	5.81	--	
PER SH	1.59	1.65	1.73	1.78	1.78	1.89	1.91	1.62	--	
PER SH	1.02	1.03	1.09	1.13	1.12	1.15	1.16	.88	NA	NA/NA
PER SH	.78	.79	.79	.80	.81	.83	.84	.85	--	
PER SH	1.12	1.42	1.43	1.86	1.98	1.49	1.58	1.96	--	
PER SH	8.52	8.61	8.92	9.25	10.06	10.46	10.94	11.52	--	
OUTST'G (MILL)	6.80	7.26	7.28	7.65	7.94	7.97	8.04	8.17	--	
P/E RATIO	15.5	18.2	18.2	21.5	24.3	23.5	22.9	28.6	NA	NA/NA
P/E RATIO	.81	1.04	1.18	1.10	1.33	1.34	1.21	1.53	--	
DIV'D YIELD	4.9%	4.2%	4.0%	3.3%	3.0%	3.0%	3.1%	3.4%	--	
(MILL)	37.9	42.6	41.5	45.4	45.8	47.1	48.5	47.5	--	Bold figures are consensus estimates and, using the recent prices, P/E ratios
MARGIN	46.2%	48.7%	48.8%	56.1%	57.7%	52.1%	51.0%	48.3%	--	
(SMILL)	3.9	4.5	4.7	5.0	5.4	5.9	6.0	6.1	--	
(SMILL)	7.0	7.5	8.0	8.7	8.8	9.2	9.4	7.2	--	
RATE	34.3%	40.1%	35.7%	36.1%	33.8%	17.9%	22.9%	--	--	
MARGIN	18.4%	17.6%	19.2%	19.1%	19.2%	19.5%	19.4%	15.1%	--	
CAP'L (SMILL)	33.7	33.8	33	33.3	35.1	33.9	33.7	33.0	--	
DEBT (SMILL)	62.5	65.4	64.7	64.0	64.8	64.8	66.4	77.4	--	
(SMILL)	58.7	63.3	65.7	71.6	80.7	84.2	88.7	94.9	--	
TOTAL CAP'L	7.3%	7.4%	7.6%	7.9%	7.4%	7.5%	7.0%	5.0%	--	
SHR. EQUITY	11.9%	11.8%	12.1%	12.1%	10.9%	10.9%	10.6%	7.5%	--	
TO COM EQ	2.8%	3.1%	3.2%	3.6%	3.1%	3.2%	3.1%	3%	--	
TO NET PROF	76%	74%	74%	71%	72%	71%	71%	95%	--	

Analyst estimates available.

ANNUAL RATES		ASSETS (\$mill.)		2004	2005	3/31/06
5 Yrs.	1 Yr.	Cash Assets	7	4.4	11.3	
0.5%	4.0%	Receivables	9.8	5.9	8.6	
2.0%	15.5%	Inventory (Avg cost)	.9	.9	.9	
0.5%	24.0%	Other	3.9	14.9	4.6	
1.0%	1.0%	Current Assets	15.3	26.1	25.4	
5.0%	5.0%	Property, Plant & Equip, at cost	344.5	345.0	--	
QUARTERLY SALES (\$mill.)		Accum Depreciation	98.4	97.3	--	
2Q	3Q	4Q	246.1	247.7	254.5	
12.0	13.9	11.7	29.5	32.2	29.7	
11.0	14.1	11.5	290.9	306.0	309.6	
EARNINGS PER SHARE		LIABILITIES (\$mill.)	5.5	4.8	3.1	
2Q	3Q	4Q	6.0	7.1	9.8	
15	18	16	4.4	1.3	4	
26	47	19	15.9	13.2	13.3	
15	41	108	LONG-TERM DEBT AND EQUITY as of 3/31/06			
213	Total Debt \$87.1 mill. Due in 5 Yrs. NA					
QUARTERLY DIVIDENDS PAID		LT Debt \$77.4 mill.	Including Cap. Leases NA			
2Q	3Q	4Q	(45% of Cap'l)			
205	208	208	Leases, Uncapitalized Annual rentals NA			
208	21	21	Pension Liability None in '05 vs None in '04			
21	213	213	Pld Stock \$ 8 mill. Pld Div'd Paid NMF			
213	Common Stock 8,205,424 shares			(55% of Cap'l)		
INSTITUTIONAL DECISIONS		3Q'05	4Q'05	1Q'06		
15	13	17				
17	17	20				
1373	1381	1430				

INDUSTRY: Water Utility

BUSINESS: Connecticut Water Services, Inc. primarily operates as a water utility in New England. Its regulated water companies include The Connecticut Water Company, The Gallup Water Service, Incorporated; The Crystal Water Company of Danielson; and The Unionville Water Company. These companies supply water in Connecticut and Massachusetts. The company also owns unregulated companies, such as Chester Realty, Inc., a real estate company; New England Water Utility Services, Inc. which offers contract water and sewer operations; Connecticut Water Emergency Services, Inc., a provider of drinking and pool water; Crystal Water Utilities Corporation, a holding company that owns The Crystal Water Company of Danielson, and three rental properties; BARLACO Inc., a real estate company; and Barnstable Holding Company, a holding company that owns BWC and BARLACO. Has 191 employees. Chairman: Marshall T. Chiaraluce, Inc., CT. Address: 93 West Main Street, Clinton, CT. 06413. Tel.: (860) 669-8636. Internet: <http://www.ctwater.com>.

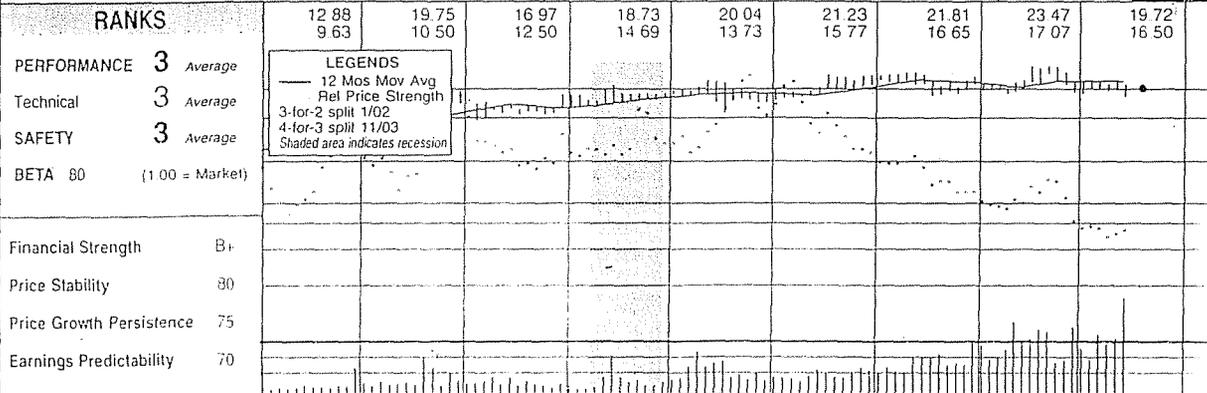
July 28, 2006

TOTAL SHAREHOLDER RETURN
Dividends plus appreciation as of 6/30/2006

3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs.
-9.88%	-2.78%	-3.04%	1.00%	18.9%

MIDDLESEX WATER NDQ-MSEX

RECENT PRICE **18.17** TRAILING P/E RATIO **24.6** RELATIVE P/E RATIO **1.29** DIV'D YLD **3.7%** VALUE LINE **4700**



© VALUE LINE PUBLISHING, INC	1998	1999	2000	2001	2002	2003	2004	2005	2006
SALES PER SH	4.39	5.35	5.39	5.87	5.98	6.12	6.25	6.44	--
"CASH FLOW" PER SH	1.02	1.13	.99	1.18	1.20	1.15	1.28	1.33	--
EARNINGS PER SH	.71	.76	.51	.66	.73	.61	.73	.71	.74 ^{A,B}
DIV'DS DECL'D PER SH	.58	.60	.61	.62	.63	.65	.66	.67	--
CAP'L SPENDING PER SH	2.68	2.33	1.32	1.25	1.59	1.87	2.54	2.18	--
BOOK VALUE PER SH	6.80	6.95	6.98	7.11	7.39	7.60	8.38	8.60	--
COMMON SHS OUTST'G (MILL)	9.82	10.00	10.11	10.17	10.36	10.48	11.36	11.58	--
AVG ANN'L P/E RATIO	15.2	17.6	28.7	24.6	23.5	30.0	26.4	27.4	24.6
RELATIVE P/E RATIO	.79	1.00	1.87	1.26	1.28	1.71	1.39	1.46	--
AVG ANN'L DIV'D YIELD	5.4%	4.4%	4.2%	3.8%	3.7%	3.5%	3.4%	3.5%	--
SALES (\$MILL)	43.1	53.5	54.5	59.6	61.9	64.1	71.0	74.6	--
OPERATING MARGIN	37.0%	33.9%	32.2%	47.2%	47.1%	44.0%	44.4%	44.4%	--
DEPRECIATION (\$MILL)	3.8	4.3	4.9	5.3	5.0	5.6	6.4	7.2	--
NET PROFIT (\$MILL)	6.5	7.9	5.3	7.0	7.8	6.6	8.4	8.5	--
INCOME TAX RATE	31.5%	28.8%	33.1%	34.8%	33.3%	32.8%	31.1%	27.6%	--
NET PROFIT MARGIN	15.1%	14.7%	9.7%	11.7%	12.5%	10.3%	11.9%	11.4%	--
WORKING CAP'L (\$MILL)	14.6	6.8	12.7	14.9	19.3	113.3	111.8	145	--
LONG-TERM DEBT (\$MILL)	78.0	82.3	81.1	88.1	87.5	97.4	115.3	128.2	--
SHR. EQUITY (\$MILL)	71.7	74.6	74.7	76.4	80.6	83.7	99.2	103.6	--
RETURN ON TOTAL CAP'L	5.7%	6.4%	4.9%	5.6%	6.0%	5.0%	5.1%	5.0%	--
RETURN ON SHR. EQUITY	9.1%	10.6%	7.1%	9.1%	9.6%	7.9%	8.5%	8.2%	--
RETAINED TO COM EQ	1.8%	2.5%	NMF	5%	1.3%	NMF	9%	5%	--
ALL DIV'DS TO NET PROF	81%	78%	121%	94%	87%	106%	90%	94%	--

^ANo. of analysts changing earn. est. in last 15 days: 0 up, 0 down, consensus 5-year earnings growth 3.5% per year ^BBased upon one analyst's estimate ^CBased upon one analyst's estimate

ANNUAL RATES					
of change (per share)	5 Yrs.	1 Yr.			
Sales	4.5%	3.0%			
"Cash Flow"	3.5%	3.5%			
Earnings	1.0%	-2.5%			
Dividends	2.0%	1.5%			
Book Value	3.5%	2.5%			
Fiscal Year	QUARTERLY SALES (\$mill.)				Full Year
	1Q	2Q	3Q	4Q	
12/31/04	15.9	17.8	19.8	17.5	71.0
12/31/05	16.7	18.4	20.8	18.7	74.6
12/31/06	18.2				
Fiscal Year	EARNINGS PER SHARE				Full Year
	1Q	2Q	3Q	4Q	
12/31/03	.11	.17	.22	.11	.61
12/31/04	.09	.16	.29	.19	.73
12/31/05	.12	.16	.26	.17	.71
12/31/06	.15	.16	.26	.17	
12/31/07					
Calendar Year	QUARTERLY DIVIDENDS PAID				Full Year
	1Q	2Q	3Q	4Q	
2003	.161	.161	.161	.165	.65
2004	.165	.165	.165	.168	.66
2005	.168	.168	.168	.17	.67
2006	.17	.17			
INSTITUTIONAL DECISIONS					
	3Q'05	4Q'05	1Q'06		
to Buy	20	11	18		
to Sell	15	21	18		
Hld's(000)	1938	1707	1789		
ASSETS (\$mill.)					
	2004	2005	3/31/06		
Cash Assets	4.0	3.0	3.3		
Receivables	9.9	11.8	10.4		
Inventory (Avg cost)	1.2	1.3	1.4		
Other	.9	.9	.6		
Current Assets	16.0	17.0	15.7		
LIABILITIES (\$mill.)					
	2004	2005	3/31/06		
Accs Payable	6.0	6.0	4.1		
Debt Due	12.1	5.9	9.2		
Other	9.7	9.6	11.0		
Current Liab	27.8	21.5	24.3		
LONG-TERM DEBT AND EQUITY as of 3/31/06					
Total Debt \$137.0 mill.	Due in 5 Yrs. NA				
LT Debt \$127.8 mill					
Including Cap. Leases NA					
	(55% of Cap'l)				
Leases, Uncapitalized Annual rentals NA					
Pension Liability \$6.7 mill in '05 vs \$5.5 mill in '04					
Pfd Stock \$4.0 mill	Pfd Div'd Paid \$2 mill (2% of Cap'l)				
Common Stock 11,603,238 shares	(43% of Cap'l)				

INDUSTRY: Water Utility

BUSINESS: Middlesex Water Company, through its subsidiaries, engages in the ownership and operation of regulated water utility systems in central and southern New Jersey, and in Delaware, as well as a regulated wastewater utility in southern New Jersey. Its New Jersey water utility system (the Middlesex System) provides water services to retail customers in central New Jersey. The Middlesex System also provides water service under contract to municipalities in central New Jersey. The company operates a water supply system and wastewater system for the city of Perth Amboy in New Jersey in partnership with its subsidiary, Utility Service Associates (Perth Amboy), Inc. Its other New Jersey subsidiaries provide water and wastewater services to residents in Southampton Township. Head Office: 1500 Ronson Road, P.O. Box 1500, Iselin, NJ 07032. Tel: (732) 634-1500. <http://www.middlesexwater.com>

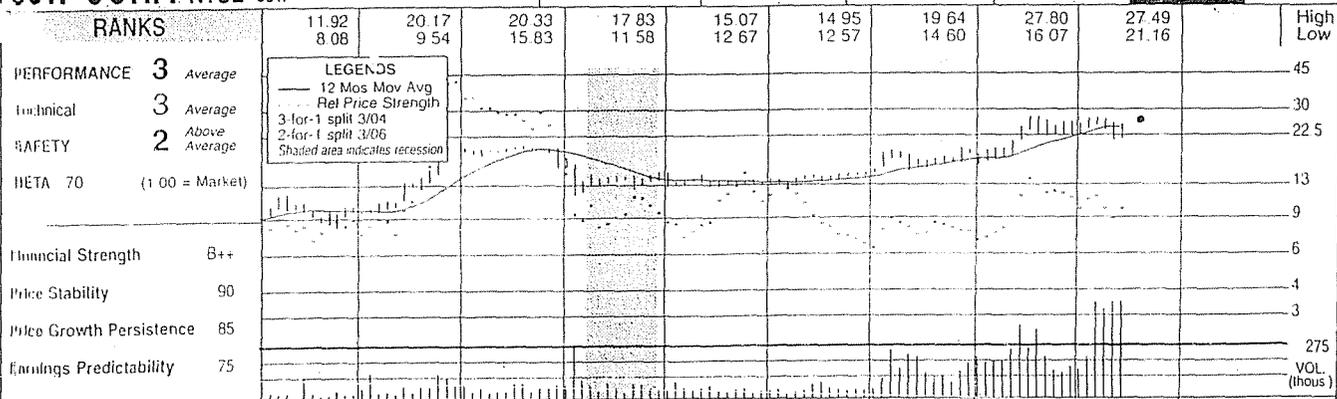
July 28, 2006

TOTAL SHAREHOLDER RETURN
 Dividends plus appreciation

	3 Mos.	6 Mos.	1 Yr.	3 Yrs.
	0.82%	11.14%	0.93%	13.11%

SJW CORP. NYSE-SJW

RECENT PRICE **26.50** TRAILING P/E RATIO **22.1** RELATIVE P/E RATIO **1.16** DIV'D YLD **2.1%** VALUE LINE **4701**



VALUE LINE PUBLISHING, INC.	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007/2008
SALES PER SH	5.58	6.40	6.74	7.45	7.97	8.20	9.14	9.86	--	
CASH FLOW** PER SH	1.26	1.43	1.23	1.49	1.55	1.75	1.89	2.21	--	
EARNINGS PER SH	76	87	58	77	78	91	87	1.12	NA	NA/NA
DIV'DS DECL'D PER SH	.39	.40	.41	.43	.46	.49	.51	.53	--	
CAP'L SPENDING PER SH	1.81	1.77	1.89	2.63	2.06	3.41	2.31	2.83	--	
BOOK VALUE PER SH	7.53	7.88	7.90	8.17	8.40	9.11	10.11	10.72	--	
COMMON SHS OUTST'G (MILL)	19.01	18.27	18.27	18.27	18.27	18.27	18.27	18.27	--	
AVG ANN'L P/E RATIO	13.1	15.5	33.1	18.5	17.3	15.4	19.6	19.7	NA	NA/NA
RELATIVE P/E RATIO	.68	.88	2.15	.95	.94	.88	1.04	1.05	--	
AVG ANN'L DIV'D YIELD	3.9%	3.0%	2.1%	3.0%	3.4%	3.5%	3.0%	2.4%	--	
SALES (\$MILL)	106.0	117.0	123.2	136.1	145.7	149.7	166.9	180.1	--	<i>Bold figures are consensus earnings estimates and, using the recent prices, P/E ratios.</i>
OPERATING MARGIN	36.0%	33.2%	30.2%	64.4%	63.7%	56.0%	56.4%	55.9%	--	
DEPRECIATION (\$MILL)	9.6	10.2	11.9	13.2	14.0	15.2	18.5	19.7	--	
NET PROFIT (\$MILL)	14.4	15.9	10.7	14.0	14.2	16.7	16.0	20.7	--	
INCOME TAX RATE	40.2%	35.9%	41.0%	34.5%	40.4%	36.2%	42.1%	41.6%	--	
NET PROFIT MARGIN	13.6%	13.6%	8.7%	10.3%	9.8%	11.2%	9.6%	11.5%	--	
WORKING CAP'L (\$MILL)	9.4	83.0	111.4	83.8	84.9	12.0	13.0	10.8	--	
LONG-TERM DEBT (\$MILL)	90.0	90.0	90.0	110.0	110.0	139.6	143.6	145.3	--	
SHR. EQUITY (\$MILL)	143.2	143.9	144.3	149.4	153.5	166.4	184.7	195.9	--	
RETURN ON TOTAL CAP'L	7.4%	8.2%	5.9%	6.7%	6.9%	6.9%	6.5%	7.6%	--	
RETURN ON SHR. EQUITY	10.1%	11.0%	7.4%	9.4%	9.3%	10.0%	8.7%	10.6%	--	
RETAINED TO COM EQ	4.9%	5.9%	2.2%	4.1%	3.8%	4.7%	3.6%	5.6%	--	
ALL DIV'DS TO NET PROF	52%	46%	70%	56%	59%	53%	58%	47%	--	

Note: No analyst estimates available.

ANNUAL RATES		
Change (per share)	5 Yrs.	1 Yr
Cash	7.5%	8.0%
"Cash Flow"	8.5%	17.0%
Earnings	5.5%	29.0%
Dividends	5.0%	4.0%
Book Value	5.0%	6.0%

ASSETS (\$mill)	2004	2005	3/31/06
Cash Assets	10.9	9.4	9.8
Receivables	14.6	18.4	15.4
Inventory	6	6	6
Other	2.3	3.3	5.8
Current Assets	28.4	31.7	31.6

INDUSTRY: Water Utility

BUSINESS: SJW Corp., through its subsidiary, San Jose Water Company (SJWC), engages in the production, purchase, storage, purification, distribution and retail sale of water. It provides water service to customers in Cupertino, San Jose, Campbell, Monte Sereno, Saratoga, the town of Los Gatos, and in the county of Santa Clara, California. SJWC also provides nonregulated water-related services, including water system operations, billings, and cash remittances and maintenance contract services under agreements with municipalities. The company's other subsidiary, SJW Land Co., owns and operates parking facilities in San Jose, California, as well as owns commercial buildings and other undeveloped land primarily in the San Jose metropolitan area, and certain properties in Florida and Connecticut. Further, SJW Corp. has a 70% controlling interest in Crystal Choice Water Service LLC, which sells and rents water conditioning and purification equipment. Has 311 employees. Chairman: Drew Gibson. Inc.: CA. Address: 374 West Santa Clara Street, San Jose, CA 95113. Tel.: (408) 279-7800. Internet: <http://www.sjwater.com>.

Quarterly Sales (\$mill)	Full Year			
1Q	2Q	3Q	4Q	Year
31.1	45.6	52.3	37.9	166.9
33.3	44.8	58.5	43.5	180.1
33.7				

Property, Plant & Equip, at cost	2004	2005	3/31/06
Accum Depreciation	190.1	210.2	--
Net Property	456.8	484.8	494.7
Other	67.0	71.2	73.4
Total Assets	552.2	587.7	599.7

Earnings per Share	Full Year			
1Q	2Q	3Q	4Q	Year
18	24	33	16	91
10	27	30	20	87
15	31	53	13	1.12
23				

LIABILITIES (\$mill)	2004	2005	3/31/06
Accs Payable	9	5.1	4.6
Debt Due	3	.3	4
Other	14.2	15.5	15.3
Current Liab	15.4	20.9	20.3

Quarterly Dividends Paid	Full Year			
1Q	2Q	3Q	4Q	Year
122	122	122	122	49
128	128	128	128	51
134	134	134	134	54
141	141			

LONG-TERM DEBT AND EQUITY as of 3/31/06

Total Debt \$145.5 mill Due in 5 Yrs. NA
 LT Debt \$145.2 mill.
 Including Cap. Leases NA (42% of Cap'l)
 Leases, Uncapitalized Annual rentals NA

Pension Liability \$13.2 mill in '05 vs \$9.4 mill in '04

Pfd Stock None Pfd Div'd Paid None

Common Stock 18,271,432 shares (58% of Cap'l)

July 28, 2006

TOTAL SHAREHOLDER RETURN				
Dividends plus appreciation as of 6/30/2006				
3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs.
-4.69%	13.12%	10.61%	94.91%	106.21%

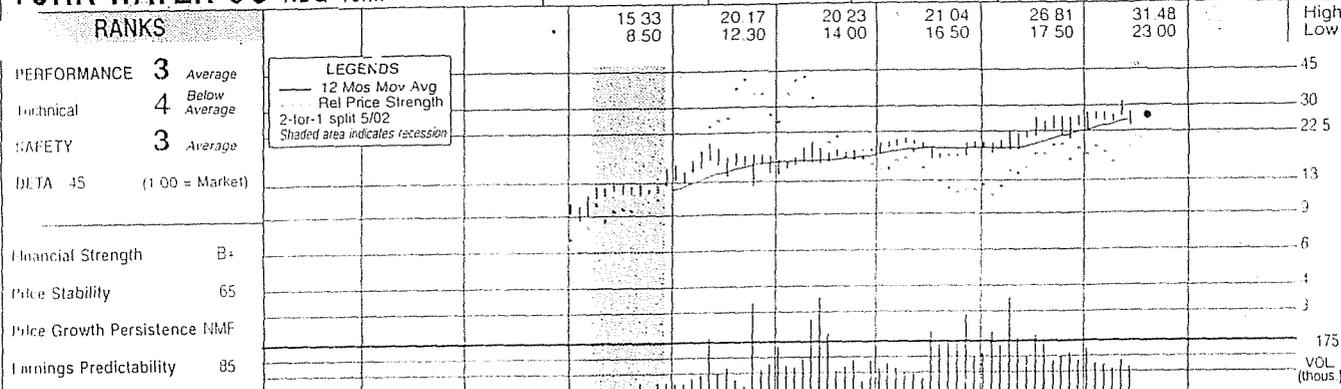
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YORK WATER CO

NDQ--YORW

RECENT PRICE **26.76** TRAILING P/E RATIO **31.9** RELATIVE P/E RATIO **1.67** DIV'D YLD **2.5%** VALUE LINE **4703**



1998	1999	2000	2001	2002	2003	2004	2005	2006	2007/2008
REVENUES PER SH	--	--	3.08	3.07	3.25	3.27	3.87	--	
CASH FLOW PER SH	--	--	88	86	97	99	1.18	--	
EARNINGS PER SH	--	--	65	60	70	73	84	90 ^A	97 ^C /NA
DIV'D DECL'D PER SH	--	--	.51	.53	.55	.59	.64	--	
CAP'L SPENDING PER SH	--	--	1.12	.99	1.61	3.76	2.53	--	
BOOK VALUE PER SH	--	--	5.69	5.85	6.08	6.98	7.27	--	
COMMON SHS OUTST'G (MILL)	--	--	6.31	6.36	6.42	6.89	6.93	--	
AVG ANN'L P/E RATIO	--	--	17.9	26.9	24.5	25.7	26.3	29.7	27.6/NA
RELATIVE P/E RATIO	--	--	.92	1.47	1.40	1.36	1.40	--	
AVG ANN'L DIV'D YIELD	--	--	4.3%	3.3%	3.2%	3.1%	2.9%	--	
REVENUES (\$MILL)	--	--	18.5	19.4	19.6	20.9	22.5	26.8	<i>Bold figures are consensus earnings estimates and, using the recent prices, P/E ratios.</i>
NET PROFIT (\$MILL)	--	--	3.8	4.0	3.8	4.4	4.8	5.8	
INCOME TAX RATE	--	--	35.7%	35.8%	34.9%	34.8%	36.7%	36.7%	
AFUDC % TO NET PROFIT	--	--	--	2.2%	3.7%	--	--	--	
LONG-TERM DEBT RATIO	--	--	50.2%	47.7%	46.7%	43.4%	42.5%	44.1%	
COMMON EQUITY RATIO	--	--	49.8%	52.3%	53.3%	56.6%	57.5%	55.9%	
TOTAL CAPITAL (\$MILL)	--	--	65.2	68.6	69.9	69.0	83.6	90.3	
NET PLANT (\$MILL)	--	--	97.0	102.3	106.7	116.5	140.0	155.3	
RETURN ON TOTAL CAP'L	--	--	7.9%	7.9%	7.4%	8.5%	7.6%	8.4%	
RETURN ON SHR. EQUITY	--	--	11.6%	11.2%	10.2%	11.4%	10.0%	11.6%	
RETURN ON COM EQUITY	--	--	11.6%	11.2%	10.2%	11.4%	10.0%	11.6%	
RETAINED TO COM EQ	--	--	2.5%	2.5%	1.3%	2.6%	2.1%	3.0%	
ALL DIV'DS TO NET PROF	--	--	78%	78%	88%	77%	79%	74%	

^ANo. of analysts changing earn. est. in last 15 days: 0 up, 0 down, consensus 5 year earnings growth 7.0% per year ^BBased upon 2 analysts' estimates ^CBased upon one analyst's estimate

ANNUAL RATES					
% change (per share)	5 Yrs.	1 Yr.			
Revenues	--	18.5%			
"Cash Flow"	--	20.5%			
Earnings	--	15.0%			
Dividends	-9.5%	7.5%			
Book Value	--	4.0%			

Fiscal Year	QUARTERLY SALES (\$mill.)				Full Year
	1Q	2Q	3Q	4Q	
12/31/04	5.3	5.5	5.6	6.1	22.5
12/31/05	6.2	6.7	7.2	6.7	26.8
12/31/06	6.6				

Fiscal Year	EARNINGS PER SHARE				Full Year
	1Q	2Q	3Q	4Q	
12/31/03	12	16	24	18	70
12/31/04	18	16	18	21	73
12/31/05	18	21	25	20	84
12/31/06	18	23	26	24	

Calendar	QUARTERLY DIVIDENDS PAID				Full Year
	1Q	2Q	3Q	4Q	
2003	135	135	135	135	54
2004	145	145	145	145	58
2005	156	156	156	156	62
2006	168	168	168		

ASSETS (\$mill.)	2004	2005	3/31/06
Cash Assets	2	0	0
Receivables	3.7	3.8	3.8
Inventory	7	8	9
Other	.4	.5	.6
Current Assets	5.0	5.1	5.3

LIABILITIES (\$mill.)	2004	2005	3/31/06
Accts Payable	1.8	2.6	2.0
Debt Due	16.3	19.3	21.0
Other	3.1	2.8	2.9
Current Liab	21.2	24.7	25.9

LONG-TERM DEBT AND EQUITY as of 3/31/06

Total Debt \$60.8 mill. Due in 5 Yrs. NA

LT Debt \$39.8 mill. Including Cap. Leases NA (44% of Cap'l)

Leases, Uncapitalized Annual rentals NA

Pension Liability \$3.9 mill. in '05 vs \$3.0 mill. in '04

INDUSTRY: Water Utility

BUSINESS: York Water Company engages in the impounding, purification, and distribution of water in York County, Pennsylvania. As of March 31, 2005, the company had two reservoirs, Lake Williams and Lake Redman, which together held approximately 2.23 billion gallons of water. It supplies water for residential, commercial, industrial, and other customers. As of the above date, the company served approximately 55,879 customers in 34 municipalities in York County. Has 97 employees. Chairman: William Morris, Inc. PA. Address: 130 East Market Street, York, PA 17401. Tel.: (717) 845-3601. Internet: <http://www.yorkwater.com>.

A O.

July 28, 2006

INSTITUTIONAL DECISIONS			
	3Q'05	4Q'05	1Q'06
To Buy	8	10	8
To Sell	4	3	6
Hld's(000)	476	517	519

TOTAL SHAREHOLDER RETURN				
Dividends plus appreciation as of 6/30/2006				
3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs.
-8.67%	-6.38%	15.95%	60.41%	125.20%

TOTAL SHAREHOLDER RETURN				
Dividends plus appreciation as of 6/30/2006				
3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs.
-8.67%	-6.38%	15.95%	60.41%	125.20%

DUNS FINANCIAL PROFILE

Industry Profile

An Industry & Financial Consulting Services product

Total Industry (continued)

Capitalization

Capitalization is liabilities and net worth. Liabilities are all claims and bills owed by a business.

	2005 (94 Firms)		2004 (101 Firms)		2003 (88 Firms)	
	Industry	%	Industry	%	Industry	%
Accounts Payable	2,776,475	3.7	1,236,302	1.8	878,563	1.5
Bank Loans	0	0.0	0	0.0	0	0.0
Notes Payable	150,080	0.2	206,050	0.3	234,284	0.4
Other Current Liabilities	23,262,354	31.0	10,233,829	14.9	3,455,682	5.9
Total Current Liabilities	26,188,909	34.9	11,676,181	17.0	4,568,529	7.8
Other Long Term Liabilities	27,614,667	36.8	23,764,462	34.6	19,621,249	33.5
Deferred Credits	450,239	0.6	343,417	0.5	351,425	0.6
Net Worth	20,786,040	27.7	32,899,357	47.9	34,029,688	58.1
Total Liabilities/Net Worth	75,039,855	100.0	68,683,417	100.0	58,570,891	100.0

'Industry capitalizes primarily through external financing.'

The industry capitalizes primarily through debt financing. The average net worth position was \$20.8 million, or 27.7% of total financing in 2005, down from 58.1% over the past three years. The largest current liability was other current liabilities at 31.0% of total capitalization. The next largest current liability was accounts payable at 3.7% of total capitalization. Each of the remaining current liabilities accounts were nominal as a percentage of total capitalization.

APPENDIX G

SUPPORTING DATA FOR MARKET APPROACH

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South Shore Water Works Company
Direct Market Data Approach
Statistical Regression Analysis

SUMMARY OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.953129766
R Square	0.908456351
Adjusted R Square	0.874127483
Standard Error	720518.0372
Observations	12

ANOVA

	<i>df</i>	<i>SS</i>	<i>F</i>
Regression	3	4.1215E+13	26.46333529
Residual	8	4.15317E+12	
Total	11	4.53682E+13	

	<i>Coefficients</i>	<i>Standard Error</i>	<i>P-value</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>
Intercept	-594123.9913	479996.5242	0.250895418	512750.6941	-1700998.677
X Variable 1	0.505905784	0.181872796	0.023863866	0.925305476	0.086506092
X Variable 2	0.694328163	0.74830802	0.380620551	2.419930667	-1.03127434
X Variable 3	547.9545944	424.1391083	0.232453822	1526.021765	-430.1125758

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APPENDIX H

SUPPORTING DATA FOR ASSET APPROACH

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**South Shore Water Works Company
Asset Analysis**

Description		Original Cost	Life	Year of Installation	Cost Index in Year of Purchase	Cost Index in 2006	% Increase In Cost	RCN	% Useful Life	RCNLD
Land										
Land	& Rights	4,529	0					\$ 4,529	\$	4,529
Total	Land	4,529	0					4,529		4,529
Water Wells										
Well	#1	3,084	50	1952	37	382	932.4%	\$ 31,840	50%	\$ 15,920
Well	#2	3,654	50	1957	48	382	695.8%	29,078	50%	14,539
Well	#3	5,805	50	1964	56	382	582.1%	39,599	50%	19,799
Well	#4	5,734	50	1975	127	382	200.8%	17,247	50%	8,624
Well	#5	12,085	50	1976	131	382	191.6%	35,240	50%	17,620
Well	#6	20,463	50	1977	139	382	174.8%	56,236	50%	28,118
Overhaul		2,691	50	1978	152	382	151.3%	6,762	50%	3,381
Major	Repair	1,799	50	1978	152	382	151.3%	4,520	50%	2,260
Well	#7	22,833	50	1978	152	382	151.3%	57,383	50%	28,691
Major	Repair	5,390	50	1980	179	382	113.4%	11,502	50%	5,751
Well	#8	7,141	15	1983	201	382	90.0%	13,571	50%	6,786
Well	#9	6,961	15	1983	201	382	90.0%	13,229	50%	6,614
Water	Well	8,402	15	1984	208	382	83.7%	15,431	50%	7,715
Well	Structure	205	15	1985	214	382	78.5%	366	50%	183
Improvement		1,371	15	1985	214	382	78.5%	2,446	50%	1,223
W.	Pump	1,631	15	1985	214	382	78.5%	2,912	50%	1,456
W.	Pump	127	15	1985	214	382	78.5%	226	50%	113
Wells		209	15	1986	217	382	76.0%	368	50%	184
Major	Repair	13,236	50	1986	217	382	76.0%	23,300	60%	13,980
Wells		344	15	1986	217	382	76.0%	605	50%	302
Wells		3,683	15	1987	219	382	74.4%	6,424	50%	3,212
Wells		829	15	1987	219	382	74.4%	1,447	50%	723
Wells		11,210	15	1991	232	382	64.7%	18,458	50%	9,229
Wells		3,201	15	1992	236	382	61.9%	5,181	50%	2,591
Wells		1,601	15	1992	236	382	61.9%	2,591	50%	1,295
Wells		20,480	40	1994	259	382	47.5%	30,206	70%	21,144
Well	#11	22,783	40	1995	266	382	43.6%	32,718	73%	23,721
Well	#12 EE	830	20	1996	271	382	41.0%	1,170	50%	585
Well	#12 EE	755	20	1996	271	382	41.0%	1,064	50%	532
Well	#12	19,517	40	1996	271	382	41.0%	27,512	75%	20,634
Well	#12 pump	2,706	10	1996	271	382	41.0%	3,815	50%	1,907
Well	Sup. Line	1,152	40	1996	271	382	41.0%	1,624	75%	1,218
Pump	Well #6	3,911	10	1998	280	382	36.4%	5,336	50%	2,668
Pump	Well #5	4,738	10	1998	280	382	36.4%	6,463	50%	3,232

South Shore Water Works Company
Asset Analysis

Description	Original Cost	Life	Year of Installation	Cost Index in Year of Purchase	Cost Index in 2006	% Increase In Cost	RCN	% Useful Life	RCNLD
Wells	4,941	10	1999	288	382	32.6%	6,554	50%	3,277
Wells	11,885	10	1999	288	382	32.6%	15,764	50%	7,882
Wells	1,120	10	1999	288	382	32.6%	1,486	50%	743
Motor Well #10	2,000	10	2000	309	382	23.6%	2,472	50%	1,236
Pump Well 5,6	5,825	10	2000	309	382	23.6%	7,201	50%	3,600
Motor Well #12	2,005	10	2000	309	382	23.6%	2,479	50%	1,239
Pump Well #3	3,129	10	2000	309	382	23.6%	3,868	50%	1,934
Pump Well #11	4,184	10	2000	309	382	23.6%	5,172	50%	2,586
Improvement 1,2,8	5,354	10	2000	309	382	23.6%	6,619	50%	3,309
Pump Unit W1	3,079	7	2001	319	382	19.7%	3,687	50%	1,844
Pump Unit W9	2,380	7	2001	319	382	19.7%	2,850	50%	1,425
Pump Unit W6	2,419	5	2002	326	382	17.2%	2,835	50%	1,417
Pump Unit W	3,091	10	2003	324	382	17.9%	3,644	70%	2,551
Pump Unit W12	4,506	10	2003	324	382	17.9%	5,313	70%	3,719
Units W5,6,8	7,449	10	2003	324	382	17.9%	8,782	70%	6,148
Motor Well #4	1,856	7	2003	324	382	17.9%	2,188	57%	1,250
Pump Well 12	2,982	7	2003	324	382	17.9%	3,516	57%	2,009
Pump Unit W 1	2,614	7	2004	355	382	7.6%	2,813	71%	2,009
Pump Unit W 12	4,143	7	2005	375	382	1.9%	4,220	86%	3,617
Pump Unit W 2	3,236	7	2005	375	382	1.9%	3,296	86%	2,825
Pump Unit W 3	3,373	7	2005	375	382	1.9%	3,436	86%	2,945
Pump Unit W 5	2,650	7	2005	375	382	1.9%	2,699	86%	2,314
Pump Unit W 11	3,975	7	2005	375	382	1.9%	4,049	86%	3,471
Pump Unit W 4	3,429	7	2006	382	382	0.0%	3,429	100%	3,429
Pump Unit W 6	930	7	2006	382	382	0.0%	930	100%	930
Total Wells	313,113						\$ 615,174		\$ 343,664
Building									
Pump House	2,808	40	1945	21	382	1719.0%	\$ 51,075	50%	\$ 25,538
pump House	532	40	1953	39	382	879.5%	5,215	50%	2,608
pump House	6,818	40	1963	55	382	594.5%	47,354	50%	23,677
Pump House	6,015	40	1972	93	382	310.8%	24,707	50%	12,354
Pump House	3,969	40	1973	100	382	282.0%	15,162	50%	7,581
Pimp House	697	40	1976	131	382	191.6%	2,034	50%	1,017
Pump House	241	40	1986	217	382	76.0%	424	50%	212
Pump House	938	40	1986	217	382	76.0%	1,651	50%	826
New Roof	24,005	40	1991	232	382	64.7%	39,525	63%	24,703
Garage door	398	15	2002	326	382	17.2%	467	73%	342
Building Improvement	750	15	2003	324	382	17.9%	884	80%	707

**South Shore Water Works Company
Asset Analysis**

Description	Original Cost	Life	Year of Installation	Cost Index in Year of Purchase	Cost Index in 2006	% Increase In Cost	RCN	% Useful Life	RCNLD
Building Improvement	750	15	2003	324	382	17.9%	884	80%	707
Clearwell Building	10,000	40	2005	375	382	1.9%	10,187	98%	9,932
Clearwell Building	7,000	40	2005	375	382	1.9%	7,131	98%	6,952
Clearwell Building	31,000	40	2006	382	382	0.0%	31,000	100%	31,000
Clearwell Building	5,000	40	2006	382	382	0.0%	5,000	100%	5,000
Clearwell Building	2,500	40	2006	382	382	0.0%	2,500	100%	2,500
Clearwell Building	2,500	40	2006	382	382	0.0%	2,500	100%	2,500
Clearwell Building	500	40	2006	382	382	0.0%	500	100%	500
Total Building	106,422						\$ 248,200		\$ 158,656
Elec.Pump Equipment									
Elec.Pump Eq	2,250	20	1953	55	620	1027.3%	\$ 25,364	50%	\$ 12,682
EPE	1,698	20	1957	69	620	798.6%	15,261	50%	7,630
EPE	1,193	20	1958	73	620	749.3%	10,130	50%	5,065
EPE	816	20	1960	74	620	737.8%	6,833	50%	3,416
EPE	1,421	20	1962	71	620	773.2%	12,412	50%	6,206
EPE	1,116	20	1964	73	620	749.3%	9,475	50%	4,737
EPE	463	20	1966	78	620	694.9%	3,679	50%	1,839
EPE	1,553	20	1971	93	620	566.7%	10,355	50%	5,178
EPE	1,946	20	1971	93	620	566.7%	12,976	50%	6,488
EPE	716	20	1972	96	620	545.8%	4,623	50%	2,312
EPE	641	20	1972	96	620	545.8%	4,139	50%	2,070
EPE	525	20	1975	155	620	300.0%	2,100	50%	1,050
EPE	4,006	20	1976	174	620	256.3%	14,273	50%	7,137
EPE	4,749	20	1976	174	620	256.3%	16,922	50%	8,461
EPE	914	20	1977	184	620	237.0%	3,078	50%	1,539
EPE	3,126	20	1978	192	620	222.9%	10,094	50%	5,047
EPE	1,153	20	1981	245	620	153.1%	2,919	50%	1,459
EPE	1,008	20	1981	245	620	153.1%	2,550	50%	1,275
EPE	1,113	20	1982	260	620	138.5%	2,654	50%	1,327
EPE	1,398	20	1983	271	620	128.8%	3,198	50%	1,599
EPE	961	20	1983	271	620	128.8%	2,198	50%	1,099
EPE	2,854	20	1983	271	620	128.8%	6,529	50%	3,264
EPE	1,234	20	1982	260	620	138.5%	2,943	50%	1,471
EPE	1,372	20	1984	277	620	123.8%	3,071	50%	1,536
EPE	1,920	20	1984	277	620	123.8%	4,298	50%	2,149
EPE	1,543	20	1984	277	620	123.8%	3,453	50%	1,726
EPE	1,377	20	1985	282	620	119.9%	3,027	50%	1,514
EPE	1,155	20	1985	282	620	119.9%	2,539	50%	1,270

South Shore Water Works Company
Asset Analysis

Description	Original Cost	Life	Year of Installation	Cost Index in Year of Purchase	Cost Index in 2006	% Increase In Cost	RCN	% Useful Life	RCNLD
EPE	1,444	20	1985	282	620	119.9%	3,174	50%	1,587
EPE	184	20	1986	284	620	118.3%	401	50%	200
EPE	485	20	1987	299	620	107.4%	1,006	50%	503
EPE	2,054	20	1988	311	620	99.4%	4,094	50%	2,047
EPE	4,038	20	1988	311	620	99.4%	8,051	50%	4,025
EPE	134	20	1988	311	620	99.4%	267	50%	133
Pumps	8,767	20	1991	355	620	74.6%	15,312	50%	7,656
Pressure Recd	530	20	1992	368	620	68.5%	893	50%	447
Pumps	4,122	20	1992	368	620	68.5%	6,944	50%	3,472
Pumps	4,047	20	1992	368	620	68.5%	6,818	50%	3,409
Pump Filter	2,715	10	1997	473	620	31.1%	3,558	50%	1,779
Pump 3 Recon	461	10	1997	473	620	31.1%	604	50%	302
Pump	918	10	1997	473	620	31.1%	1,203	50%	602
Booster Pump	2,178	10	1998	486	620	27.6%	2,779	50%	1,390
Booster Acces	1,467	10	1998	486	620	27.6%	1,872	50%	936
Booster install	1,200	10	1998	486	620	27.6%	1,531	50%	765
Booster E.Eq.	494	10	1998	486	620	27.6%	630	50%	315
Booster E.Eq.	439	10	1998	486	620	27.6%	560	50%	280
Booster E.Eq.	832	10	1998	486	620	27.6%	1,062	50%	531
Pump #2 Acce	2,796	10	1998	486	620	27.6%	3,567	50%	1,784
Pump Eq.	875	10	1999	499	620	24.2%	1,087	50%	544
Pump Eq.	1,092	10	1999	499	620	24.2%	1,357	50%	678
Pump Eq	1,171	10	1999	499	620	24.2%	1,454	50%	727
E.P.Q. filter	553	7	2001	531	620	16.8%	646	50%	323
E.P.Q	544	7	2001	531	620	16.8%	635	50%	318
Capacitor	5,970	20	2002	533	620	16.3%	6,944	80%	5,556
Safety Box p-2	962	15	2002	533	620	16.3%	1,119	73%	820
EPE	913	10	2003	546	620	13.6%	1,037	70%	726
EPE	334	5	2003	546	620	13.6%	380	50%	190
Hi Svc pump 2	2,898	20	2004	569	620	9.0%	3,158	90%	2,842
Safety Box pump7	874	20	2004	569	620	9.0%	952	90%	857
EPE	1,034	15	2005	611	620	1.5%	1,049	93%	979
EPE	879	15	2005	611	620	1.5%	892	93%	833
Hi Svc pump 2	3,551	20	2005	611	620	1.5%	3,603	95%	3,423
Timers	246	5	2005	611	620	1.5%	249	80%	199
Pump 1 foot valve	815	15	2006	620	620	0.0%	815	100%	815
Total E.P. Eq.	106,235						\$ 290,797	\$	152,540

South Shore Water Works Company
Asset Analysis

Description	Original Cost	Life	Year of Installation	Cost Index in Year of Purchase	Cost Index in 2006	% Increase In Cost	RCN	% Useful Life	RCNLD
Treatment Equipment									
Chlorinator	1,261	50	1959	54	460	751.9%	\$ 10,738	50%	\$ 5,369
Fixtures	1,783	20	1973	100	460	360.0%	8,204	50%	4,102
Fixtures	250	20	1975	142	460	223.9%	810	50%	405
Treatment Eq.	675	50	1986	276	460	66.7%	1,124	60%	675
Sand Filter	44,700	50	1986	276	460	66.7%	74,501	60%	44,700
Treatment Eq.	2,615	20	1987	281	460	63.7%	4,281	50%	2,140
Treatment Eq.	1,909	20	1987	281	460	63.7%	3,124	50%	1,562
Treatment Eq.	25,292	20	1988	290	460	58.6%	40,119	50%	20,059
Test Eq.	575	20	1993	317	460	45.1%	834	50%	417
Gasoline pump	6,359	20	1995	324	460	42.0%	9,028	50%	4,514
Chlorinator	6,168	10	1997	344	460	33.7%	8,247	50%	4,124
Chemical pump	700	10	1997	344	460	33.7%	936	50%	468
Chemical pump	862	10	1997	344	460	33.7%	1,153	50%	576
CL2 test Eq.	664	10	2000	376	460	22.3%	812	50%	406
pH test Eq.	484	10	2000	376	460	22.3%	592	50%	296
filter pump unit	2,884	7	2001	390	460	17.9%	3,402	50%	1,701
T. Eq. CL2	508	7	2001	390	460	17.9%	599	50%	299
Filter 3 Media	1,169	10	2003	400	460	15.0%	1,344	70%	941
KMNO4 pump	512	7	2004	424	460	8.5%	556	71%	397
Treatment Eq.	429	7	2004	424	460	8.5%	465	71%	332
3 Filter Clocks	6,663	15	2004	424	460	8.5%	7,229	87%	6,265
Foot Valve #7	916	10	2005	443	460	3.8%	951	90%	856
pH Meter	618	7	2005	443	460	3.8%	642	86%	550
Repairs Filter 3	600	10	2005	443	460	3.8%	623	90%	561
Media Filter 3	6,318	10	2005	443	460	3.8%	6,560	90%	5,904
Diffuser Filter 3	3,655	15	2005	443	460	3.8%	3,795	93%	3,542
Filter Media	9,047	10	2006	460	460	0.0%	9,047	100%	9,047
KMNO4 pump	947	5	2006	460	460	0.0%	947	100%	947
Filter 2 Piolet Uni	1,531	10	2006	460	460	0.0%	1,531	100%	1,531
Total Treat Eq	130,093						\$ 202,195		\$ 122,689
Reservoirs									
Reservoir	3,225	50	1946	17	524	2982.4%	\$ 99,397	50%	\$ 49,698
Reservoir	7,186	50	1957	38	524	1278.9%	99,098	50%	49,549
Reservoir	6,494	50	1958	38	524	1278.9%	89,555	50%	44,778
Reservoir	6,189	50	1968	48	524	991.7%	67,563	50%	33,782
Reservoir	20,045	40	1985	198	524	164.6%	53,049	50%	26,524
Reservoir	550	20	1987	219	524	139.3%	1,316	50%	658

South Shore Water Works Company
Asset Analysis

Description	Original Cost	Life	Year of Installation	Cost Index in Year of Purchase	Cost Index in 2006	% Increase In Cost	RCN	% Useful Life	RCNLD	
Tanks	21,671	50	1991	285	524	83.9%	39,844	70%	27,891	
Reservior	1,275	20	1991	285	524	83.9%	2,344	50%	1,172	
Tank	653	50	1992	277	524	89.2%	1,234	72%	889	
Reservior	1,567	50	1992	277	524	89.2%	2,965	72%	2,135	
Tank	6,340	50	1992	277	524	89.2%	11,993	72%	8,635	
PVC	216	50	1992	277	524	89.2%	409	72%	295	
SVC	736	50	1992	277	524	89.2%	1,392	72%	1,002	
Tank	3,120	50	1992	277	524	89.2%	5,902	72%	4,250	
Clean	Clearwell	5,550	10	1997	273	524	91.9%	10,653	50%	5,326
K.	Hollow Res.	2,470	40	1998	283	524	85.2%	4,573	80%	3,659
K	Hollow Res.	1,060	40	1998	283	524	85.2%	1,963	80%	1,570
K.	Hollow Res.	7,850	40	1998	283	524	85.2%	14,535	80%	11,628
K.	Hollow Res.	12,570	40	1998	283	524	85.2%	23,274	80%	18,620
K.	Hollow Res.	29,330	40	1998	283	524	85.2%	54,307	80%	43,446
Gray.	road	480	10	1998	283	524	85.2%	889	50%	444
Maloneton	Resy	15,000	40	1998	283	524	85.2%	27,774	80%	22,219
Maloneton	Res.	1,234	40	1998	283	524	85.2%	2,284	80%	1,828
Maloneton	Res.	33,786	40	1998	283	524	85.2%	62,558	80%	50,046
Maloneton	Res.	16,893	40	1998	283	524	85.2%	31,279	80%	25,023
Gray.	road	545	10	1998	283	524	85.2%	1,009	50%	505
Mal.	R. painting	5,631	10	1998	283	524	85.2%	10,426	50%	5,213
Reservior		1,658	40	1999	288	524	81.9%	3,016	83%	2,488
Fullerton	Res.	2,437	15	2001	314	524	66.9%	4,068	67%	2,712
Fullerton	Res.	494	15	2002	429	524	22.1%	603	73%	442
Fullerton	Res.	7,000	15	2002	429	524	22.1%	8,550	73%	6,270
Fullerton	Res.	6,635	15	2002	429	524	22.1%	8,104	73%	5,943
Morton	Res.	2,500	15	2002	429	524	22.1%	3,054	73%	2,239
Morton	Res.	1,584	15	2002	429	524	22.1%	1,935	73%	1,419
Morton	Res.	9,191	15	2002	429	524	22.1%	11,226	73%	8,232
K.H. Float Gage		475	15	2003	429	524	22.1%	580	80%	464
Mal. Float G. Imp		895	15	2004	481	524	8.9%	975	87%	845
Morton Harness		790	15	2006	524	524	0.0%	790	100%	790
Total	Reserviors	245,325					\$ 764,488	\$	472,629	
Distribution Mains										
Main	#1	824	50	1941	22	418	1800.0%	\$ 15,656	50%	\$ 7,828
	2	654	50	1945	26	418	1507.7%	10,506	50%	5,253
	3	2,648	50	1946	30	418	1293.3%	36,895	50%	18,448
	4	2,101	50	1947	35	418	1094.3%	25,089	50%	12,544

South Shore Water Works Company
Asset Analysis

Description	Original Cost	Life	Year of Installation	Cost Index in Year of Purchase	Cost Index in 2006	% Increase In Cost	RCN	% Useful Life	RCNLD
5	109	50	1948	41	418	919.5%	1,113	50%	557
6	1,017	50	1950	43	418	872.1%	9,890	50%	4,945
7	1,621	50	1953	49	418	753.1%	13,829	50%	6,914
8	2,484	50	1954	52	418	703.8%	19,966	50%	9,983
9	629	50	1955	54	418	674.1%	4,870	50%	2,435
10	188	50	1956	58	418	620.7%	1,354	50%	677
11	3,784	50	1957	60	418	596.7%	26,361	50%	13,180
12	819	50	1960	68	418	514.7%	5,037	50%	2,518
13	67	50	1961	70	418	497.1%	401	50%	201
14	545	50	1963	74	418	464.9%	3,077	50%	1,539
14	47	50	1963	74	418	464.9%	266	50%	133
15	218	50	1964	75	418	457.3%	1,214	50%	607
16	656	50	1965	75	418	457.3%	3,653	50%	1,827
17	2,188	50	1966	76	418	450.0%	12,035	50%	6,017
18	28,215	50	1966	76	418	450.0%	155,183	50%	77,591
19	1,862	50	1970	85	418	391.8%	9,158	50%	4,579
20	4,574	50	1971	94	418	344.7%	20,339	50%	10,170
20	960	50	1971	94	418	344.7%	4,268	50%	2,134
21	154	50	1972	98	418	326.5%	655	50%	328
22	8,740	50	1973	100	418	318.0%	36,534	50%	18,267
23	4,370	50	1974	132	418	216.7%	13,839	50%	6,920
24	1,188	50	1975	150	418	178.7%	3,309	50%	1,655
Schultz Main #25	335	50	1976	157	418	166.2%	892	50%	446
26	4,140	50	1977	164	418	154.9%	10,552	50%	5,276
New T&DM Line	4,007	50	1977	164	418	154.9%	10,213	50%	5,106
TDM	1,041	50	1978	177	418	136.2%	2,458	50%	1,229
TDM	402	50	1984	236	418	77.1%	712	56%	399
TDM	567	50	1984	236	418	77.1%	1,005	56%	563
TDM	2,864	50	1984	236	418	77.1%	5,072	56%	2,841
TDM	120	50	1984	236	418	77.1%	212	56%	119
TDM	420	50	1984	236	418	77.1%	744	56%	416
TDM	226	50	1984	236	418	77.1%	400	56%	224
TDM	998	50	1984	236	418	77.1%	1,767	56%	989
TDM	214	50	1984	236	418	77.1%	379	56%	212
TDM	68	50	1984	236	418	77.1%	121	56%	68
TDM	11,292	50	1985	241	418	73.4%	19,586	58%	11,360
Mains	534	50	1986	237	418	76.4%	942	60%	565
Mains	88	50	1986	237	418	76.4%	155	60%	93
Mains	2,735	50	1986	237	418	76.4%	4,824	60%	2,894

South Shore Water Works Company
Asset Analysis

Description	Original Cost	Life	Year of Installation	Cost Index in Year of Purchase	Cost Index in 2006	% Increase In Cost	RCN	% Useful Life	RCNLD	
Mains	627	50	1986	237	418	76.4%	1,106	60%	663	
Mains	370	50	1986	237	418	76.4%	652	60%	391	
Mains	458	50	1987	244	418	71.3%	785	62%	486	
T&DM	703	50	1988	260	418	60.8%	1,130	64%	723	
TDM	865	50	1988	260	418	60.8%	1,391	64%	890	
TOM	4,986	50	1988	260	418	60.8%	8,015	64%	5,130	
TDM	2,871	50	1988	260	418	60.8%	4,616	64%	2,954	
TDM	689	50	1988	260	418	60.8%	1,108	64%	709	
Mains	6,323	50	1966	76	418	450.0%	34,779	50%	17,389	
Pit	Main	844	50	1992	272	418	53.7%	1,296	72%	933
Pit	Main	79	50	1992	272	418	53.7%	121	72%	87
Mains	461	50	1993	279	418	49.8%	690	74%	511	
Mains	272	50	1993	279	418	49.8%	407	74%	301	
Mains	1,788	50	1993	279	418	49.8%	2,678	74%	1,982	
Mains	2,649	40	1995	284	418	47.2%	3,899	73%	2,827	
Mains	206	40	1996	289	418	44.6%	298	75%	223	
Mains	892	40	1996	289	418	44.6%	1,290	75%	968	
Mains	453	40	1996	289	418	44.6%	655	75%	491	
Mains	19,330	40	1997	296	418	41.2%	27,297	78%	21,155	
Mains	4,000	40	1997	296	418	41.2%	5,649	78%	4,378	
Mains	1,800	40	1997	296	418	41.2%	2,542	78%	1,970	
Mains	14,300	40	1997	296	418	41.2%	20,194	78%	15,650	
Mains	4,337	40	1997	296	418	41.2%	6,125	78%	4,747	
Mains	615	40	1997	296	418	41.2%	869	78%	674	
Mains	8,367	40	1997	296	418	41.2%	11,815	78%	9,157	
Bank	Closing	668	20	1997	296	418	41.2%	943	55%	519
PSC	94-188	392	10	1993	279	418	49.8%	587	50%	294
PSC	94-188	639	10	1993	279	418	49.8%	957	50%	479
PSC	94-188	2,728	10	1993	279	418	49.8%	4,087	50%	2,044
PSC	94-188	10,676	10	1993	279	418	49.8%	15,995	50%	7,997
PSC	97-321	1,720	40	1996	289	418	44.6%	2,488	75%	1,866
Mains	410	40	1997	296	418	41.2%	579	78%	449	
W. Oak	Main	5,470	40	1998	299	418	39.8%	7,647	80%	6,118
Fullerton	Main	3,630	40	1998	299	418	39.8%	5,075	80%	4,060
Fullerton	Main	823	40	1998	299	418	39.8%	1,150	80%	920
SS	Drive Alley	6,378	40	1998	299	418	39.8%	8,916	80%	7,133
K.	Hollow Main	2,061	40	1998	299	418	39.8%	2,881	80%	2,305
K.	Hollow Main	3,646	40	1998	299	418	39.8%	5,098	80%	4,078
Mains	606	40	2000	318	418	31.4%	797	85%	677	

South Shore Water Works Company
Asset Analysis

Description	Original Cost	Life	Year of Installation	Cost Index in Year of Purchase	Cost Index in 2006	% Increase In Cost	RCN	% Useful Life	RCNLD
Mains	1,396	40	2000	318	418	31.4%	1,835	85%	1,560
Mains	135	40	2000	318	418	31.4%	177	85%	151
Mains	420	40	2000	318	418	31.4%	552	85%	469
Main Rt 7	3,000	40	2000	318	418	31.4%	3,943	85%	3,352
Main Rt 7	9,066	40	2000	318	418	31.4%	11,917	85%	10,130
Main Rt 7	10,000	40	2000	318	418	31.4%	13,145	85%	11,173
Main Rt 7	5,450	40	2000	318	418	31.4%	7,164	85%	6,089
Main 4th Street	1,565	40	2000	318	418	31.4%	2,057	85%	1,749
Main Mal. Tank	4,264	40	2000	318	418	31.4%	5,605	85%	4,764
Main Mal. Tank	4,904	40	2000	318	418	31.4%	6,446	85%	5,479
Main Rt 7	5,450	40	2000	318	418	31.4%	7,164	85%	6,089
Main Rt 7	3,500	40	2000	318	418	31.4%	4,601	85%	3,911
Main Adv.	736	40	2003	338	418	23.7%	911	93%	842
Main Adv.	300	40	2004	361	418	15.8%	347	95%	330
Mains	1,246	40	2004	361	418	15.8%	1,442	95%	1,370
Mains	1,473	40	2006	418	418	0.0%	1,473	100%	1,473
Total Mains*	271,747						\$ 759,918		\$ 443,308
Hydrants & Services									
Hydrants	650	50	1947	36	572	1488.9%	\$ 10,328	50%	\$ 5,164
Hydrants	481	50	1966	61	572	837.7%	4,510	50%	2,255
Hydrant	633	50	1978	188	572	204.3%	1,925	50%	962
Hydrant	489	15	1985	281	572	103.6%	996	50%	498
Services	122	50	1986	206	384	86.4%	228	60%	137
Services	929	50	1986	206	384	86.4%	1,733	60%	1,040
Hydrants	3,168	50	1986	290	572	97.2%	6,248	60%	3,749
Hydrants	1,130	50	1986	290	572	97.2%	2,228	60%	1,337
Labor	1,208	50	1986	206	384	86.4%	2,252	60%	1,351
Labor	536	50	1987	212	384	81.1%	971	62%	602
Labor	1,375	50	1987	212	384	81.1%	2,490	62%	1,544
Labor	1,457	50	1987	212	384	81.1%	2,638	62%	1,636
Labor	1,372	50	1987	212	384	81.1%	2,486	62%	1,541
Labor	1,030	50	1987	212	384	81.1%	1,865	62%	1,157
Labor	1,795	50	1987	212	384	81.1%	3,251	62%	2,015
Labor	841	50	1987	212	384	81.1%	1,524	62%	945
Labor	658	50	1987	212	384	81.1%	1,191	62%	738
Services	248	50	1988	218	384	76.1%	437	64%	280
Services	3,172	50	1988	218	384	76.1%	5,588	64%	3,576
Services	3,230	50	1988	218	384	76.1%	5,690	64%	3,642

South Shore Water Works Company
Asset Analysis

Description	Original Cost	Life	Year of Installation	Cost Index in Year of Purchase	Cost Index in 2006	% Increase In Cost	RCN	% Useful Life	RCNLD
Services	2,376	50	1988	218	384	76.1%	4,185	64%	2,678
Hydrants	1,327	50	1988	312	572	83.3%	2,432	64%	1,556
Services	542	50	1988	218	384	76.1%	954	64%	611
Hydrants	1,748	50	1988	312	572	83.3%	3,204	64%	2,051
Hydrants	1,663	50	1988	312	572	83.3%	3,049	64%	1,951
Hydrants	1,520	15	1992	352	572	62.5%	2,470	50%	1,235
Service	825	15	1992	230	384	67.0%	1,377	50%	688
Hydrants	320	15	1992	352	572	62.5%	520	50%	260
Services	1,253	40	1996	271	384	41.7%	1,776	75%	1,332
Service	684	40	1996	271	384	41.7%	970	75%	727
Service	533	40	1996	271	384	41.7%	756	75%	567
Service	1,313	40	1996	271	384	41.7%	1,860	75%	1,395
Service	1,019	40	1997	276	384	39.1%	1,418	78%	1,099
Service	1,156	40	1997	276	384	39.1%	1,608	78%	1,246
Service	561	40	1997	276	384	39.1%	780	78%	604
Service	386	40	1997	276	384	39.1%	537	78%	416
Service	411	40	1997	276	384	39.1%	572	78%	443
Service	3,297	40	1997	276	384	39.1%	4,587	78%	3,555
Service	751	40	1997	276	384	39.1%	1,045	78%	810
Service	600	40	1997	276	384	39.1%	835	78%	647
Service	706	40	1997	276	384	39.1%	983	78%	762
Service	6,672	40	1997	276	384	39.1%	9,283	78%	7,194
Services	600	40	1998	282	384	36.2%	817	80%	654
Services	125	40	1998	282	384	36.2%	170	80%	136
Services	287	40	1998	282	384	36.2%	391	80%	313
Services	900	40	1998	282	384	36.2%	1,226	80%	980
Services	567	40	1998	282	384	36.2%	772	80%	617
Services	2,276	40	1998	282	384	36.2%	3,099	80%	2,479
Services	1,125	40	1998	282	384	36.2%	1,532	80%	1,226
Services	1,103	40	1998	282	384	36.2%	1,501	80%	1,201
Services	1,061	40	1998	282	384	36.2%	1,445	80%	1,156
Services	1,075	40	2002	298	384	28.9%	1,385	90%	1,247
Services	919	40	2002	298	384	28.9%	1,184	90%	1,066
Services	469	40	2002	298	384	28.9%	605	90%	544
Services	903	40	2002	298	384	28.9%	1,164	90%	1,048
2 Flush Hyds	865	40	2002	530	572	7.9%	934	90%	840
Services	864	40	2002	298	384	28.9%	1,113	90%	1,002
Services	560	40	2002	298	384	28.9%	722	90%	649
Services	800	40	2002	298	384	28.9%	1,031	90%	928

**South Shore Water Works Company
Asset Analysis**

Description	Original Cost	Life	Year of Installation	Cost Index in Year of Purchase	Cost Index in 2006	% Increase In Cost	RCN	% Useful Life	RCNLD	
Services	680	40	2003	289	384	32.9%	903	93%	835	
Services	700	40	2003	289	384	32.9%	930	93%	860	
Services	1,117	40	2003	289	384	32.9%	1,484	93%	1,373	
Services	784	40	2003	289	384	32.9%	1,042	93%	964	
Services	601	40	2003	289	384	32.9%	799	93%	739	
Services	430	40	2003	289	384	32.9%	571	93%	528	
SVC & Hyd	3,236	40	2003	526	384	-27.0%	2,362	93%	2,185	
Services	628	40	2003	289	384	32.9%	835	93%	772	
Services	479	40	2003	289	384	32.9%	636	93%	589	
Services	360	40	2004	319	384	20.4%	433	95%	412	
Services	1,039	40	2004	319	384	20.4%	1,250	95%	1,188	
Services	380	40	2004	319	384	20.4%	457	95%	435	
Services	481	40	2004	319	384	20.4%	579	95%	550	
F. Hyd. Main St.	1,323	40	2004	550	384	-30.2%	924	95%	878	
Services	593	40	2004	319	384	20.4%	713	95%	678	
Services	362	40	2004	319	384	20.4%	436	95%	414	
Services	607	40	2005	342	384	12.3%	682	98%	665	
Services	248	40	2005	342	384	12.3%	279	98%	272	
Services	300	40	2005	342	384	12.3%	337	98%	328	
Services	863	40	2005	342	384	12.3%	969	98%	945	
Services	717	40	2005	342	384	12.3%	805	98%	785	
Services	601	40	2005	342	384	12.3%	675	98%	658	
Services	1,525	40	2006	384	384	0.0%	1,525	100%	1,525	
Services	1,011	40	2006	384	384	0.0%	1,011	100%	1,011	
Services	804	40	2006	384	384	0.0%	804	100%	804	
Total	Hyds Ser*	62,693					\$ 144,309	\$	102,473	
Meters										
Meter	1	175	25	1950	59	235	298.3%	\$ 697	50% \$ 349	
Meters	2	4,530	25	1954	67	235	250.7%	15,887	50%	7,944
	3	9,746	25	1955	70	235	235.7%	32,719	50%	16,360
	4	7,584	25	1956	77	235	205.2%	23,145	50%	11,573
	5	1,823	25	1957	78	235	201.3%	5,492	50%	2,746
	6	1,585	25	1959	78	235	201.3%	4,775	50%	2,388
	7	2,432	25	1959	78	235	201.3%	7,327	50%	3,663
	8	2,104	25	1960	78	235	201.3%	6,338	50%	3,169
	10	788	25	1962	84	235	179.8%	2,204	50%	1,102
	11	1,708	25	1963	87	235	170.1%	4,613	50%	2,306
	12	1,770	25	1964	87	235	170.1%	4,782	50%	2,391

South Shore Water Works Company
Asset Analysis

Description	Original Cost	Life	Year of Installation	Cost Index in Year of Purchase	Cost Index in 2006	% Increase In Cost	RCN	% Useful Life	RCNLD	
	13	3,558	25	1965	93	235	152.7%	8,990	50%	4,495
	14	3,112	25	1969	106	235	121.7%	6,899	50%	3,450
	15	2,772	25	1971	108	235	117.6%	6,032	50%	3,016
	16	2,071	25	1972	106	235	121.7%	4,592	50%	2,296
	17	4,077	25	1973	100	235	135.0%	9,580	50%	4,790
	18	2,592	25	1974	93	235	152.7%	6,550	50%	3,275
	19	9,426	25	1975	93	235	152.7%	23,818	50%	11,909
24 Meters		528	25	1976	98	235	139.8%	1,266	50%	633
36 Meters		792	25	1976	98	235	139.8%	1,899	50%	950
2 Meters		276	25	1976	98	235	139.8%	662	50%	331
Meter		353	25	1976	98	235	139.8%	847	50%	423
Meter		259	25	1976	98	235	139.8%	622	50%	311
Meters		200	25	1976	98	235	139.8%	480	50%	240
36 Meters		900	25	1976	98	235	139.8%	2,158	50%	1,079
30 Meters		762	25	1976	98	235	139.8%	1,827	50%	914
Meter Acc.		825	25	1976	98	235	139.8%	1,977	50%	989
Meters		1,158	25	1976	98	235	139.8%	2,778	50%	1,389
Meters		10,142	25	1976	98	235	139.8%	24,320	50%	12,160
Meters		489	25	1976	98	235	139.8%	1,171	50%	586
Meters		4,130	25	1976	98	235	139.8%	9,904	50%	4,952
Meters		348	25	1976	98	235	139.8%	836	50%	418
Meters		2,478	25	1977	101	235	132.7%	5,766	50%	2,883
Meters		468	25	1978	105	235	123.8%	1,047	50%	524
Meters		487	25	1978	105	235	123.8%	1,090	50%	545
Meters		482	25	1978	105	235	123.8%	1,080	50%	540
Meters		497	25	1978	105	235	123.8%	1,112	50%	556
Meters		274	25	1979	108	235	117.6%	595	50%	298
18 Meters		529	25	1979	108	235	117.6%	1,151	50%	575
Meters		349	25	1979	108	235	117.6%	760	50%	380
Meters		349	25	1979	108	235	117.6%	760	50%	380
Meters		397	25	1979	108	235	117.6%	864	50%	432
Meters		364	25	1980	122	235	92.6%	701	50%	350
Meters		171	25	1980	122	235	92.6%	330	50%	165
Meters		3,423	25	1980	122	235	92.6%	6,593	50%	3,296
Meters		226	25	1980	122	235	92.6%	436	50%	218
Meters		989	25	1980	122	235	92.6%	1,905	50%	953
Meters		587	25	1980	122	235	92.6%	1,130	50%	565
Meters		1,082	25	1981	127	235	85.0%	2,003	50%	1,001
Meters		857	25	1980	122	235	92.6%	1,651	50%	825

South Shore Water Works Company
Asset Analysis

Description	Original Cost	Life	Year of Installation	Cost Index in Year of Purchase	Cost Index in 2006	% Increase In Cost	RCN	% Useful Life	RCNLD
Meters	289	25	1983	141	235	66.7%	481	50%	241
Meters	826	25	1983	141	235	66.7%	1,376	50%	688
Meters	289	15	1985	135	235	74.1%	503	50%	252
Meters	1,486	15	1985	135	235	74.1%	2,586	50%	1,293
Meters	371	15	1985	135	235	74.1%	647	50%	323
Meters	938	15	1986	135	235	74.1%	1,632	50%	816
Meters	260	15	1987	137	235	71.5%	446	50%	223
Meters	956	15	1988	140	235	67.9%	1,604	50%	802
Meters	1,102	15	1991	162	235	45.1%	1,598	50%	799
Test Bench	9,750	15	1992	196	235	19.9%	11,690	50%	5,845
Meters	1,795	25	1961	78	235	201.3%	5,407	50%	2,704
Meters	181	25	1993	195	235	20.5%	219	50%	109
Meters	200	25	1993	195	235	20.5%	241	50%	121
Meters	398	25	1993	195	235	20.5%	479	50%	240
Meters	109	25	1993	195	235	20.5%	132	50%	66
Meters	1,139	20	1996	207	235	13.5%	1,294	50%	647
Meters	569	20	1996	207	235	13.5%	646	50%	323
Meters	2,010	20	1996	207	235	13.5%	2,282	50%	1,141
Meters	570	20	1996	207	235	13.5%	647	50%	324
Meters	1,362	20	1996	207	235	13.5%	1,546	50%	773
Meters	570	20	1996	207	235	13.5%	647	50%	324
Meters	567	20	1996	207	235	13.5%	643	50%	322
Meters	573	20	1996	207	235	13.5%	650	50%	325
Meters	577	20	1996	207	235	13.5%	655	50%	327
Meters	573	20	1996	207	235	13.5%	650	50%	325
Meters	573	20	1996	207	235	13.5%	650	50%	325
Meters	573	20	1997	197	235	19.3%	683	55%	376
Meters	573	20	1997	197	235	19.3%	683	55%	376
Meters	566	20	1997	197	235	19.3%	675	55%	371
Meters	570	20	1997	197	235	19.3%	680	55%	374
Meters	566	20	1997	197	235	19.3%	675	55%	371
Meters	570	20	1997	197	235	19.3%	680	55%	374
Meters	570	20	1997	197	235	19.3%	680	55%	374
Meters	570	20	1997	197	235	19.3%	680	55%	374
Meters	570	20	1997	197	235	19.3%	680	55%	374
Meters	570	20	1997	197	235	19.3%	680	55%	374
Meters	570	20	1997	197	235	19.3%	680	55%	374
Meters	551	20	1997	197	235	19.3%	657	55%	361
Meters	570	20	1997	197	235	19.3%	680	55%	374
Meters	365	20	1977	101	235	132.7%	850	50%	425

**South Shore Water Works Company
Asset Analysis**

Description	Original Cost	Life	Year of installation	Cost Index in Year of Purchase	Cost Index in 2006	% Increase In Cost	RCN	% Useful Life	RCNLD
18 Meters	574	20	1998	197	235	19.3%	684	60%	410
1 inch Meters 4	351	20	1998	197	235	19.3%	419	60%	251
4" Plant Meter	1,184	10	1998	197	235	19.3%	1,412	50%	706
Meters	195	20	1999	197	235	19.3%	233	65%	152
Meters	387	20	1999	197	235	19.3%	462	65%	300
Meters	426	20	1999	197	235	19.3%	508	65%	330
Meters	215	20	1999	197	235	19.3%	256	65%	167
Meters	430	20	1999	197	235	19.3%	513	65%	333
Meters	430	20	1999	197	235	19.3%	513	65%	334
Meters	430	20	1999	197	235	19.3%	513	65%	333
24 Meters	855	20	2000	206	235	14.1%	975	70%	682
12 Meters	442	20	2000	206	235	14.1%	505	70%	353
12 Meters	442	20	2000	206	235	14.1%	505	70%	353
12 Meters	439	20	2000	206	235	14.1%	500	70%	350
Meters	179	20	2001	206	235	14.1%	204	75%	153
12 Meters	427	20	2001	206	235	14.1%	487	75%	366
12 Meters	438	20	2002	207	235	13.5%	497	80%	398
2 Plant Meters	2,921	10	2002	207	235	13.5%	3,316	60%	1,989
18 Meters	681	20	2002	207	235	13.5%	773	80%	618
12 Meters	439	20	2002	207	235	13.5%	498	80%	399
18 Meters	661	20	2002	207	235	13.5%	751	80%	600
18 Meters	666	20	2003	207	235	13.5%	756	85%	643
24 Meters	879	20	2003	207	235	13.5%	998	85%	848
24 Meters	880	20	2003	207	235	13.5%	999	85%	849
36 Meters	1,273	20	2004	207	235	13.5%	1,445	90%	1,300
24 Meters	893	20	2004	207	235	13.5%	1,014	90%	913
12 Meters	472	20	2004	207	235	13.5%	536	90%	482
12 Meters	472	20	2004	207	235	13.5%	536	90%	482
18 Meters	683	20	2005	207	235	13.5%	775	95%	736
18 Meters	671	20	2005	207	235	13.5%	762	95%	724
18 Meters	641	20	2005	207	235	13.5%	728	95%	691
2 Plant Meters	3,069	5	2005	207	235	13.5%	3,484	80%	2,787
24 Meters	883	20	2005	207	235	13.5%	1,002	95%	952
Plant Meters	840	5	2006	235	235	0.0%	840	100%	840
36 Meters	1,337	20	2006	235	235	0.0%	1,337	100%	1,337
36 Meters	1,341	20	2006	235	235	0.0%	1,341	100%	1,341
42 Meters	1,496	20	2006	235	235	0.0%	1,496	100%	1,496
Total MeterS	161,282						\$ 335,074		\$ 177,659

South Shore Water Works Company
Asset Analysis

Description		Original Cost	Life	Year of Installation	Cost Index in Year of Purchase	Cost Index in 2006	% Increase In Cost	RCN	% Useful Life	RCNLD
Office Equipment										
Office	Eq.	445	20	1957	28.1	200.6	613.9%	\$ 3,175	50%	1,587
Office	Eq.	544	20	1958	28.9	200.6	594.1%	3,778	50%	1,889
Office	Eq.	182	20	1962	30.2	200.6	564.2%	1,211	50%	605
Office	Eq.	201	20	1963	30.6	200.6	555.6%	1,317	50%	658
Office	Eq.	206	20	1965	31.5	200.6	536.8%	1,312	50%	656
Office	Eq.	159	20	1966	32.4	200.6	519.1%	987	50%	493
W.	Talkie	328	20	1970	38.8	200.6	417.0%	1,693	50%	847
Safe		60	20	1971	40.5	200.6	395.3%	297	50%	149
Scripe	75	239	20	1972	41.8	200.6	379.9%	1,145	50%	572
Desk	Top	68	20	1974	49.3	200.6	306.9%	275	50%	137
Office	Eq.	282	20	1975	53.8	200.6	272.9%	1,053	50%	527
Victor	Ca	157	20	1976	56.9	200.6	252.5%	553	50%	277
Calculator		105	20	1978	65.2	200.6	207.7%	323	50%	161
Furnace		991	20	1985	107.6	200.6	86.4%	1,847	50%	923
Furnace		1,294	20	1991	136.2	200.6	47.3%	1,906	50%	953
Computer		5,245	10	1993	144.5	200.6	38.8%	7,281	50%	3,641
Computer		2,926	7	1996	156.9	200.6	27.9%	3,740	50%	1,870
Printer		948	7	1996	156.9	200.6	27.9%	1,212	50%	606
Parking	Lot	2,831		1965	31.5	200.6	536.8%	18,028	50%	9,014
Storage		479		1966	32.4	200.6	519.1%	2,965	50%	1,482
Improvement		419		1966	32.4	200.6	519.1%	2,597	50%	1,298
Furniture		3,045	15	1997	160.5	200.6	25.0%	3,806	50%	1,903
Copier		1,533	7	1997	160.5	200.6	25.0%	1,916	50%	958
Office	Eq.	293	7	1999	166.6	200.6	20.4%	353	50%	176
Comp.	System	2,936	10	2000	172.2	200.6	16.5%	3,421	50%	1,710
Printer		724	7	2002	179.9	200.6	11.5%	807	50%	404
Copier	All51es	950	7	2002	179.9	200.6	11.5%	1,059	50%	530
Comp. Eq.		163	7	2004	188.9	200.6	6.2%	173	71%	123
Billing Program		2,904	15	2004	188.9	200.6	6.2%	3,084	87%	2,673
Comp. Eq.		218	7	2004	188.9	200.6	6.2%	231	71%	165
Comp. Eq.		713	7	2004	188.9	200.6	6.2%	757	71%	541
Billing Computer		5,205	10	2004	188.9	200.6	6.2%	5,527	80%	4,422
Billing Program		3,311	15	2004	188.9	200.6	6.2%	3,516	87%	3,047
Billing Printer		447	7	2004	188.9	200.6	6.2%	475	71%	339
Cash Register		274	5	2006	200.6	200.6	0.0%	274	100%	274
Total	Off.	40,823						\$ 82,092		\$ 45,612

Tools & Equipment

South Shore Water Works Company
Asset Analysis

Description		Original Cost	Life	Year of Installation	Cost Index in Year of Purchase	Cost Index in 2006	% Increase In Cost	RCN	% Useful Life	RCNLD
P. Hole	Digger	250	20	1962	30.2	200.6	564.2%	\$ 1,661	50%	\$ 830
Bush	Hog	217	20	1962	30.2	200.6	564.2%	1,441	50%	721
Welder		511	20	1963	30.6	200.6	555.6%	3,352	50%	1,676
14 ft	boat	195	20	1964	31	200.6	547.1%	1,260	50%	630
Pressure	gage	14	20	1964	31	200.6	547.1%	90	50%	45
Power	Mower	58	20	1969	36.7	200.6	446.6%	315	50%	158
	1972 ford	4,381	5	1971	40.5	200.6	395.3%	21,699	50%	10,849
Pipe	push	856	20	1971	40.5	200.6	395.3%	4,239	50%	2,119
Utility		933	5	1973	44.4	200.6	351.8%	4,216	50%	2,108
Dynamark		429	20	1973	44.4	200.6	351.8%	1,938	50%	969
Fire	Ext	133	20	1974	49.3	200.6	306.9%	543	50%	271
Tools		914	20	1982	96.5	200.6	107.9%	1,901	50%	950
Chemicals		221	20	1985	107.6	200.6	86.4%	411	50%	206
Pipe	Cutter	80	20	1985	107.6	200.6	86.4%	149	50%	74
Battery		51	10	1985	107.6	200.6	86.4%	96	50%	48
Tools		218	20	1986	109.6	200.6	83.0%	399	50%	200
Copier		1,035	10	1992	140.3	200.6	43.0%	1,480	50%	740
Cash	Register	110	10	1992	140.3	200.6	43.0%	157	50%	79
Lawn	Mower	1,060	7	1992	140.3	200.6	43.0%	1,515	50%	758
Tools		591	10	1997	160.5	200.6	25.0%	738	50%	369
Pressure	Rec.	619	7	1998	163	200.6	23.1%	762	50%	381
Pressure	switch	147	7	1998	163	200.6	23.1%	181	50%	90
JD	tractor	7,420	7	1999	166.6	200.6	20.4%	8,934	50%	4,467
Tools		823	7	1999	166.6	200.6	20.4%	991	50%	496
pump	part	240	10	2000	172.2	200.6	16.5%	280	50%	140
Tractor	Mower	961	10	2002	179.9	200.6	11.5%	1,071	60%	643
Dickson Recorder		608	7	2003	184	200.6	9.0%	663	57%	379
JD 300E B-Hoe		32,500	15	2004	188.9	200.6	6.2%	34,513	87%	29,911
2003 GMC		9,093	5	2005	195.3	200.6	2.7%	9,340	80%	7,472
2003 GMC		9,093	5	2005	195.3	200.6	2.7%	9,340	80%	7,472
Truck Transmission		2,266	5	2005	195.3	200.6	2.7%	2,328	80%	1,862
Total	Tools & Eq	76,026						\$ 116,001		\$ 77,112
CIAC	Mains	2,067	50	1941	22	418	1800.0%	\$ 39,279	50%	\$ 19,639
		1,639	50	1945	26	418	1507.7%	26,358	50%	13,179
		6,643	50	1946	30	418	1293.3%	92,562	50%	46,281
		5,270	50	1947	35	418	1094.3%	62,942	50%	31,471
		274	50	1948	41	418	919.5%	2,792	50%	1,396
		2,552	50	1950	43	418	872.1%	24,811	50%	12,405

South Shore Water Works Company
Asset Analysis

Description	Original Cost	Life	Year of Installation	Cost Index in Year of Purchase	Cost Index in 2006	% Increase In Cost	RCN	% Useful Life	RCNLD
	4,067	50	1953	49	418	753.1%	34,693	50%	17,346
	6,231	50	1954	52	418	703.8%	50,090	50%	25,045
	1,578	50	1955	54	418	674.1%	12,218	50%	6,109
	471	50	1956	58	418	620.7%	3,398	50%	1,699
	9,493	50	1957	60	418	596.7%	66,133	50%	33,067
	2,056	50	1960	68	418	514.7%	12,637	50%	6,318
	170	50	1961	70	418	497.1%	1,014	50%	507
	1,367	50	1963	74	418	464.9%	7,720	50%	3,860
	118	50	1963	74	418	464.9%	567	50%	333
	547	50	1964	75	418	457.3%	3,047	50%	1,523
	1,645	50	1965	75	418	457.3%	9,166	50%	4,583
	5,490	50	1966	76	418	450.0%	30,192	50%	15,096
	70,785	50	1966	76	418	450.0%	389,318	50%	194,659
	4,672	50	1970	85	418	391.8%	22,975	50%	11,488
	11,475	50	1971	94	418	344.7%	51,027	50%	25,514
	2,408	50	1971	94	418	344.7%	10,707	50%	5,353
	385	50	1972	98	418	326.5%	1,644	50%	822
	21,927	50	1973	100	418	318.0%	91,655	50%	45,828
	10,964	50	1974	132	418	216.7%	34,719	50%	17,360
	2,979	50	1975	150	418	178.7%	8,303	50%	4,151
	840	50	1976	157	418	166.2%	2,237	50%	1,118
	10,387	50	1977	164	418	154.9%	26,473	50%	13,237
	10,053	50	1977	164	418	154.9%	25,622	50%	12,811
	2,611	50	1978	177	418	136.2%	6,167	50%	3,083
	1,008	50	1984	236	418	77.1%	1,786	56%	1,000
	1,424	50	1984	236	418	77.1%	2,521	56%	1,412
	7,185	50	1984	236	418	77.1%	12,725	56%	7,126
	300	50	1984	236	418	77.1%	532	56%	298
	1,053	50	1984	236	418	77.1%	1,866	56%	1,045
	566	50	1984	236	418	77.1%	1,003	56%	562
	2,503	50	1984	236	418	77.1%	4,432	56%	2,482
	536	50	1984	236	418	77.1%	950	56%	532
	172	50	1984	236	418	77.1%	304	56%	170
	28,330	50	1985	241	418	73.4%	49,136	58%	28,499
	1,340	50	1986	237	418	76.4%	2,363	60%	1,418
	220	50	1986	237	418	76.4%	388	60%	233
	6,862	50	1986	237	418	76.4%	12,103	60%	7,262
	1,573	50	1986	237	418	76.4%	2,774	60%	1,665
	928	50	1986	237	418	76.4%	1,637	60%	982

South Shore Water Works Company
Asset Analysis

Description	Original Cost	Life	Year of Installation	Cost Index in Year of Purchase	Cost Index in 2006	% Increase In Cost	RCN	% Useful Life	RCNLD
	1,149	50	1987	244	418	71.3%	1,968	62%	1,220
	1,763	50	1988	260	418	60.8%	2,834	64%	1,814
	2,171	50	1988	260	418	60.8%	3,490	64%	2,234
	12,508	50	1988	260	418	60.8%	20,109	64%	12,870
	7,203	50	1988	260	418	60.8%	11,580	64%	7,411
	1,729	50	1988	260	418	60.8%	2,780	64%	1,779
	15,864	50	1966	76	418	450.0%	87,252	50%	43,626
	2,116	50	1992	272	418	53.7%	3,252	72%	2,342
	197	50	1992	272	418	53.7%	303	72%	218
	1,156	50	1992	272	418	53.7%	1,776	72%	1,279
	682	50	1993	279	418	49.8%	1,022	74%	756
	4,485	50	1993	279	418	49.8%	6,719	74%	4,972
	6,646	40	1995	284	418	47.2%	9,782	73%	7,092
	516	40	1996	289	418	44.6%	747	75%	560
	2,187	40	1996	289	418	44.6%	3,164	75%	2,373
	1,802	40	1996	289	418	44.6%	2,607	75%	1,955
	325	40	1997	296	418	41.2%	459	78%	356
	511	40	1997	296	418	41.2%	721	78%	559
	1,525	40	1997	296	418	41.2%	2,154	78%	1,669
	6,000	40	1997	296	418	41.2%	8,473	78%	6,567
	2,314	40	1997	296	418	41.2%	3,267	78%	2,532
	350	40	1997	296	418	41.2%	494	78%	383
	1,049	40	1997	296	418	41.2%	1,481	78%	1,148
	3,750	40	1997	296	418	41.2%	5,296	78%	4,104
	3,000	40	1997	296	418	41.2%	4,236	78%	3,283
	781	40	1997	296	418	41.2%	1,103	78%	855
	924	40	1997	296	418	41.2%	1,305	78%	1,011
	2,500	40	1997	296	418	41.2%	3,530	78%	2,736
	2,500	40	1997	296	418	41.2%	3,530	78%	2,736
	5,311	40	1997	296	418	41.2%	7,500	78%	5,812
	3,920	40	1997	296	418	41.2%	5,536	78%	4,290
	315	40	1997	296	418	41.2%	445	78%	345
	6,152	40	1997	296	418	41.2%	8,688	78%	6,733
	13,990	40	1997	296	418	41.2%	19,756	78%	15,311
K. Hollow Main	1,017	40	1998	299	418	39.8%	1,422	80%	1,137
K. Hollow Main	3,435	40	1998	299	418	39.8%	4,802	80%	3,842
SS Drive Alley	1,594	40	1998	299	418	39.8%	2,229	80%	1,783
K. Hollow Main	1,205	40	1998	299	418	39.8%	1,685	80%	1,348
Mains	2,196	40	1998	299	418	39.8%	3,070	80%	2,456

South Shore Water Works Company
Asset Analysis

Description	Original Cost	Life	Year of Installation	Cost Index in Year of Purchase	Cost Index in 2006	% Increase In Cost	RCN	% Useful Life	RCNLD
Mains	526	40	1998	299	418	39.8%	735	80%	588
Mains	1,701	40	1998	299	418	39.8%	2,378	80%	1,902
W. Oak Main	2,508	40	1998	299	418	39.8%	3,506	80%	2,805
Booster Main	817	40	1998	299	418	39.8%	1,142	80%	913
Booster Main	1,594	40	1998	299	418	39.8%	2,229	80%	1,783
Booster Main	1,780	40	1998	299	418	39.8%	2,488	80%	1,991
Mains	917	40	1998	299	418	39.8%	1,283	80%	1,026
Grant Ext.	4,445	40	1998	299	418	39.8%	6,214	80%	4,971
Grant Ext.	3,671	40	1998	299	418	39.8%	5,132	80%	4,105
Grant Ext.	4,100	40	1998	299	418	39.8%	5,732	80%	4,585
Grant Ext.	972	40	1998	299	418	39.8%	1,359	80%	1,087
Mains	201	40	1999	304	418	37.5%	277	83%	228
Mains	2,210	40	1999	304	418	37.5%	3,039	83%	2,507
Mains	6,954	40	1999	304	418	37.5%	9,562	83%	7,889
Mains	4,556	40	1999	304	418	37.5%	6,265	83%	5,168
Services	579	40	1999	263	418	58.9%	921	83%	759
	504	40	1999	263	418	58.9%	802	83%	661
	560	40	1999	263	418	58.9%	890	83%	735
	1,186	40	1999	263	418	58.9%	1,885	83%	1,555
	1,228	40	1999	263	418	58.9%	1,952	83%	1,610
	5,173	40	1999	263	418	58.9%	8,222	83%	6,783
	1,396	40	1999	263	418	58.9%	2,218	83%	1,830
	224	40	1999	263	418	58.9%	356	83%	294
	176	40	1999	263	418	58.9%	279	83%	230
Reservior	202	40	1999	288	418	45.1%	293	83%	241
Services	1,189	40	2000	271	418	54.2%	1,834	85%	1,559
Main Mat. Tank	6,334	40	2000	318	418	31.4%	8,326	85%	7,077
Services	731	40	2000	271	418	54.2%	1,128	85%	959
Services	595	40	2000	271	418	54.2%	918	85%	781
Services	270	40	2001	278	418	50.4%	406	88%	355
Services	798	40	2001	278	418	50.4%	1,200	88%	1,050
Services	1,701	40	2001	278	418	50.4%	2,558	88%	2,238
Services	240	40	2001	278	418	50.4%	361	88%	316
Meters	466	40	2001	206	418	102.9%	946	88%	828
Services	1,477	40	2001	278	418	50.4%	2,221	88%	1,943
Services	800	40	2001	278	418	50.4%	1,203	88%	1,053
Services	758	40	2001	278	418	50.4%	1,140	88%	997
Services	800	40	2002	298	418	40.3%	1,122	90%	1,010
Services	1,200	40	2002	298	418	40.3%	1,683	90%	1,515

South Shore Water Works Company
Asset Analysis

Description	Original Cost	Life	Year of Installation	Cost Index in Year of Purchase	Cost Index in 2006	% Increase In Cost	RCN	% Useful Life	RCNLD
Services	800	40	2002	298	418	40.3%	1,122	90%	1,010
Services	800	40	2002	298	418	40.3%	1,122	90%	1,010
Greenup 2 Taps	5,000	40	2002	298	418	40.3%	7,013	90%	6,312
Services	800	40	2002	298	418	40.3%	1,122	90%	1,010
Services	1,710	40	2002	298	418	40.3%	2,399	90%	2,159
Services	400	40	2002	298	418	40.3%	561	90%	505
Services	800	40	2002	298	418	40.3%	1,122	90%	1,010
Services	400	40	2003	289	418	44.6%	579	93%	535
Services	800	40	2003	289	418	44.6%	1,157	93%	1,070
Services	400	40	2003	289	418	44.6%	579	93%	535
Services	400	40	2003	289	418	44.6%	579	93%	535
Services	1,200	40	2003	289	418	44.6%	1,736	93%	1,605
Services	800	40	2003	289	418	44.6%	1,157	93%	1,070
Services	1,200	40	2004	319	418	31.0%	1,572	95%	1,494
Services	1,250	40	2004	319	418	31.0%	1,638	95%	1,556
Services	400	40	2004	319	418	31.0%	524	95%	498
Services	50	40	2004	319	418	31.0%	66	95%	62
Services	400	40	2004	319	418	31.0%	524	95%	498
Services	400	40	2004	319	418	31.0%	524	95%	498
Services	1,500	40	2004	319	418	31.0%	1,966	95%	1,867
Services	400	40	2004	319	418	31.0%	524	95%	498
Services	8,950	40	2005	342	418	22.2%	10,939	98%	10,665
Total CIAC	476,403						\$ 1,628,378		\$ 907,396
Total Plant	\$ 1,994,693						\$ 5,191,156		\$ 3,008,267

L i n e	CONSTRUCTION AND EQUIPMENT	N A R U C	COST INDEX NUMBERS													
			1	1	1	1	1	1	1	1	1	1	1	1	1	
			9	9	9	9	9	9	9	9	9	9	9	9	9	9
			2	3	4	5	6	7	8	9	0	1	2	3	4	5
1	Source of Supply Plant															
2	Collecting & Impounding Res	305	7	7	7	8	9	12	15	16	17	15	15	15	16	16
3																
4																
5																
6																
7	Pumping Plant															
8	Structures & Improvements	304	8	8	8	9	11	15	16	17	19	17	16	17	17	17
9	Electric Pumping Equipment	311	-	-	15	15	17	20	22	24	24	23	21	22	23	23
10																
11																
12																
13																
14	Water Treatment Plant															
15	Structures & Improvements	304	8	8	8	9	11	15	16	17	19	17	16	17	17	17
16	Large Treatment Plant Equip.	320	8	8	8	8	10	12	14	16	18	16	15	16	17	17
17	Small Treatment Plant Equip.	320	9	10	9	10	12	16	17	18	20	18	17	18	19	19
18																
19																
20																
21																
22	Transmission Plant															
23	Steel Reservoirs	330	4	4	4	12	15	17	19	20	15	13	12	13	13	13
24	Elevated Steel Tanks	330	4	4	4	11	14	16	18	19	16	13	11	12	11	10
25	Concrete Reservoirs	330	-	-	-	-	-	-	-	-	-	-	-	-	-	-
26																
27	Cast Iron Mains	331	-	-	-	-	-	-	-	-	-	-	-	-	-	-
28	Steel Mains	331	-	-	-	-	-	-	-	-	-	-	-	-	-	-
29	Concrete Cylinder Mains	331	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30																
31																
32																
33	Distribution Plant															
34	Mains-Average All Types	331	9	10	9	10	11	16	19	20	23	20	18	19	20	20
35	Cast Iron Mains	331	9	10	10	10	12	18	20	22	25	21	19	21	22	22
36	Cement-Asbestos Mains	331	-	-	-	-	-	-	-	-	-	-	-	-	-	-
37	Steel Mains	331	6	7	7	8	8	11	13	14	14	14	12	13	13	14
38	PVC Mains	331	-	-	-	-	-	-	-	-	-	-	-	-	-	-
39	Services Installed	333	5	6	6	6	6	8	10	11	11	11	10	10	10	11
40	Meters	334	23	23	23	23	26	29	35	37	37	37	37	37	37	37
41	Meter Installations	334	-	-	-	-	-	-	-	-	-	-	-	-	-	-
42	Hydrants Installed	335	-	-	-	-	-	-	-	-	-	-	-	-	-	-
43																
44																
45	Miscellaneous Items															
46	Flocculating Equipment-Installed		14	16	12	14	25	36	30	27	27	22	24	24	23	22
47	Clarifier Equipment-Installed		-	-	-	-	-	-	-	-	-	-	-	-	-	-
48	Filter Gallery Piping-Installed		8	9	8	9	10	13	17	19	21	19	17	19	20	19
49																
50																
51																
52																
53																
54																
55																
56																

L i n e	CONSTRUCTION AND EQUIPMENT	N A R R U C	COST INDEX NUMBERS													
			1	1	1	1	1	1	1	1	1	1	1	1	1	1
			9	9	9	9	9	9	9	9	9	9	9	9	9	9
			2	2	2	2	3	3	3	3	3	3	3	3	3	
			6	7	8	9	0	1	2	3	4	5	6	7	8	9
1	Source of Supply Plant															
2	Collecting & Impounding Res.	305	16	15	15	15	15	14	13	13	15	15	14	15	15	16
3																
4																
5																
6																
7	Pumping Plant															
8	Structures & Improvements	304	17	17	16	16	15	14	13	13	15	15	15	16	16	16
9	Electric Pumping Equipment	311	23	23	23	22	22	22	22	23	24	24	25	26	26	26
10																
11																
12																
13																
14	Water Treatment Plant															
15	Structures & Improvements	304	17	17	16	16	15	14	13	13	15	15	15	16	16	16
16	Large Treatment Plant Equip.	320	17	16	16	17	16	15	14	14	15	15	15	17	17	17
17	Small Treatment Plant Equip.	320	18	17	17	17	17	15	14	15	16	16	16	18	18	18
18																
19																
20																
21																
22	Transmission Plant															
23	Steel Reservoirs	330	12	12	12	12	11	10	9	9	12	11	12	14	14	14
24	Elevated Steel Tanks	330	11	10	10	10	10	9	8	8	10	10	11	12	13	13
25	Concrete Reservoirs	330	-	-	-	-	-	-	-	-	-	-	-	-	-	-
26																
27	Cast Iron Mains	331	-	-	-	-	-	-	-	-	-	-	-	-	-	-
28	Steel Mains	331	-	-	-	-	-	-	-	-	-	-	-	-	-	-
29	Concrete Cylinder Mains	331	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30																
31																
32																
33	Distribution Plant															
34	Mains-Average All Types	331	20	18	17	17	17	17	15	16	18	18	17	19	20	20
35	Cast Iron Mains	331	22	19	18	18	18	17	15	16	19	19	19	20	21	21
36	Cement-Asbestos Mains	331	-	-	-	-	-	-	-	-	-	-	26	28	29	29
37	Steel Mains	331	15	13	13	13	13	13	13	12	13	13	12	13	14	14
38	PVC Mains	331	-	-	-	-	-	-	-	-	-	-	-	-	-	-
39	Services Installed	333	12	10	10	11	10	11	10	9	10	11	10	11	11	11
40	Meters	334	37	37	37	37	37	37	37	35	26	26	26	31	32	32
41	Meter Installations	334	-	-	-	-	-	-	-	-	-	-	-	-	-	-
42	Hydrants Installed	335	-	-	-	-	-	-	-	-	-	-	-	-	-	-
43																
44																
45	Miscellaneous Items															
46	Flocculating Equipment-Installed		21	21	21	21	19	18	18	18	20	20	21	24	24	23
47	Clarifier Equipment-Installed		-	-	-	-	-	-	-	-	-	-	-	16	22	22
48	Filter Gallery Piping-Installed		20	18	17	17	17	16	15	16	17	17	17	19	19	19
49																
50																
51																
52																
53																
54																
55																
56																

L i n e	CONSTRUCTION AND EQUIPMENT	N A R U C	COST INDEX NUMBERS													
			1 9 4 0	1 9 4 1	1 9 4 2	1 9 4 3	1 9 4 4	1 9 4 5	1 9 4 6	1 9 4 7	1 9 4 8	1 9 4 9	1 9 5 0	1 9 5 1	1 9 5 2	1 9 5 3
			1	Source of Supply Plant												
2	Collecting & Impounding Res.	305	16	17	19	20	20	21	24	28	31	32	33	35	37	39
3																
4																
5																
6																
7	Pumping Plant															
8	Structures & Improvements	304	16	18	20	20	20	21	24	28	32	33	34	36	37	39
9	Electric Pumping Equipment	311	26	27	27	27	27	27	31	39	43	45	49	55	55	55
10																
11																
12																
13																
14	Water Treatment Plant															
15	Structures & Improvements	304	16	18	20	20	20	21	24	28	32	33	34	36	37	39
16	Large Treatment Plant Equip.	320	18	20	21	21	22	23	26	32	35	35	36	39	40	42
17	Small Treatment Plant Equip.	320	18	20	22	22	22	23	27	33	37	37	38	41	42	43
18																
19																
20																
21																
22	Transmission Plant															
23	Steel Reservoirs	330	14	16	16	13	14	16	20	26	29	27	28	30	31	32
24	Elevated Steel Tanks	330	12	15	15	14	15	14	17	23	26	25	26	28	29	31
25	Concrete Reservoirs	330	-	-	-	-	-	-	-	-	-	-	-	-	-	-
26																
27	Cast Iron Mains	331	-	-	-	-	-	-	-	-	-	-	-	44	45	46
28	Steel Mains	331	-	-	-	-	-	-	-	-	-	-	-	40	41	44
29	Concrete Cylinder Mains	331	-	-	-	-	-	-	-	-	-	-	-	46	47	49
30																
31																
32																
33	Distribution Plant															
34	Mains-Average All Types	331	20	22	24	24	25	26	30	35	41	43	43	46	47	49
35	Cast Iron Mains	331	21	23	25	26	27	28	32	40	46	46	46	50	51	53
36	Cement-Asbestos Mains	331	29	32	34	35	35	36	44	49	57	60	60	62	64	67
37	Steel Mains	331	14	15	17	17	18	19	21	24	28	31	30	32	34	37
38	PVC Mains	331	-	-	-	-	-	-	-	-	-	-	-	-	-	-
39	Services Installed	333	11	13	14	15	15	16	18	21	24	25	26	27	29	31
40	Meters	334	33	35	37	37	37	37	40	42	48	52	59	61	61	65
41	Meter Installations	334	-	-	-	-	-	-	-	-	-	33	34	37	38	40
42	Hydrants Installed	335	-	-	-	-	-	-	-	-	-	36	38	42	43	44
43																
44																
45	Miscellaneous Items															
46	Flocculating Equipment-Installed		24	25	26	26	26	29	32	37	42	43	43	46	47	49
47	Clarifier Equipment-Installed		23	25	26	26	26	28	31	36	41	42	42	45	45	47
48	Filter Gallery Piping-Installed		19	20	22	22	22	23	26	30	36	37	37	40	41	42
49																
50																
51																
52																
53																
54																
55																
56																

L i n e	CONSTRUCTION AND EQUIPMENT	N A R U C	COST INDEX NUMBERS													
			1	1	1	1	1	1	1	1	1	1	1	1	1	1
			9 5 4	9 5 5	9 5 6	9 5 7	9 5 8	9 5 9	9 6 0	9 6 1	9 6 2	9 6 3	9 6 4	9 6 5	9 6 6	9 6 7
1	Source of Supply Plant															
2	Collecting & Impounding Res	305	40	42	45	48	49	52	53	54	56	58	59	60	63	65
3																
4																
5																
6																
7	Pumping Plant															
8	Structures & Improvements	304	41	42	46	48	50	51	52	53	54	55	56	57	59	60
9	Electric Pumping Equipment	311	55	56	63	69	73	74	74	71	71	71	73	74	78	81
10																
11																
12																
13																
14	Water Treatment Plant															
15	Structures & Improvements	304	41	42	46	48	50	51	52	53	54	55	56	57	59	60
16	Large Treatment Plant Equip.	320	43	45	47	49	51	53	55	56	58	60	61	63	65	67
17	Small Treatment Plant Equip.	320	45	46	49	51	52	54	56	58	60	61	62	64	66	69
18																
19																
20																
21																
22	Transmission Plant															
23	Steel Reservoirs	330	32	33	38	42	37	36	35	35	35	41	44	45	46	47
24	Elevated Steel Tanks	330	31	33	35	38	38	38	38	37	36	37	38	38	41	44
25	Concrete Reservoirs	330	-	-	-	-	-	-	-	-	-	-	-	-	-	-
26																
27	Cast Iron Mains	331	49	52	55	58	60	62	64	66	67	67	68	69	71	73
28	Steel Mains	331	46	48	50	54	56	58	59	59	60	60	61	62	65	67
29	Concrete Cylinder Mains	331	51	52	55	57	59	61	62	63	63	63	63	65	67	71
30																
31																
32																
33	Distribution Plant															
34	Mains-Average All Types	331	52	54	58	60	63	66	68	70	72	74	75	75	76	76
35	Cast Iron Mains	331	56	59	63	66	69	71	73	76	78	80	80	81	81	82
36	Cement-Asbestos Mains	331	68	70	74	78	81	85	87	88	90	92	91	84	85	84
37	Steel Mains	331	39	41	44	47	49	52	53	56	58	60	61	63	64	66
38	PVC Mains	331	-	-	-	-	-	-	-	-	-	-	-	-	-	-
39	Services Installed	333	33	34	37	39	41	43	45	47	49	51	53	54	56	59
40	Meters	334	67	70	77	78	78	78	78	78	84	87	87	93	101	101
41	Meter Installations	334	41	43	46	48	49	51	53	50	54	55	55	59	63	65
42	Hydrants Installed	335	45	45	49	50	52	54	55	56	56	57	57	58	61	64
43																
44																
45	Miscellaneous Items															
46	Flocculating Equipment-Installed		50	51	55	56	57	58	58	59	60	61	63	64	65	66
47	Clarifier Equipment-Installed		48	48	52	53	55	56	57	57	58	59	61	62	63	64
48	Filter Gallery Piping-Installed		45	46	48	51	53	55	56	57	58	59	59	61	63	65
49																
50																
51																
52																
53																
54																
55																
56																

L i n e	CONSTRUCTION AND EQUIPMENT	N A R R O C	COST INDEX NUMBERS														
			1	1	1	1	1	1	1	1	1	1	1	1	1		
			9 6 8	9 6 9	9 7 0	9 7 1	9 7 2	9 7 3	9 7 4	9 7 5	9 7 6	9 7 7	9 7 8	9 7 9	9 8 0	9 8 1	
1	Source of Supply Plant																
2	Collecting & Impounding Res.	305	68	72	76	83	92	100	116	129	132	141	152	167	182	198	
3																	
4																	
5																	
6																	
7	Pumping Plant																
8	Structures & Improvements	304	64	70	73	81	93	100	115	127	131	139	152	164	179	191	
9	Electric Pumping Equipment	311	81	84	89	93	96	100	122	155	174	184	192	205	222	245	
10																	
11																	
12																	
13																	
14	Water Treatment Plant																
15	Structures & Improvements	304	64	70	73	81	93	100	115	127	131	139	152	164	179	191	
16	Large Treatment Plant Equip.	320	69	74	80	88	95	100	119	138	149	157	168	181	198	217	
17	Small Treatment Plant Equip.	320	71	75	80	89	95	100	121	142	154	164	177	191	211	232	
18																	
19																	
20																	
21																	
22	Transmission Plant																
23	Steel Reservoirs	330	49	53	75	82	85	100	140	159	171	172	173	178	191	208	
24	Elevated Steel Tanks	330	48	55	71	80	86	100	152	183	182	183	195	206	228	250	
25	Concrete Reservoirs	330	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
26																	
27	Cast Iron Mains	331	74	79	84	91	94	100	132	140	144	150	159	167	184	202	
28	Steel Mains	331	68	74	79	87	93	100	114	125	132	138	150	164	181	201	
29	Concrete Cylinder Mains	331	72	78	79	87	93	100	114	135	138	137	146	162	178	194	
30																	
31																	
32																	
33	Distribution Plant																
34	Mains-Average All Types	331	78	81	85	94	98	100	132	150	157	164	177	189	206	223	
35	Cast Iron Mains	331	83	84	88	97	99	100	144	161	165	169	180	187	204	222	
36	Cement-Asbestos Mains	331	85	88	89	97	98	100	129	151	162	171	180	206	217	228	
37	Steel Mains	331	68	73	79	88	96	100	116	132	144	155	170	186	205	223	
38	PVC Mains	331	-	-	-	-	-	-	25	100	104	107	112	122	131	138	
39	Services Installed	333	65	70	76	83	92	100	113	123	132	143	148	156	176	193	
40	Meters	334	101	106	108	108	106	100	93	93	98	101	105	108	122	127	
41	Meter Installations	334	68	74	80	87	94	100	115	126	134	144	151	162	180	196	
42	Hydrants Installed	335	68	73	80	89	95	100	125	147	162	172	188	199	214	232	
43																	
44																	
45	Miscellaneous Items																
46	Flocculating Equipment-Installed		67	72	79	90	97	100	139	173	194	216	244	289	353	413	
47	Clarifier Equipment-Installed		65	70	79	91	97	100	139	166	180	197	208	229	270	311	
48	Filter Gallery Piping-Installed		67	73	79	88	96	100	121	134	139	146	155	162	175	194	
49																	
50																	
51																	
52																	
53																	
54																	
55																	
56																	

L i n e	CONSTRUCTION AND EQUIPMENT	N A R U C	COST INDEX NUMBERS													
			1988		1989		1990		1991							
			1 9 8 2	1 9 8 3	1 9 8 4	1 9 8 5	1 9 8 6	1 9 8 7	Jan 1	Jul 1	Jan 1	Jul 1	Jan. 1	Jul. 1		
1	Source of Supply Plant															
2	Collecting & Impounding Res	305	205	208	213	220	222	222	225	235	236	234	241	238	237	227
3																
4																
5																
6																
7	Pumping Plant															
8	Structures & Improvements	304	195	201	208	214	217	219	221	227	227	237	237	235	232	232
9	Electric Pumping Equipment	311	260	271	277	282	284	299	330	303	309	336	340	349	357	350
10																
11																
12																
13																
14	Water Treatment Plant															
15	Structures & Improvements	304	195	201	208	214	217	219	221	227	227	237	237	235	232	232
16	Large Treatment Plant Equip.	320	232	244	248	255	258	263	266	271	275	285	289	288	288	290
17	Small Treatment Plant Equip.	320	248	261	265	273	276	281	284	290	294	303	306	306	303	304
18																
19																
20																
21																
22	Transmission Plant															
23	Steel Reservoirs	330	210	182	184	181	184	196	215	221	223	209	221	232	232	259
24	Elevated Steel Tanks	330	244	197	200	198	207	219	252	261	267	267	269	281	281	286
25	Concrete Reservoirs	330	-	-	-	-	-	-	-	-	-	-	-	-	-	-
26																
27	Cast Iron Mains	331	214	225	224	231	227	232	235	242	247	253	256	254	256	255
28	Steel Mains	331	218	222	225	224	219	226	230	237	243	251	253	254	256	259
29	Concrete Cylinder Mains	331	208	214	215	224	230	231	241	243	247	253	255	256	259	265
30																
31																
32																
33	Distribution Plant															
34	Mains-Average All Types	331	230	236	236	241	237	244	250	260	268	272	275	272	273	274
35	Cast Iron Mains	331	225	244	246	254	247	253	255	265	272	278	282	278	280	280
36	Cement-Asbestos Mains	331	226	217	220	219	213	233	258	267	295	291	293	286	282	280
37	Steel Mains	331	241	230	227	229	230	233	240	248	251	255	257	256	258	261
38	PVC Mains	331	134	147	144	144	142	150	174	183	214	206	204	198	191	189
39	Services Installed	333	200	204	207	206	206	212	215	220	215	223	234	226	220	224
40	Meters	334	128	141	148	135	135	137	142	142	135	143	178	150	156	164
41	Meter Installations	334	208	222	229	230	234	238	243	246	247	252	252	255	260	263
42	Hydrants Installed	335	252	270	271	281	290	299	307	310	322	332	341	346	349	350
43																
44																
45	Miscellaneous Items															
46	Flocculating Equipment-Installed		464	500	507	538	555	569	570	570	569	571	560	561	512	501
47	Clarifier Equipment-Installed		354	382	387	415	421	425	427	428	426	429	427	415	391	380
48	Filter Gallery Piping-Installed		204	216	215	220	217	220	222	228	231	237	236	238	238	239
49																
50																
51																
52																
53																
54																
55																
56																

L i n e	CONSTRUCTION AND EQUIPMENT	N A R U C	COST INDEX NUMBERS													
			1992		1993		1994		1995		1996		1997		1998	
			Jan 1	Jul 1	Jan 1	Jul 1	Jan 1	Jul 1	Jan 1	Jul 1	Jan 1	Jul 1	Jan 1	Jul 1	Jan 1	Jul 1
1	Source of Supply Plant															
2	Collecting & Impounding Res.	305	225	232	236	240	245	250	258	258	259	268	273	274	276	276
3																
4																
5																
6																
7	Pumping Plant															
8	Structures & Improvements	304	230	236	243	247	253	259	265	264	269	270	276	277	281	280
9	Electric Pumping Equipment	311	363	370	369	378	420	426	438	437	454	446	454	476	485	486
10																
11																
12																
13																
14	Water Treatment Plant															
15	Structures & Improvements	304	230	236	243	247	253	259	265	264	269	270	276	277	281	280
16	Large Treatment Plant Equip.	320	293	298	299	304	303	303	309	310	315	318	324	333	338	339
17	Small Treatment Plant Equip.	320	307	312	314	318	318	319	323	322	327	330	336	344	353	353
18																
19																
20																
21																
22	Transmission Plant															
23	Steel Reservoirs	330	262	264	254	246	246	246	246	250	251	251	251	251	268	268
24	Elevated Steel Tanks	330	286	284	254	249	242	242	243	251	265	269	269	271	279	283
25	Concrete Reservoirs	330	-	-	-	-	-	-	-	-	-	-	-	-	-	-
26																
27	Cast Iron Mains	331	256	257	262	268	272	276	281	270	275	277	286	286	289	288
28	Steel Mains	331	257	261	267	266	282	281	290	290	289	294	299	300	305	304
29	Concrete Cylinder Mains	331	267	268	273	276	280	282	286	286	292	293	296	298	304	305
30																
31																
32																
33	Distribution Plant															
34	Mains-Average All Types	331	269	272	275	280	281	283	287	282	286	288	295	295	300	299
35	Cast Iron Mains	331	281	282	285	290	293	298	302	290	295	297	306	306	310	310
36	Cement-Asbestos Mains	331	257	257	263	276	270	268	281	283	292	292	296	299	301	300
37	Steel Mains	331	254	261	264	266	266	267	266	270	271	273	278	275	283	281
38	PVC Mains	331	162	163	166	177	169	164	176	181	187	187	189	192	190	191
39	Services Installed	333	227	229	233	234	245	244	248	260	266	271	275	274	282	282
40	Meters	334	164	207	207	201	171	171	188	201	210	210	197	197	197	197
41	Meter Installations	334	266	269	274	277	280	283	287	290	300	302	304	306	312	312
42	Hydrants Installed	335	351	352	354	356	355	354	362	361	365	365	430	440	456	456
43																
44																
45	Miscellaneous Items															
46	Flocculating Equipment-Installed		502	516	517	531	531	532	533	531	544	547	548	570	582	581
47	Clarifier Equipment-Installed		381	405	405	423	426	456	465	462	492	494	496	516	523	522
48	Filter Gallery Piping-Installed		242	242	244	247	249	252	254	246	252	253	258	261	264	264
49																
50																
51																
52																
53																
54																
55																
56																

COST TRENDS OF WATER UTILITY CONSTRUCTION

SOUTH ATLANTIC REGION (1973=100)

L i n e	CONSTRUCTION AND EQUIPMENT	N A R U C	COST INDEX NUMBERS													
			1999		2000		2001		2002		2003		2004		2005	
			Jan 1	Jul 1	Jan 1	Jul 1	Jan. 1	Jul. 1	Jan. 1	Jul. 1	Jan. 1	Jul. 1	Jan. 1	Jul. 1	Jan 1	Jul. 1
1	Source of Supply Plant															
2	Collecting & Impounding Res.	305	278	280	288	289	291	295	296	298	295	298	316	322	330	338
3																
4																
5																
6																
7	Pumping Plant															
8	Structures & Improvements	304	289	288	295	309	313	319	319	326	326	324	339	355	370	375
9	Electric Pumping Equipment	311	499	499	523	532	531	531	516	533	534	546	547	569	604	611
10																
11																
12																
13																
14	Water Treatment Plant															
15	Structures & Improvements	304	289	288	295	309	313	319	319	326	326	324	339	355	370	375
16	Large Treatment Plant Equip.	320	353	353	360	361	370	375	379	387	386	388	403	406	416	417
17	Small Treatment Plant Equip.	320	365	365	372	376	385	390	392	400	399	400	417	424	440	443
18																
19																
20																
21																
22	Transmission Plant															
23	Steel Reservoirs	330	268	268	268	270	270	275	275	275	275	275	278	313	329	338
24	Elevated Steel Tanks	330	285	288	292	300	305	314	429	429	429	429	438	481	524	524
25	Concrete Reservoirs	330	-	-	-	-	-	-	-	-	-	-	-	-	-	-
26																
27	Cast Iron Mains	331	293	293	299	314	317	323	326	347	346	340	348	347	368	372
28	Steel Mains	331	307	311	322	338	341	345	347	357	356	351	377	393	461	460
29	Concrete Cylinder Mains	331	308	312	317	332	358	364	368	380	378	372	381	389	397	402
30																
31																
32																
33	Distribution Plant															
34	Mains-Average All Types	331	312	304	308	318	323	326	331	343	340	338	350	361	393	395
35	Cast Iron Mains	331	315	315	320	330	333	338	343	362	359	356	368	364	392	395
36	Cement-Asbestos Mains	331	301	303	313	321	335	334	342	362	357	350	364	367	388	391
37	Steel Mains	331	311	287	287	298	302	304	308	306	305	305	315	354	395	396
38	PVC Mains	331	192	192	201	201	215	213	218	227	225	220	230	232	248	249
39	Services Installed	333	286	263	269	271	275	278	281	298	286	289	315	319	338	342
40	Meters	334	197	197	200	206	206	206	207	207	207	207	207	207	207	207
41	Meter Installations	334	321	312	320	322	330	331	334	342	340	343	361	367	373	383
42	Hydrants Installed	335	475	473	488	489	505	517	520	530	526	526	542	550	559	560
43																
44																
45	Miscellaneous Items															
46	Flocculating Equipment-Installed	603	604	607	607	626	627	633	646	642	642	685	717	762	762	
47	Clarifier Equipment-Installed	523	524	536	537	544	545	552	567	564	566	596	599	654	654	
48	Filter Gallery Piping-Installed	278	274	284	283	292	294	300	315	311	310	336	333	347	347	
49																
50																
51																
52																
53																
54																
55																
56																

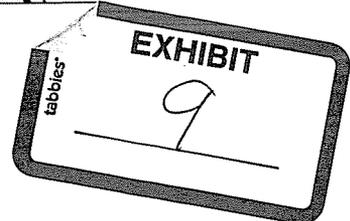
City of South Shore
Greenup County, Kentucky
Regular Audit
For the Fiscal Year Ended June 30, 2011



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City of South Shore
Table of Contents
For the Fiscal Year Ended June 30, 2011

<u>Title</u>	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-Wide Statements	
Statement of Net Assets	11
Statement of Activities	12
Fund Statements	
Balance Sheet – Governmental Funds	13
Reconciliation of Fund Balances of Total Governmental Funds to Net Assets of Governmental Activities	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Fund Net Assets – Proprietary Fund	16
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund	17
Statement of Cash Flows – Proprietary Fund	18
Notes to the Basic Financial Statements	19
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	29
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Special Revenue Fund	30
Notes to the Required Supplementary Information	31
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	32
Schedule of Findings and Responses	34
Schedule of Prior Audit Findings	36



Independent Auditor's Report

City of South Shore
69 Narco Drive
PO Box 516
South Shore, Kentucky 41175

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of the City of South Shore, Kentucky (the City) as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions 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 the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the City of South Shore, Kentucky, as of June 30, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2012 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison for the general and special revenue funds are not required parts 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 required supplementary information. However, we did not audit the information and express no opinion on it.

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City of South Shore
Independent Auditor's Report

As described in Note 11, the City has implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc
October 4, 2012

City of South Shore, Kentucky
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Our discussion and analysis of City of South Shore's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

- Net assets of governmental activities increased \$62,638. Net assets of business-type activities increased \$503,923.
- General revenues accounted for \$187,885 or 65 percent of total revenues of governmental activities. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$103,029 or 35 percent of total revenues of \$290,914 from governmental activities.
- General revenues accounted for \$5,954 or 1 percent of total revenues of business-type activities. Program specific revenues in the form of charges for services and capital grants and contributions accounted for \$980,179 or 99 percent of total revenues of \$986,133 from governmental activities.
- The City had \$225,639 in expenses related to governmental activities, \$103,029 of these expenses was offset by program specific charges for services and operating grants and contributions. General revenues of \$187,885 were adequate to provide for the rest of these programs.
- The City had \$482,210 in expenses related to business-type activities, all of these expenses was offset by program specific charges for services and capital grants and contributions.
- The resources available for appropriation were \$74,477 more than budgeted for the general fund. However, expenditures were kept within spending limits primarily through a hiring and overtime freeze.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities (on pages 11 and 12) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 13. For governmental funds, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 4. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The statement of net assets and the statement of activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in those assets. You can think of the City's net assets—the difference between assets and liabilities—as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

City of South Shore, Kentucky
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Table 1

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Assets						
Current and other assets	\$173,605	\$96,520	\$177,770	\$205,186	\$351,375	\$301,706
Capital assets, net	214,283	234,451	2,818,786	2,430,654	3,033,069	2,665,105
Total Assets	387,888	330,971	2,996,556	2,635,840	3,384,444	2,966,811
Liabilities						
Long-term debt	0	0	336,716	464,349	336,716	464,349
Other liabilities	8,796	14,517	7,434	23,008	16,230	37,525
Total liabilities	8,796	14,517	344,150	487,357	352,946	501,874
Net assets						
Invested in capital assets, net of related debt	214,283	234,451	2,482,070	1,966,305	2,696,353	2,200,756
Restricted	14,669	12,246	0	0	14,669	12,246
Unrestricted	150,140	69,757	170,336	182,178	320,476	251,935
Total net assets	\$379,092	\$316,454	\$2,652,406	\$2,148,483	\$3,031,498	\$2,464,937

Net assets of the City's governmental activities increased by 20 percent (\$379,092 compared to \$316,454). Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—changed from \$69,757 at June 30, 2010, to \$150,140 at the end of this year.

The net assets of our business-type activities increased by 23 percent (\$2,652,406 compared to \$2,148,483) in 2011. Most of this increase was due to an increase in capital grants and contributions.

Table 2

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Revenues						
Taxes and assessments	\$139,991	\$118,113	\$0	\$0	\$139,991	\$118,113
Licenses, fees, and permits	10,097	9,084	0	0	10,097	9,084
Operating grants	49,519	40,496	0	0	49,519	40,496
Capital grants	0	0	547,528	117,201	547,528	117,201
Charges for services	53,510	49,981	432,651	490,471	486,161	540,452
Interest	89	12	1,069	1,849	1,158	1,861
Extraordinary items	32,312	0	2,041	0	34,353	0
Miscellaneous	5,396	5,646	207	0	5,603	5,646
Total Revenues	290,914	223,332	983,496	609,521	1,274,410	832,853

City of South Shore, Kentucky
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Business-Type Activities

Revenues of the City's business-type activities (see Table 2) increased by 61 percent and expenses increased by 5 percent. The factors driving these results include:

- The City received additional grants
- The lift stations were 40 years old and required increased amount of repairs, maintenance and supply costs

THE CITY'S FUNDS

The City's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues, other financing sources and extraordinary items of \$293,832 and total expenditures and other financial uses of \$211,051.

The general fund is the primary operating fund of the City. At the end of 2011, this fund had an unassigned fund balance of \$149,465, which increased \$78,051 from the prior year.

The special revenue fund accounts for road aid funds received from the State. At the end of 2011, this fund had a fund balance of \$16,976, which increased \$4,730 from the prior year.

The City's proprietary fund is accounted for using the accrual basis of accounting. The City's proprietary fund is the enterprise solid waste fund. This fund had total revenues and extraordinary items of \$986,133 and total expenses of \$482,210. This fund's net assets increased \$503,923 due to an increase in intergovernmental revenues.

GENERAL FUND BUDGETING HIGHLIGHTS

The City's budget is prepared in accordance with Kentucky law and in accordance with the modified accrual basis of accounting. The most significant budgeted fund is the general fund. During 2011, the City amended its general fund budget.

For the general fund, final budgeted revenues totaled \$227,552, which was \$2,170 lower than reported revenues. This difference was due primarily to higher than anticipated licenses, fees and permits. Final budgeted appropriations totaled \$203,105, which was \$20,456 higher than reported expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2011, the City had \$3,033,069 invested in a broad range of capital assets, including police and fire equipment, buildings, streets, and solid waste infrastructure. (See Table 4 below.) This amount represents a net increase (including additions and deductions) of just under \$370,000 or 14 percent over from last year.

City of South Shore, Kentucky
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

The minimum annual debt related payments for the business-type activities are as follows

Year Ending June 30	Principal	Interest	Total
2012	\$130,471	\$6,117	\$136,588
2013	132,854	3,396	136,250
2014	9,225	1,280	10,505
2015	9,392	1,112	10,504
2016	9,561	942	10,503
2017-2020	45,213	2,059	47,272
Total	<u>\$336,716</u>	<u>\$14,906</u>	<u>\$351,622</u>

Other obligations include accrued vacation pay and sick leave. More detailed information about the City's long-term liabilities is presented in Note 6 to the basic financial statements.

ECONOMIC FACTORS AND 2011 BUDGET

Sewer rates remained at the same level as 2010 with the minimum rate of \$20.50 for the first 1,000 gallons and \$6.00 per thousand, thereafter. The City has been working with a grant writer to secure a Community Development Block Grant for \$325,000 which has a 50 percent match requirement. The City pledged their HUD 380 Grant of \$200,000 and the \$125,000 remaining of the HUD Grant. The \$650,000 will be used to replace the 3 lift stations that are inside the City limits. By replacing the 40 year old lift stations, the City will reduce repair, maintenance, and electricity costs needed to run these stations.

The City's Road Department purchased a new salt spreader and blade which permits them to maintain the City's roads. The City was able to gravel most of their alleys.

The City is expecting to have funds available at year-end. During budget planning, consideration was given to setting aside funds for a new City building and road resurfacing.

The City's equipment, including the backhoe, is aging and in need of repairs. The City is reviewing the options of purchasing a new backhoe or repairing the one they currently own.

The City has amended the 2010/2011 budget to reflect the decrease in revenue that was projected and adjusted expenditures to match revenue.

City of South Shore, Kentucky
Statement of Net Assets
June 30, 2011

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets			
Cash, including time deposits	\$154,524	\$14,702	\$169,226
Receivables, net			
Tax	2,750	0	2,750
Accounts	16,331	74,051	90,382
Total current assets	173,605	88,753	262,358
Noncurrent assets			
Restricted assets			
Cash, including time deposits	0	89,017	89,017
Capital assets			
Land and construction in progress	128,425	590,668	719,093
Equipment, net	23,139	274,623	297,762
Infrastructure, net	49,380	541,182	590,562
Other capital assets, net	13,339	1,412,313	1,425,652
Total noncurrent assets	214,283	2,907,803	3,122,086
Total assets	387,888	2,996,556	3,384,444
Liabilities			
Current liabilities			
Accounts payable	6,714	6,731	13,445
Accrued liabilities	450	703	1,153
Notes payable	0	130,471	130,471
Total current liabilities	7,164	137,905	145,069
Noncurrent liabilities			
Compensated absences	1,632	0	1,632
Notes payable	0	206,245	206,245
Total noncurrent liabilities	1,632	206,245	207,877
Total liabilities	8,796	344,150	352,946
Net assets			
Invested in capital assets, net of related debt	214,283	2,482,070	2,696,353
Restricted for street maintenance and repairs	14,669	0	14,669
Unrestricted	150,140	170,336	320,476
Total net assets	\$379,092	\$2,652,406	\$3,031,498

See accompanying notes to the basic financial statements.

City of South Shore, Kentucky
Balance Sheet
Governmental Funds
June 30, 2011

	General Fund	Special Revenue Fund	Total Governmental Funds
Assets			
Cash, including time deposits	\$139,855	\$14,669	\$154,524
Receivables, net			
Tax	2,750	0	2,750
Other	14,024	2,307	16,331
Total assets	<u>\$156,629</u>	<u>\$16,976</u>	<u>\$173,605</u>
Liabilities			
Accounts payable	\$6,714	\$0	\$6,714
Accrued liabilities	450	0	450
Total liabilities	<u>7,164</u>	<u>0</u>	<u>7,164</u>
Fund balances			
Restricted for Street Maintenance	0	16,976	16,976
Unassigned	149,465	0	149,465
Total fund balances	<u>149,465</u>	<u>16,976</u>	<u>166,441</u>
Total liabilities and fund balances	<u>\$156,629</u>	<u>\$16,976</u>	<u>\$173,605</u>

*Reconciliation of Fund Balances of Total Governmental Funds to
Net Assets of Governmental Activities*

Fund balance - total governmental funds	\$166,441
Amounts reported for governmental activities in the statement of net assets are different because	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds	214,283
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds	
Compensated absences	<u>(1,632)</u>
Net assets of governmental activities	<u>\$379,092</u>

See accompanying notes to the basic financial statements

City of South Shore, Kentucky
*Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2011*

Net change in fund balances - total governmental funds \$82,781

Amounts reported for governmental activities in the statement of activities are different because:

Payment of capital outlay is an expenditure in the governmental funds, but increases the capital asset in the statement of net assets and depreciates over its useful life.

Capital outlay	19,767
Depreciation	(19,119)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds

Book value of disposed assets	(20,816)
Decrease in compensated absences	25

Change in net assets governmental activities	<u>\$62,638</u>
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See accompanying notes to the basic financial statements

City of South Shore, Kentucky
*Statement of Revenues, Expenses and Changes in
Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2011*

	Solid Waste Fund
Operating revenues	
Charges for services	\$432,651
Total operating revenues	432,651
 Operating expenses	
Salaries and wages	31,832
Advertising	1,187
Professional services	561
Insurance	3,288
Utilities	13,429
Materials and supplies	7,253
Repairs and maintenance	22,258
Office expense	3,376
Fuel	516
Taxes	2,796
Contracted services	215,997
Depreciation	170,062
Total operating expenses	472,555
Operating income	(39,904)
 Nonoperating income (expenses)	
Intergovernmental	547,528
Other revenue	77
Gain on sale of assets	130
Transfer In	2,637
Interest income	1,069
Interest expense	(9,655)
Total nonoperating revenues (expenses)	541,786
Change in net assets	501,882
Extraordinary Item	2,041
Change in net assets	503,923
Net assets at beginning of year	2,148,483
Net assets at end of year	\$2,652,406

See accompanying notes to the basic financial statements

City of South Shore, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The City of South Shore, Kentucky ("the City") was incorporated July 2, 1957, as a city of the sixth (6th) class under the laws of the State of Kentucky and became a fifth (5th) class city in April 1990. The City operates under Mayor - Commission form of government and provides the following services:

- Public safety (police)
- Streets and general administrative services
- Sanitation

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989 to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The most significant of the City's accounting policies are described below.

Reporting Entity

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

Basic Financial Statements

The basic financial statements consist of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

City of South Shore, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. On the government-wide statement of net assets and the statement of activities, both governmental and business-type activities are presented using the “economic resources” measurement focus as defined below. In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate.

- The governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on its balance sheet. Its operating statement presents sources and uses of available spendable financial resources during a given period. This fund uses fund balance as its measure of available spendable financial resources at the end of the period.
- The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of the operating income, changes in net assets, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the government-wide statement of net assets and statement of activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within current period or within sixty days after year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Assets, Liabilities, and Equity

Cash and Investments

For the purpose of the statement of net assets, “cash, including time deposits” includes all demand accounts, savings accounts, and certificates of deposit of the City. For the purpose of the proprietary fund statement of cash flows, “cash, including time deposits” include all demand and savings accounts and certificates of deposit.

Kentucky Revised Statute 66.480 authorizes the City to invest in obligations of the United States and its agencies, certificates of deposit or interest-bearing accounts at banks or savings and loan institutions insured by the FDIC, uncollateralized certificates of deposit, bankers acceptances, or commercial paper issued by any bank or savings and loan institution rated in the highest three categories by a nationally recognized rating agency, bonds or certificates of indebtedness of the Commonwealth of Kentucky and its agencies, securities issued by a state or local government or

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Generally all employees are entitled to their vacation leave balance upon termination. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

Equity Classifications

In the government-wide statements, equity is classified as net assets and displayed in three components:

- 1) Invested in capital assets, net of related debt—Consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any debt that is attributable to the acquisition, construction, or improvement of those assets.
- 2) Restricted net assets—Consist of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or laws through constitutional provisions or enabling legislation.
- 3) Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Balances

For June 30, 2011, fund balance is divided into five classifications based primarily on the extent to which the City must observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The City classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted – Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.

Committed – Trustees can *commit* amounts via formal action (resolution). The City must adhere to these commitments unless the Trustees amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned – Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the General Fund report all fund balances as *assigned* unless they are restricted or committed. In the General Fund, *assigned* amounts represent intended uses established by the City Trustees or a City official delegated that authority by resolution, or by State statute.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

City of South Shore, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

activities. Interfund transfers between governmental activities and business-type activities are reported in the same manner as general revenues.

Extraordinary Item

During the fiscal year the City's main building that housed the City offices and police station caught fire. The building was destroyed and the City received insurance proceeds from the loss.

NOTE 2 — USE OF ESTIMATES

The preparation of basic financial statements in conformance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 — DEPOSITS AND INVESTMENTS

The City deposits its operating cash in demand deposit accounts, interest bearing checking accounts, and savings accounts at local financial institutions. At June 30, 2011, the carrying amount of the City's deposits with financial institutions was \$258,243 and the bank amount was \$285,396. The bank balance was fully insured or collateralized with securities held by the depository institutions in the City's name. The carrying amount reported in the financial statements also include \$216 in petty cash on hand.

NOTE 4 — CAPITAL ASSETS

Governmental Activities
Historical Cost
Summary of Capital Asset Balances

Class	Balance 6/30/10	Additions	Deletions	Balance 6/30/11
Capital assets not being depreciated				
Land	\$125,000	\$3,425	\$0	\$128,425
Total	125,000	3,425	0	128,425
Capital assets being depreciated				
Buildings and improvements	23,027	3,329	(23,027)	3,329
Machinery and equipment	51,582	13,013	(2,986)	61,609
Infrastructure	59,700	0	0	59,700
Automobiles and trucks	52,970	0	0	52,970
Total	187,279	16,342	(26,013)	177,608
Total cost	312,279	19,767	(26,013)	306,033
Accumulated depreciation				
Buildings and improvements	(3,651)	(83)	3,651	(83)
Machinery and equipment	(32,908)	(7,108)	1,546	(38,470)
Infrastructure	(7,335)	(2,985)	0	(10,320)
Automobiles and trucks	(33,934)	(8,943)	0	(42,877)
Total	(77,828)	(19,119)	5,197	(91,750)
Net capital assets	\$234,451	\$648	(\$20,816)	\$214,283

City of South Shore, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 6 — LONG-TERM LIABILITIES (Continued)

The minimum annual debt related payments for the business-type activities are as follows

Year Ending June 30	Principal	Interest	Total
2012	\$130,471	\$6,117	\$136,588
2013	132,854	3,396	136,250
2014	9,225	1,280	10,505
2015	9,392	1,112	10,504
2016	9,561	942	10,503
2017-2020	45,213	2,059	47,272
Total	<u>\$336,716</u>	<u>\$14,906</u>	<u>\$351,622</u>

On April 1, 1992 the City entered into an agreement with the Kentucky Infrastructure Authority (KIA) to fund the construction of a wastewater treatment plant, with the KIA loan not to exceed \$1,924,359. The City, therefore, established a special account for "maintenance and replacement reserve" and agreed to deposit an amount equal to 10 percent of each scheduled loan payment until the amount on deposit in such fund was equal to 5 percent of the original principal amount of the loan

A 2.1 percent wastewater revolving loan from Kentucky Infrastructure Authority of \$2,028,845 was repayable in semi-annual installments of approximately \$65,000 through June 1, 2013. Interest payments must be made six months from the initial draw of funds and each six months thereafter, until the loan is repaid. The debt is secured by revenues from the system

A 1.8 percent loan from Kentucky Infrastructure Authority of \$183,169 was repayable in semi-annual installments of approximately \$5,000 through June 1, 2021. Interest payments must be made six months from the initial draw of funds and each six months thereafter, until the loan is repaid. The debt is secured by revenues from the system

Compensated absences will be paid from the fund from which the employee's salary is paid, with the most significant funds being the general fund and the solid waste fund

NOTE 7 — SEWER TAP FEES

Sewer tap fees represent deposits made by customers that are to be used solely for construction costs associated with the extension of sewer lines to customer homes.

NOTE 8 — STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Stewardship

The City operates under an annual budget as required by Section 91A.030 of the Kentucky Revised Statutes

Compliance

Debt Covenants

The City failed to establish the required sinking fund and consequently make the required sinking fund deposits in its debt agreement with the Kentucky Infrastructure Authority

City of South Shore, Kentucky
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual
General Fund
For the Fiscal Year Ended June 30, 2011

	Original	Final	Actual	Variance with Final Budget Over (Under)
Revenues				
Taxes and assessments	\$146,895	\$141,427	\$140,363	(\$1,064)
Licenses, fees, and permits	2,600	3,400	9,725	6,325
Contributions	0	4,500	0	(4,500)
Intergovernmental revenues:				
Kentucky Law Enforcement Foundation funds	6,200	3,105	3,100	(5)
House Bill 413 funds	9,750	7,000	6,003	(997)
Grant revenue	15,040	15,240	11,535	(3,705)
Other	0	65	0	(65)
Charges for services	53,200	51,800	53,510	1,710
Interest	15	15	89	74
Miscellaneous	2,000	1,000	5,397	4,397
Total revenues	<u>235,700</u>	<u>227,552</u>	<u>229,722</u>	<u>2,170</u>
Expenditures				
Current operating:				
General	111,092	94,091	81,765	12,326
Police	40,775	59,014	52,544	6,470
Streets	0	0	0	0
Sanitation	52,000	50,000	48,340	1,660
Total expenditures	<u>203,867</u>	<u>203,105</u>	<u>182,649</u>	<u>20,456</u>
Excess of revenues over expenditures	31,833	24,447	47,073	22,626
Other financing sources (uses)				
Transfers In	0	0	2,917	2,917
Extra Ordinary Item-Insurance Proceeds	0	50,000	53,127	3,127
Extra Ordinary Item-Basis of assets	0	0	(20,815)	(20,815)
Other	0	0	(4,251)	(4,251)
Total other financing uses	<u>0</u>	<u>50,000</u>	<u>30,978</u>	<u>(19,022)</u>
Net change in fund balance	31,833	74,447	78,051	3,604
Fund balance at beginning of year, as restated	<u>71,414</u>	<u>71,414</u>	<u>71,414</u>	<u>0</u>
Fund balance at end of year	<u>\$103,247</u>	<u>\$145,861</u>	<u>\$149,465</u>	<u>\$3,604</u>

See accompanying notes to the required supplementary information.

City of South Shore, Kentucky
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2011

NOTE 1 — BUDGETARY INFORMATION

An annual budget is adopted by ordinance each year by June 30th for the next fiscal year pursuant to KRS 91A.030. The budget is adopted based on the modified accrual basis of accounting.

The budget proposal shall be submitted to the City Commission not later than thirty days prior to the beginning of the fiscal year it covers.

The full amount estimated to be required for debt service during the budget year shall be appropriated for all governmental fund types.

The budget is prepared by fund, function and activity based on estimated receipts.

The Commission may amend the original budget ordinance.



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*

City of South Shore
69 Narco Drive
PO Box 516
South Shore, Kentucky 41175

We have audited the financial statements of the governmental activities, business-type activities and each major fund of the City of South Shore, Greenup County, Kentucky (the City) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 4, 2012. 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

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City'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 City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

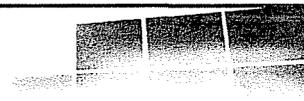
Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we considered to be material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses, which are described in the accompanying schedule of findings and responses as items 2011-1 and 2011-2.

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Portsmouth, Ohio 45662

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City of South Shore

Greenup County

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*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2011-3 and 2011-4.

We noted certain matters that we reported to management of the City in a separate letter dated October 4, 2012.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the City Commission, and others within the City, and is not intended to be and should not be used by anyone other than these specified parties.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

October 4, 2012

City of South Shore, Kentucky
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2011

Finding 2011-1

Material Weakness – Financial Reporting

A monitoring system by the City should be in place to prevent or detect misstatements for the accurate presentation of the City's financial statements. Misstatements were identified during the course of the audit. Certain reclassifications and adjustments required adjustment of the financial statements. Other misstatements were immaterial in nature and amount and therefore did not require adjustment. We also noted omissions of required note disclosures which were added to this report. The City should implement additional monitoring procedures to ensure financial transactions and balances are properly recorded and that services provided by outside consultants are sufficient and proper for the City's needs.

Client Response:

City has contracted with accountant to come weekly until we get procedures in place to properly record our financial transactions

Finding 2011-2

Material Weakness – Segregation of Duties

A sound internal control framework should include an adequate segregation of duties. If this cannot be achieved, sufficient monitoring controls should be placed in operation to mitigate risks associated with lack of adequate segregation of duties. Due to the small size of the City, there is a lack of adequate segregation of duties. Furthermore, monitoring controls aren't sufficient to adequately mitigate risks associated with lack of segregation of duties. Without adequate segregation of duties or sufficient monitoring controls, the City is subject to various risks, including risks of the occurrence of fraud without the ability to prevent or timely detect the occurrence and misstatements in the financial information that are not prevented or timely detected and corrected. The City should implement the appropriate segregation of duties or monitoring controls to sufficiently reduce potential risks.

Client Response:

With future increase in employees the City will be able to set up adequate segregation of duties. Right now we will work on implementing monitoring controls. City has set up individual password entry into our Quick Book accounts

Finding 2011-3

Material Noncompliance/Material Weakness – Establishment of Maintenance and Replacement Reserve

Article V, Section 5.5 states that the City shall establish a special account identified as a "Maintenance of Replacement Reserve". On or before each payment date identified in the schedule of payments, the City shall deposit into the Maintenance and Replacement Reserve an amount equal to 10% of the amount of such loan payment until the amount on deposit in such fund is equal to 5% of the original principal balance of the loan (the "required balance"). Amounts in the Maintenance and Replacement Reserve may be used for extraordinary maintenance expenses related to the project or for the costs of replacing worn or obsolete portions of the project. If amounts are withdrawn from such fund, the City shall again make the periodic deposits hereinabove required until the required balance is reinstated.

The City does not have the required reserve established nor were the appropriate deposits made. The City should implement the appropriate procedures to ensure that the appropriate reserve account is established and the required deposits are made.

City of South Shore, Kentucky
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2011

Finding 2011-3 (Continued)

Material Noncompliance/Material Weakness – Establishment of Maintenance and Replacement Reserve (Continued)

Client Response:

Reserve accounts are set up. In July 2012 sewer rates were raised so the City can make required deposits. All required deposits were made in 2012 fiscal year.

Finding 2011-4

Material Noncompliance – Reporting

Article VI, Section 6.8 states that "within ninety (90) days after the end of the each fiscal year of the Governmental Agency, the Governmental Agency shall provide to the Authority, itemized financial statements of income and expense and a balance sheet in reasonable detail, certified as accurate by a firm of independent certified public accountants or the Auditor of Public Accounts of the Commonwealth. All financial information must be satisfactory to the Authority as to form and content and be prepared in accordance with generally accepted accounting principles on a basis consistent with prior practice unless specifically noted thereon. With such financial statements, the Governmental Agency shall furnish to the Authority a certificate stating that, to the best knowledge of the authorized representative signing such certificate, no default under this Assistance Agreement exists on the date of such certificate, or if any such default shall then exist, describing such default with specificity.

The City did not file its annual audit report to the KIA by the required deadline. The City should implement the appropriate procedures to ensure that the appropriate deadlines are met.

Client Response:

This 2011 audit brings the City current with our audits. City has contracted with accountant to work on getting our financial records ready for us to complete these financial statements and get them to KIA.

City of South Shore, Kentucky
Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken, or Finding No Longer Valid. <i>Explain</i>
Finding 2010-1	Material Weakness - Financial Reporting	No	Reissued as Finding 2011-1
Finding 2010-2	Material Weakness - Lack of Segregation of Duties	No	Reissued as Finding 2011-2
Finding 2010-3	Noncompliance/Material Weakness - Establishment of Maintenance and Replacement Reserve	No	Reissued as Finding 2011-3
Finding 2010-4	Noncompliance Reporting	No	Reissued as Finding 2011-4

Management Letter

City of South Shore
69 Narco Drive
South Shore, Kentucky 41175

We were engaged to audit the financial statements of the City of South Shore, Kentucky, (the City) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 4, 2012.

Government Auditing Standards requires us to report significant internal control deficiencies, fraud, and illegal acts (including noncompliance with laws and regulations), and also abuse and noncompliance with contracts and grant agreements that could directly and materially affect the determination of financial statement amounts. We have issued the required report dated October 4, 2012, for the year ended June 30, 2011.

We are also submitting the following comments for your consideration regarding City's compliance with applicable laws, regulations, grant agreements, contract provisions, and internal control. These comments reflect matters that do not require inclusion in the report *Government Auditing Standards* requires. Nevertheless, these comments represent matters for which we believe improvements in compliance or internal controls or operational efficiencies might be achieved. Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing these recommendations. However, these comments reflect our continuing desire to assist your organization. If you have questions or concerns regarding these comments please do not hesitate to contact us.

An asterisk (*) that a comment was also issued in the previous audit.

Suggestions for Improvement

Bank Reconciliations*

Several of the City's accounts had checks outstanding for longer than one year and the City had an unreconciled difference at year end. The City had checks outstanding for longer than one year in its Sewer, Garbage, General, and Road Aid accounts, uncleared deposits in transit in its Sewer, Garbage and General checking accounts, and an unreconciled difference at year end in the Sewer account. Errors and/or irregularities may go undetected if unreconciled differences are not investigated and timely resolved. The City should implement procedures to ensure that any unreconciled differences are investigated and timely resolved and should purge its old outstanding checks to ensure cash balances are fairly stated.

Time Sheets

Having employee timesheets approved by a supervisor is an important internal control over payroll disbursements. Timesheets are prepared, however failure to document that timesheets were reviewed by a supervisor could lead to the City over- or under-paying employees. The City should ensure employee time sheets are signed by the relevant supervisor indicating approval of the employee's hours worked, prior to payment.

Suggestions for Improvement

Review of Sewer Billing Registers*

Monitoring procedures are pertinent to ensure that errors are prevented or detected and timely corrected or that fraudulent activity is timely identified and remediated. Billing journals are prepared by the clerk and are periodically reviewed by the Mayor. However, reviews are not performed for every billing cycle and, when reviews are performed, there are no tick marks or other indications that reviews were performed. Without proper reviews, the City is subject to the risk of errors in fees assessed that are not prevented or detected and timely corrected. The risk also exists that fraudulent activity could be purported and not prevented or detected and timely corrected. The City should implement the appropriate monitoring procedures to ensure that billing journals are reviewed and approved. Furthermore, the City should show evidence of this review and approval.

Purchasing Procedures*

Monitoring procedures are essential for ensuring that a sound control environment exists. The City does not have anyone reviewing changes made to the Master Vendor File, and has only a verbal approval process for the purchase of goods and or services. This could lead to potential fictitious vendors being placed into the Master Vendor File, and/or the City paying for goods and services not authorized. The City should implement procedures to ensure that the purchasing process has additional checks and balances to ensure the risk of fraud is mitigated. The City should also implement a written approval process for the purchase of goods and or services.

Capital Asset Policy

A policy in place governing capital assets is pertinent to maintain accurate capital asset listings and depreciation schedules. The City does not have a formal capital asset policy in place. Not having a capital asset policy could result in capitalizing assets that should not be capitalized.

The City should adopt a capital asset policy and correct their current capital asset listing to adhere to that policy. The policy should contain:

1. Threshold in which an asset will be capitalized.
2. Depreciation methods used.
3. Period in which each asset classification will be depreciated.
4. Procedure for depreciating assets bought in the current year.

This report is intended solely for the information and use of management, the City Commission, and others within City and is not intended to be and should not be used by anyone other than these specified parties.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

October 4, 2012