

Powell's Valley Water District and Sewer Division
31 Adams Ridge Road
P.O. Box 550
Clay City, Kentucky 40312
606 663-5870

March 18, 2010

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd
P.O. Box 615
Frankfort, Kentucky 40602-0615
Attn: Linda Faulkner
Division Director Filings

RECEIVED

MAR 22 2010

PUBLIC SERVICE
COMMISSION

RE: Case No. 2006-00404

To Whom It May Concern:

On February 17, 2010 a copy of the "as-built" drawings and a certified statement of construction was delivered by UPS and signed for by J. Yount.

Enclosed is a copy of the October 2009 Income Statement per your request. I have also enclosed a copy of a letter dated February 23, 2010 from United States Department of Agriculture for your review. I spoke with our auditor's office, Mr. John T. Lane, CPA as there are no pro forma adjustments for this period.

See review Case No. 2008-00506 effective April 14, 2009 concerning the most recent Sewer Rate Increase.

If you have any questions, please call the District office.

Sincerely,



Paula Snowden
Powell's Valley Water District



United States Department of Agriculture
Rural Development
Morehead Area Office

February 23, 2010

Stephen Everman, Chairman
Powell's Valley Water District
P. O. Box 550
Clay City, Kentucky 40312

Re: Year End Report for Fiscal Year Ended December 31, 2008

Dear Mr. Everman:

USDA Rural Development has received and reviewed the above referenced audit. Based upon our review the audit is accepted for reporting purposes by this agency.

It appears that the District is operating the utility with an operating loss. Page 4 of the audit, Statement of Revenues, indicates a loss of \$27,976. Page 5 of the audit, Statement of Cash Flows, also indicates a loss. Rural Development is aware that the District received a rate increase approval from PSC in April of 2009. This should allow for a positive cash flow and funding of the reserve account in the next fiscal year.

If you should have any questions, please call Pamela Farmer at this office at (606) 784-6447.

Sincerely,

A handwritten signature in cursive script, appearing to read "Pamela Farmer".

Jimmy H. Hall
Area Director

Cc: John T. Lane, 219 Young Lane, Suite 2, Mt. Sterling, Ky 40353

	CURRENT-PERIOD AMOUNT	YEAR-TO-DATE AMOUNT
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UTILITY OPERATING INCOME		
400 OPERATING REVENUES		
460 UNMETERED SEWER REVENUE	.00	.00
431-4 SEWER CONSTRUCTION FUND	.00	2,353.25
461 METERED SEWER REVENUE	7,835.23	56,813.97
461-6 SEWER METER SALES	.00	900.00
470 PENALTIES	112.92	969.93
471 SERVICE CHARGE	20.00	200.00
472 RETURNED CHECK FEES	.00	.00
473 MISCELLANEOUS EQUIP SALES	.00	.00
474 MISCELLANEOUS INCOME	.00	.00
475 OTHER INCOME	.00	.00

TOTAL OPERATING REVENUES	\$ 7,968.15	\$ 61,237.15

OPERATING EXPENSES		
SOURCE OF SUPPLY / OPERATIONS	775.52	12,743.32
621-1 UTILITIES ELECTRIC	.00	.00
680 BANK FEES	.00	10.00
682-1 GROUNDS MAINTENANCE	.00	.00
622-1 OFFICE UTILITES GAS	.00	425.50
623-1 RADIO TOWER RENT	.00	.00
624-1 TELEPHONE EXPENSE	.00	.00
ADMIN & GENERAL EXPENSES	1,340.05	15,611.18
680-8 BAD DEBT	.00	.00
403 DEPRECIATION EXPENSES	.00	.00
404 CASUALTY LOST	.00	.00
407 AMORTIZATION EXPENSE	.00	.00
408 TAX OTHER THAN INCOME	.00	.00

TOTAL OPERATING EXPENSES	\$ 2,115.57	\$ 28,790.00

OPERATING INCOME	\$ 5,852.58	\$ 32,447.15

OTHER INCOME & DEDUCTIONS

427 INTEREST EXPENSE	.00	.00
419 INTEREST & DIVIDEND INCOME	24.25	(13,874.28)

TOTAL OTHER INCOME & DED	\$ (24.25)	\$ 13,874.28

NET INCOME	\$ 5,876.83	\$ 18,572.87
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BALANCE SHEET

AS OF 10/31/09

ASSETS & OTHER DEBITS

UTILITY PLANT

UTILITY PLANT IN SERVICE (101	925,296.07	
105 CONSTR. WORK IN PROGRESS	(509,772.55)	
105-1 SEWER CONSTRUCTION	517,125.80	

TOTAL UTILITY PLANT	\$ 932,649.32	
ACCUM PROV FOR DEPR & AMORT	35,157.32	

NET UTILITY PLANT	\$ 897,492.00	

CURRENT & ACCRUED ASSETS

131 CASH	84,994.76	
133 MISCELLANEOUS	.00	
135 TEMPORARY CASH INVESTMENTS	.00	
141 CUSTOMER ACCTS RECEIVABLE	4,717.95	
142 OTHER ACCOUNTS RECEIVABLE	.00	
143 ACCUM PROV FOR UNCOLL ACCT	2,235.55	
144 NOTES RECEIVABLE	.00	
145 ACCT REC CONSTRUCTION	.00	
151 PLANT MATERIAL & SUPPLIES	.00	
162 PREPAYMENTS INSURANCE	.00	
171 ACCURED INTEREST & DIV REC	.00	
174 MISC CUR & ACCURED ASSETS	.00	

TOTAL	\$ 87,477.16	

DEFERRED DEBITS

186 UTILITY DEPOSITS	.00	

TOTAL	\$.00	

TOT. ASSET & OTHER DEBITS	\$ 984,969.16	
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LIAB. & OTHER CREDITS

EQUITY CAPITAL

PROPRIETY INTEREST	
214 RESERVE FUND	.00
214-1 SINKING	.00
215 UNAPPRO RETAINED EARNINGS	601,730.66

TOTAL PAID IN CAPITAL	\$ 601,730.66

AS OF 10/31/09

RETAINED EARNINGS

435 BALANCE TRANS. FROM INCOME\$	18,572.87
436 APPROP.OF RETAINED EARNING	.00
439 ADJ TO RETAINED EARNINGS	.00

TOTAL RETAINED EARNINGS \$ 18,572.87

TOTAL EQUITY \$ 620,303.53

LIABILITIES

LONG TERM DEBT

221 BONDS	.00
221-1 BONDS FHA 3	(3,500.00)
221-2 BONDS FHA 1	(600.00)
221-3 BONDS FHA 2	300.00
224 OTHER LONG-TERM DEBT	.00

TOTAL \$ (3,800.00)

CURRENT AND ACCRUED LIAB.

231 ACCOUNTS PAYABLE	1,910.26
232 DUE TO WATER	45,137.22
232-1 NOTE PAYABLE FmHA	313,200.00
235 CUSTOMER DEPOSITS	.00
235-1 REFUNDS FROM DEP ACCT	.00
236 TAXES ACCRUED PAYROLL	.00
236-1 TAXES ACCRUED SALES	445.37
236-2 TAXES ACCRUED UTILITY	696.78
236-3 RETIREMENT W/H	.00
236-4 FEDERAL TAX	.00
236-5 KENTUCKY STATE TAX	.00
236-6 FICA SS EMPLOYEE	.00
236-7 FICA MCARE EMPLOYEE	.00
236-8 POWELL COUNTY TAX	.00
237 INTEREST ACCRUED	7,076.00
238 ACCRUED DIVIDENDS	.00
239 FEDERAL GRANT	.00
241 MISC CUR & ACCRUED LIAB	.00

TOTAL \$ 368,465.63

DEFERRED CREDITS

252 ADVANCES FOR CONSTUCTION	.00
253 OTHER DEFERRED CREDITS	.00

TOTAL \$.00

263 PEN. & BENEFITS RESERVE .00

271 CONT. IN AID OF CONSTRUCT	.00	
272 ACCUM AMOR/CON IN AID CONS	.00	

TOTAL	\$.00

ACCUMULATED DEFERRED INC TAX

281 ACC DEF INC TX/ACCR AMORT	.00	
282 ACC DEF INC TX/LIBER DEPR	.00	
283 ACC DEF INC TX/OTHER	.00	

TOTAL	\$.00

TOTAL LIAB. & OTHER CREDITS		\$ 984,969.16
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CURRENT LIABILITIES: