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NOV 16 2009

PUBLIC SERVICE
COMMISSION

November 16, 2009

David Edward Spenard
Assistant Attorney General
1024 Capital Center Drive, Suite 200
Frankfort, KY 40601-8204

Re: *Rate Case 2009-00370 and Equity System Development Charge
Henry County Water District No. 2 (HCWD2)*

Dear Mr. Spenard:

Please find transmitted herewith a copy of all materials submitted this date to the Public Service Commission in the above-captioned case.

Sincerely,

Thomas Green

tom.green@tetrattech.com

Pc: Mr. Merle Brewer, Chairman, HCWD2

RECEIVED
ASSISTANT ATTORNEY GENERAL
NOV 16 AM 11:41

Tetra Tech, Inc.

800 Corporate Drive, Suite 200, Lexington, KY 40503
Tel: 859 273 8000 Fax: 859 224 1025 www.tetrattech.com

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NOV 16 2009

**PUBLIC SERVICE
COMMISSION**

HENRY COUNTY WATER DISTRICT NO. 2

CASE NO. 2009-00370

HENRY COUNTY WATER DISTRICT NO. 2

LIST OF EXHIBITS

Acknowledgement of Notice of Intent	1
Customer Notice	2
Comparison of Current and Proposed Rates	3
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Pro forma Adjustments	5
Audit Report	6
Engineering Report	7
Rate Analysis	8
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Information on CD - 1

- Customer Line Extension Escrow
- Customer Contribution Refund Account
- Impact Charge Escrow
- Operations Account
- Bonds and Interest
- Depreciation Account
- Escrow Account
- Improvement Project Account
- General Journal
- Loan

Information on CD - 2

- Employee Benefits
- Rate Study

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

THE APPLICATION OF HENRY COUNTY)
WATER DISTRICT FOR (1) AN ADJUSTMENT)
OF WATER RATES AND CHARGES , (2)) CASE NO.
CONSTRUCT AND FINANCE A PROPOSED) 2009-00370
WATERWORKS PROJECT AND (3) THE APPROVAL)
OF A SYSTEM DEVELOPMENT CHARGE)

*** ** *** ** *** ** **

PETITION

The Applicant, HENRY COUNTY WATER DISTRICT ("Henry District"), by counsel, pursuant to KRS 278.030, KRS 278.0152, KRS 278.300, KRS 278.020(1), 807 KAR 5:090, 807 KAR 5:001, and all other applicable regulations, tenders this Petition and Application and requests, the Public Service Commission ("PSC") to enter an Order: (1) approving the proposed Certificate of Public Convenience and Necessity to construct a waterworks project; (2) approval of the proposed plan to finance the improvement project; (3) approval of the proposed adjustment of water rates; and (4) approval of a system development charge. In support of this Petition and Application, and in conformity with the rules of the PSC, Henry District states as follows:

OVERVIEW

1. Henry District requests the PSC take the following actions:
2. To approve the proposed adjustment of water rates and charges to all customers. The percentages for each rate step are shown in the proposed billing analysis and on Page 6 of this application.
3. To approve the corresponding tariff sheets setting out the revised charges.
4. Approval of a Convenience and Necessity to construct a water works project which will be funded by Rural Development.
5. To grant Henry District any deviation that may be allowed.
6. Approval of a System Development Charge

GENERAL INFORMATION

1. Henry District is a non-profit water district organized under KRS Chapter 74.070. It has the power to make contracts in furtherance of its lawful and proper purposes. Henry District has no separate articles of incorporation or by-laws.
2. The mailing address of Henry District is as follows:

P.O. Box 219
Campbellsburg, Kentucky 40011
Telephone: 502-532-6280
3. Henry District is engaged in the distribution and sale of water. It currently provides water service to approximately 6,352 retail customers. Henry District also provides service to the West Carroll Water District, New Castle

Water Works and Eminence Water Works. All wholesale customers are charged the same rate.

4. Henry District's operating income is \$3,277,463 while expenses are \$3,867,917 a deficit of \$590,454. The deficit amount includes the funding of \$100,000 in depreciation. The overall increase is 18 percent. There are no separate minimum rates for meters larger than 5/8 inch.
5. The average bill of 5,000 gallons will increase from \$36.13 to \$42.60 an increase of \$6.47 or 18 percent.
6. A Filing Requirement Index, which shows the location of all documents required by the applicable administrative regulations, or explains the reason for the absence of any documents, is included with the Application.
7. Henry District has complied with 807 KAR 5:011, Section 9, (2) and 807 KAR 5:001, Section 10, (3) and (4), by preparing to be delivered to newspapers of general circulation in its service area a copy of the Notice, identified as Exhibit No 2, in the filing requirements for publishing once a week for 3 consecutive weeks in a prominent manner, the first of said publications to be made within 7 days from the date of filing the Application with the PSC.
8. Henry District has filed with the Executive Director of the PSC a written notice of its intention to file this rate application. The notice stated that Henry District would be filing an application based on a historical test year. The notice was also mailed to the Office of the Attorney General, Rate Intervention Division. A copy of the acknowledgement of notice is identified as Exhibit 1.

9. As required by 807 KAR 5:001, Section 10, (4), (f), Henry District will post a copy of its customer notice at its place of business on the date the application is filed with the PSC. The notice will remain posted until the PSC has determined Henry District's rates.
10. Henry District's annual reports for the past two years are on file with the PSC.

CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

The plans include the construction of approximately 22,000 feet of 20 inch DI waterline and a 1,000,000 gallon elevated water storage tank.

1. The waterworks improvement project is in the public interest and is required to permit continued growth and to provide adequate water supply.
2. This project will not compete with any other utility in the area.
3. Exhibit 7 shows the preliminary engineering report. A copy of the DOW approval letter is included.
4. The encroachment permit (05-0204-09) has been approved by the Transportation Cabinet and is included as part of the construction application.
5. As required by KRS 322.340 the final engineering report will be prepared, signed, sealed and dated by an engineer registered in Kentucky, and will be filed when final bids are received.

FINANCING

1. Henry District proposes to finance its waterworks improvement project with a loan from Rural Development, over a period of 40 years, with an interest rate of 4.25 percent per annum.

2. Henry District requests a deviation, pursuant to 807 KAR 5:001 Section 14, from the requirements of 807 KAR 5:001, Section 6, requiring the financial data filed with the Application to be for a 12 month period ending within 90 days of the filing of the Application. Henry District states that there has been no change that is material in nature in the financial condition of the utility.

RATE INCREASE

1. The proposed increase in rates and charges are necessary for Henry District to meet all expenses. Henry District is issuing debt to improve and enlarge its facilities and to add lines and a tank to reinforce its distribution system. An increase in rates is essential for Henry District to maintain a reasonable level of service, to meet the expanding needs of the service area and to cover its debt service and operation and maintenance expense.
2. A rate adjustment to the water service rates is necessary:
 - A. To meet the increased costs of operations;
 - B. To enable Henry District to pay its annual principal and interest payments on its existing and proposed long term debts from water revenues.
 - C. To enable Henry District to meet the coverage requirements set forth in its existing and proposed debt instruments;
 - D. To enable Henry District to enhance its financial capacity so it can continue to operate its system in compliance with the

federal Safe Drinking Water Act, as amended and KRS Chapter 151; and

- E. To enable Henry District to continue to provide adequate service.
- F. A proforma schedule setting out expenses and income is set out in Exhibit 5.

SYSTEM DEVELOPMENT CHARGE

The application and support for a system development charge is shown as Exhibit 9. The testimony of Tom Green, Engineer for Henry County is included in this exhibit.

The Applicant, Henry District requests the PSC grant to the Applicant the following:

- A. A certificate of Public Convenience and Necessity, permitting Applicant to construct the waterworks project as described in the Preliminary Engineering Report.
- B. Approval of Applicant's RD loan in the amount of \$4,900,000, with a term of 40 years, at an interest rate of 4.25 percent.
- C. Approval of Applicants proposal to revise its tariff sheets to reflect adjustments set out in this application.
- D. The capital construction budget is included as part of the engineering report at Exhibit 7. No other construction budget exists. Any new

construction occurs on a case-by-case project basis. A motion is made for a deviation, or a request for additional information related to the capital construction budget. being filed pursuant to 807 KAR 5:001, Section

E. Approval of a System Development Charge.

WHEREFORE, Henry District respectfully requests that the PSC take the following actions:

- A. Approve the proposed adjustment of water rates and charges to all customers;
- B. Approve Henry District's revised tariff sheets;
- C. Approve Henry District's proposed construction, financed by RD;
- D. Approval of a System Development Charge;
- E. Grant Henry District any and all other proper relief.

Dated at Campbellsburg, Kentucky this November 16, 2009.

Respectfully submitted,

HENRY DISTRICT WATER DISTRICT


Merle Brewer, Chairperson

COMMONWEALTH OF KENTUCKY)SS
CAMPBELLSBURG, KENTUCKY)

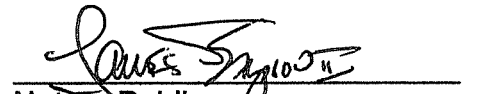
The undersigned, Merle Brewer, being duly sworn according to law, state that I am Chairperson of the Board of Commissioners of the Henry County Water District; that I have read the foregoing Petition and Application; and that the statements of fact set forth therein are true and accurate to the best of my belief.

IN TESTIMONY WHEREOF, WITNESS my signature this 13 date of November , 2009.


Merle Brewer, Chairperson

Subscribed and sworn before me Merle Brewer, Chairperson of the Henry County Water District on this November 13, 2009.

My Commission Expires 1-23-2011


Notary Public
In and for said County and State

Filing Requirement Index Historical Test Period Rate Case

Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 8(1)	Full name and P. O. address of applicant and reference to the particular provision of law requiring PSC approval.	Page 2
807 KAR 5:001 Section 8(2)	The original and 10 copies of application plus copy for anyone named as interested party.	yes
807 KAR 5:001 Section 10(1)(b)(1)	Reason adjustment is required.	Pages 5 and 6 Exhibit 5
807 KAR 5:001 Section 10(1)(b)(2)	Statement that utility's annual reports, including the most recent calendar year, are filed with PSC. 807 KAR 5:006, Section 3(1)	Page 4
807 KAR 5:001 Section 10(1)(b)(3) & (5)	If utility is incorporated, certified copy of articles of incorporation and amendments or out of state documents of similar import. If they have already been filed with PSC refer to the style and case number of the prior proceeding and file a certificate of good standing or authorization dated within 60 days of date application filed.	Not applicable
807 KAR 5:001 Section 10(1)(b)(4) & (5)	If applicant is limited partnership, certified copy of limited partnership agreement. If agreement filed with PSC refer to style and case number of prior proceeding and file a certificate of good standing or authorization dated within 60 days of date application filed.	N/A .
807 KAR 5:001 Section 10(1)(b)(6)	Certified copy of certificate of assumed name required by KRS 365.015 or statement that certificate not necessary.	N/A.
807 KAR 5:001 Section 10(1)(b)(7)	Proposed tariff in form complying with 807 KAR 5:011 effective not less than 30 days from date application filed.	Exhibit 4
807 KAR 5:001 Section 10(1)(b)(8)	Proposed tariff changes shown by present and proposed tariffs in comparative form or by indicating additions in italics or by underscoring and striking over deletions in current tariff.	Exhibit 3
807 KAR 5:001 Section 10(1)(b)(9)	Statement that notice given, see subsections (3) and (4) of 807 KAR 5:001, Section 10 with copy.	Page 3

Filing Requirement Index Historical Test Period Rate Case

Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 10(2)	If gross annual revenues exceed \$1,000,000, written notice of intent filed at least 4 weeks prior to application. Notice shall state whether application will be supported by historical or fully forecasted test period.	Exhibit 1
807 KAR 5:001 Section 10 (6)(a)	Complete description and quantified explanation for proposed adjustments with support for changes in price or activity levels, and other factors affecting the adjustment.	Exhibit 5
807 KAR 5:001 Section 10 (6)(b) & (c)	If gross annual revenues exceed \$1,000,000, prepared testimony of each witness who will support the application. If less than \$1,000,000, prepared testimony of each witness who will support application or statement that utility does not plan to submit prepared testimony.	Testimony filed as part of Exhibit 9.
807 KAR 5:001 Section 10 (6)(d)	Estimate of effect that new rate(s) will have on revenues including, at minimum, total revenues resulting from increase or decrease and percentage of increase or decrease.	Page 3 and Exhibit 8
807 KAR 5:001 Section 10 (6)(e)	If electric, gas, water or sewer utility effect upon the average bill for each customer classification to which change will apply.	Page 3 and Exhibit 8
807 KAR 5:001 Section 10 (6)(f)	If local exchange company, effect upon the average bill for 807 each customer class for change in basic local service.	N/A
807 KAR 5:001 Section 10 (6)(g)	Analysis of customers' bills in such detail that revenues from present and proposed rates can be readily determined for each customer class.	Exhibit 8
807 KAR 5:001 Section 10 (6)(h)	Summary of determination of revenue requirements based on return on net investment rate base, return on capitalization, interest coverage, debt service coverage, or operating ratio, with supporting schedules.	Exhibit 5
807 KAR 5:001 Section 10 (6)(i)	Reconciliation of rate base and capital used to determine revenue requirements.	N/A – Revenue Requirement reflects Debt Service.

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

Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 10 (6)(j):	Current chart of accounts if more detailed than the Uniform System of Accounts.	Not applicable
807 KAR 5:001 Section 10 (6)(k)	Independent auditor's annual opinion report, with any written communication from auditor, which indicates existence of material weakness in internal controls.	Exhibit 7
807 KAR 5:001 Section 10 (6)(l):	The most recent FERC or FCC audit reports.	N/A
807 KAR 5:001 Section 10 (6)m	The most recent FERC Form 1 (electric), FERC Form 2 (gas), or Automated Reporting Management Information System Report (telephone) and PSC Form T (telephone).	N/A
807 KAR 5:001 Section 10 (6)(n)	Summary of latest depreciation study with schedules by major plant accounts, except that telecommunications utilities adopting PSC's average depreciation rates shall provide schedule identifying current and test period depreciation rates used by major plant accounts. If filed in another PSC case refer to that case's number and style.	Audit report and CD
807 KAR 5:00 Section 10 (6)(o)	List of all commercial or in-house computer software, programs, and models used to develop schedules and work papers associated with the filing. Include each software, program, or model; what each was used for; its supplier; brief description and specifications for the computer hardware and the operating system required to run the program.	Excel Word Greentree
807 KAR 5:001 Section 10 (6)(p)	Prospectuses of most recent stock or bond offerings.	N/A
807 KAR 5:001 Section 10 (6)(q)	Annual report to shareholders, or members, and statistical supplements covering 2 years prior to application filing date.	N/A

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

Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 10 (6)(r)	Monthly managerial reports providing financial results for 12 months in test period.	Behind board minutes filed as part of first info request
807 KAR 5:001 Section 10 (6)(s)	SEC's annual report for most recent 2 years, Form 10-Ks and any Form 8-Ks issued within past 2 years, and Form 10-Qs issued during the past 6 quarters updated as current information becomes available.	N/A
807 KAR 5:001 Section 10 (6)(t)	<p>If utility had any amounts charged or allocated to it by affiliate or general or home office, or paid any monies to affiliate or general or home office during test period or during previous 3 calendar years, file:</p> <ol style="list-style-type: none"> 1. Detailed description of method of calculation and amounts allocated or charged to utility by affiliate or general or home office for each charge allocation or payment; 2. Explanation of how allocator for the test period was determined; and 3. All facts relied upon, including other regulatory approval, to demonstrate that each amount charged, allocated or paid during test period was reasonable; 	N/A

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

Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 10 (6)(u)	If gas, electric or water utility, whose annual gross revenues exceed \$5,000,000, cost of service study based on methodology generally accepted in industry and based on current and reliable data from a single time period.	Exhibit 9
807 KAR 5:001 Section 10 (6)(v)	<p>Local exchange carriers with fewer than 50,000 access lines need not file cost of service studies, except as specifically directed by PSC. Local exchange carriers with more than 50,000 access lines shall file:</p> <ol style="list-style-type: none"> 1. Jurisdictional separations study consistent with Part 36 of the FCC's rules and regulations; and 2. Service specific cost studies to support pricing of all services that generate annual revenue greater than \$1,000,000, except local exchange access: <ol style="list-style-type: none"> (a) Based on current and reliable data from a single time period; and (b) Using generally recognized fully allocated, embedded, or incremental cost principles. 	N/A
807 KAR 5:001 Section 10 (7)(a)	Detailed income statement and balance sheet reflecting impact of all proposed adjustments	Exhibit 5
807 KAR 5:001 Section 10 (7)(b)	Most recent capital construction budget containing at least period of time as proposed for any pro forma adjustment for plant additions.	Exhibit 7

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

Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 10 (7)(c)	<p>For each proposed pro forma adjustment reflecting plant additions the following information:</p> <ol style="list-style-type: none"> 1. Starting date of the construction of each major component of plant; 2. Proposed in-service date; 3. Total estimated cost of construction at completion; 4. Amount contained in construction work in progress at end of test period; 5. Complete description of actual plant retirements and anticipated plant retirements related to the pro forma plant additions including the actual or anticipated date of retirement; 6. Original cost, cost of removal and salvage for each component of plant to be retired during the period of the proposed pro forma adjustment for plant additions; 7. Explanation of any differences in amounts contained in the capital construction budget and amounts of capital construction cost contained in the pro forma adjustment period; and 8. Impact on depreciation expense of all proposed pro forma adjustments for plant additions and retirements; 	Utility
807 KAR 5:001 Section 10 (7)(e)	<p>Number of customers to be added to the test period – end level of customers and the related revenue requirements impact for all pro forma adjustments with complete details and supporting work papers.</p>	None

Steven L. Beshear
Governor

Leonard K. Peters
Secretary
Energy and Environment Cabinet



Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

David L. Armstrong
Chairman

James Gardner
Vice Chairman

Charles R. Borders
Commissioner

September 15, 2009

James Simpson
Chief Operating Officer
Henry County Water District #2
8955 Main Street
P. O. Box 219
Campbellsburg, KY 40011

RE: Case No 2009-00370
Henry County Water District #2
(General Rates)

Notice of Intent to File General Rate Case Based on Historical Test Period

This letter is to acknowledge receipt of notice of intent to file an application in the above case. The notice was date-stamped received September 15, 2009 and has been assigned Case No 2009-00370. In all future correspondence or filings in connection with this case, please reference the above case number.

If you need further assistance, please contact my staff at (502) 564-3940.

Sincerely,

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

Jeff Derouen
Executive Director

JD/rs

NOTICE

Henry County Water District No. #2 has filed an application with the Public Service Commission to increase rates for water service, on and after December 17, 2009 as follows.

Increments	Current Rates	Proposed Rates	Percentage Increase
First 1,500 Gallons	\$16.00 Minimum Bill	\$18.80 Minimum Bill	18
Next 3,500 Gallons	5.75 Per 1,000 Gallons	6.80 Per 1,000 Gallons	18
Next 5,000 Gallons	5.25 Per 1,000 Gallons	6.20 Per 1,000 Gallons	18
Next 10,000 Gallons	4.25 Per 1,000 Gallons	5.00 Per 1,000 Gallons	18
Next 30,000 Gallons	3.25 Per 1,000 Gallons	3.85 Per 1,000 Gallons	18
Over 50,000 Gallons	2.20 Per 1,000 Gallons	2.60 Per 1,000 Gallons	18
Wholesale Rate	2.20 Per 1,000 Gallons	2.60 Per 1,000 Gallons	18

System Development Charge \$470

CURRENT CHARGE \$ 950

The rates contained in this notice are the rates proposed by Henry County Water District #2. However, the Public Service Commission may order rates to be charged that are higher or lower than these proposed rates. Such action may result in rates for consumers other than the rates in this notice.

Any corporation, association, body politic or person may by motion within thirty days after publication of the proposed rate changes request leave to intervene. The motion shall be submitted to the Public Service Commission, 211 Sower Blvd., PO Box 615, Frankfort, Kentucky 40602, and shall set forth the grounds for the request including the status and interest of the party.

Intervenors may obtain copies of the application by contacting the applicant at the District's office at (502) 532-6280. A copy of the application shall be made available for public inspection at the office of the utility.

FOR Henry County, Kentucky
Community, Town or City

P.S.C. KY. NO. _____

_____ SHEET NO. _____

CANCELING P.S.C. KY. NO. _____

_____ SHEET NO. _____

Henry County Water District No. 2
(Name of Utility)

RULES AND REGULATIONS

COMPARISON OF PRESENT AND PROPOSED RATES

A. MONTHLY RATES:	CURRENT	PROPOSED
First 1,500 Gallons	\$16.00	\$18.80 Minimum Bill
Next 3,500 Gallons	5.75	6.80 Per 1,000 Gallons
Next 5,000 Gallons	5.25	6.20 Per 1,000 Gallons
Next 10,000 Gallons	4.25	5.00 Per 1,000 Gallons
Next 30,000 Gallons	3.25	3.85 Per 1,000 Gallons
Over 50,000 Gallons	2.20	2.60 Per 1,000 Gallons
Wholesale Rate	2.20	\$2.60 Per 1,000 Gallons
S P C	9 5 0	4 7 0

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE _____
Month / Date / Year

ISSUED BY _____
(Signature of Officer)

TITLE _____

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

FOR Henry County, Kentucky
Community, Town or City

P.S.C. KY. NO. 3

Original SHEET NO. 5

CANCELING P.S.C. KY. NO. 1

1st Revised SHEET NO. 5

Henry County Water District No. 2
(Name of Utility)

RULES AND REGULATIONS

A. MONTHLY RATES:

First	1,500 Gallons	\$18.80	Minimum Bill
Next	3,500 Gallons	6.80	Per 1,000 Gallons
Next	5,000 Gallons	6.20	Per 1,000 Gallons
Next	10,000 Gallons	5.00	Per 1,000 Gallons
Next	30,000 Gallons	3.85	Per 1,000 Gallons
Over	50,000 Gallons	2.60	Per 1,000 Gallons

Wholesale Rate \$2.60 Per 1,000 Gallons

DATE OF ISSUE 11-16-09

Month / Date / Year

DATE EFFECTIVE 12-17-09

Month / Date / Year

ISSUED BY [Signature]

(Signature of Officer)

TITLE CHIEF OPERATING OFFICER

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. 2009-00320 DATED _____

FOR Henry County, Kentucky
Community, Town or City

P.S.C. KY. NO. 3

Original SHEET NO. 14

Henry County Water District No. 2
(Name of Utility)

CANCELING P.S.C. KY. NO. 2

Original SHEET NO. 14

RULES AND REGULATIONS

A deposit not to exceed 2/12 of the estimated annual bill will be charged to each applicant for service. The deposit shall be paid prior to water service being supplied.

In the event the Applicant is expected to have a larger than average consumption, deposits will be calculated as follows:

The applicants deposit shall be based on the actual usage of the applicant at the same or similar premises for the most recent 12-month period, if such information is available. If usage information is not available, the deposit will be based on the average bills of similar customers and premises in the system. The deposit shall not exceed 2/12 of the customer's actual or estimated annual bills where bills are rendered monthly.

DATE OF ISSUE 11-16-09
Month / Date / Year

DATE EFFECTIVE 12-17-09
Month / Date / Year

ISSUED BY 
(Signature of Officer)

TITLE CHIEF OPERATING OFFICER

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. 2009-00370 DATED _____

Form for filing Rate Schedules

Henry, Trimble, Carroll,
For Oldham, and Shelby.
Community, Town, or City

P.S.C. Ky. NO. Original 14

SHEET NO. _____

Henry County Water District No. 2
Name of Issuing Corporation

CANCELLING P.S.C. Ky. NO. _____

SHEET NO. _____

CLASSIFICATION OF SERVICE

EQUAL DEPOSITS

Henry County Water District No. 2 Customers will pay equal deposits in the amount of \$25.00. This amount does not exceed the average bill of residential customers served by the Company and is equal to 2/12 of the average annual bill.

In the event the Customer is expected to have a larger than average consumption, deposit is as follows:

CALCULATED DEPOSITS

Henry County Water District No. 2 Customer's deposits shall be based upon actual usage of the customer at the same or similar premises for the most recent 12-month period, if such information is available. If usage information is not available, the deposit will be based on the average bills of similar customers and premises in the system. The deposit amount shall not exceed 2/12 of the customer's actual or estimated annual bill where bills are rendered monthly.

**PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE**

APR 23 1993

DATE OF ISSUE March 25, 1993

PURSUANT TO 807 KAR 5:011,

DATE EFFECTIVE SECTION 9 (1)

ISSUED BY William L. Hawkins
Name of Officer

BY: P. Gray Staller
TITLE MANAGER OF TRANSMISSION

Issued by authority of an Order of the Public Service Commission in Case No. _____ dated _____.

FOR Henry County, Kentucky
Community, Town or City

P.S.C. KY. NO. 3

Original SHEET NO. 5

Henry County Water District No. 2
(Name of Utility)

CANCELING P.S.C. KY. NO. 2

Original SHEET NO. 5

RULES AND REGULATIONS

Meter Use Policy

Only one household per meter use.

The only exception is a farmer – tenant situation and then two (2) minimum monthly fees are to be paid in addition to the water usage charges. This situation can occur only if there is distance off of the main line.

When a meter is abandoned due to property sold and meter not to be used, that meter is considered out of use and not to be transferred unless the seller has another piece of property, prior to December 12, 1994. This is to prohibit the sale of meters, for profit, by our customers to anyone needing a new meter service.

All customers with more than one meter shall pay the monthly minimum bill for each meter. Customers adding additional residences will have their service disconnected.

All customers in addition to customer that original meter was set, will pay a monthly minimum plus water usage.

DATE OF ISSUE 11-16-09

Month / Date / Year

DATE EFFECTIVE 12-17-09

Month / Date / Year

ISSUED BY James T. Taylor

(Signature of Officer)

TITLE CHIEF OPERATING OFFICER

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. 2009-00370 DATED _____

Oldham, Shelby Counties
FOR Henry, Trimble, Carroll

P.S.C. KY. NO. _____

SHEET NO. 5

Henry County Water District # 2

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

SHEET NO. _____

RULES AND REGULATIONS

Meter Use Policy

- A. As previous policy - only one household per meter use.
- B. The only exception is a farmer - tenant situation and then two (2) minimum monthly fees are to be paid in addition to water usage charge. This situation only when it is a good distance off of main line.
- C. When a meter is abandoned due to property sold and meter not to be used, then that meter is considered dead and not to be transferred unless the seller had another piece of property prior to December 12, 1994. (This is to prohibit the sale of meters, for profit, by our customers to anyone needing a new meter service.

Multiple Residences on One Meter

Customers with more than one residence per meter prior to December, 12, 1994 will be notified and required to sign an agreement with Henry County Water District as follows:

- 1. All customers in addition to customer that original meter was set, will pay a monthly tenant minimum of \$10.76 plus water usage. (\$10.76 is the base amount plus 3% utility tax)
- 2. When ban is lifted, and district has adequate supply of potable water, said customers will immediately pay for said meters to be set, plus any line reimbursement.

Customers adding additional residences to their services after December 12, 1994 will have their service disconnected immediately.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

MAY 17 1995

DATE OF ISSUE 4/17/95 PURSUANT TO RC7 KAS 5011
 _____ DATE EFFECTIVE _____
 _____ Month Day Year _____ Month Day Year
 ISSUED BY William S. Hawkins BY Charles L. ...
 Name of Officer Title Address 40011
William Van Hawkins Chairman, P.O. Box 219 Campbellsburg, Ky

HENRY COUNTY WATER DIST #2
LEAK ADJUSTMENTS

Name _____

Account No. _____ Date _____ Phone _____

City & State & Zip _____

Average Usage _____

Gallons Used _____

0 to Average _____ @ Reg Rate _____

Average to Infinity _____ @ 2.20 _____
Per 1,000 gallons

TOTALS _____

3% tax _____

6% tax _____

Total _____

Adjustment:

AMOUNT NOW DUE: _____

HENRY COUNTY WATER DISTRICT NO.2

TEST YEAR ADJUSTED EXPENSES

Expenses	Audit Report	Adjustments	Budget 2009
Salaries and Wages	\$ 655,754	\$ 29,906	\$ 685,660
Salaries and Wages - Officers	26,100	-	26,100
Employee Pensions and Benefits	205,664		205,664
Purchased Power	388,350	36,650	425,000
Chemicals	61,718		61,718
Materials and Supplies			
Plant Supplies	11,260		11,260
Service Dept. Supplies	19,454		19,454
Backhoe and Truck Fuel	28,804		28,804
Plant Wellfield Repairs	118,436	(50,000)	68,436
Office Supplies	5,883		5,883
Postage	21,592		21,592
Repairs Dept. Equipment	14,014		14,014
Other Materials and Supplies	84,250		84,250
Contract Accounting	22,825		22,825
Contract Legal	10,205		10,205
Contract Engineering	31,402		31,402
Contract Other	55,862		55,862
Contract Management Fees	97,482		97,482
Contract Testing	31,610		31,610
Transportation	27,628		27,628
Vehicle Insurance	4,103		4,103
Insurance - General Liability	16,312		16,312
Insurance - Workers Comp.	16,364		16,364
Insurance - Other	6,413		6,413
Bad Debt	10,900		10,900
Miscellaneous	32,940		32,940

Total Operating and Maintenance	\$ 2,005,325	\$ 16,556	\$ 2,021,881
Regulatory Expense	6,300		6,300
Taxes Other Than Income	52,985		52,985
Principal	882,299	-	882,299
Interest Expense	491,037		491,037
Annual Payments on RD Loan		254,968	254,968
1.2 Coverage		50,994	50,994
Amortization	7,453		7,453
Depreciation		100,000	100,000
Total Expenses	\$ 3,445,399	\$ 422,518	\$ 3,867,917
Income			3,277,463
Increase			\$ 590,454
%			0.18

HENRY COUNTY WATER DISTRICT NO. 2
EXPLANATION OF PRO FORMA ADJUSTMENTS

Salaries and Wages See Attached Board Meeting Approval	\$29,906
Purchased Power Based on 2009 Budgeted Expense	36,650
Plant Wellfield Repairs Nonrecurring Repair of Filter	(50,000)
Loan Payments to RD and Coverage	305,962
Depreciation Actual Expense is 807,322	100,000
Total Adjustments	\$422,518

HENRY COUNTY WATER DISTRICT NO. 2

RECONCILIATION OF OPERATING EXPENSES

Annual Report Expenses	\$	2,005,373
Audit Report	\$	2,858,695
Less		
Depreciation		(807,322)
Other Interest Expense		(555.00)
Payroll Taxes		(51,229)
Regulatory Fees		(5,116)
Plus		
Bad Debt		10,900
Total	\$	2,005,373

The minutes of the meeting of the Board of Water District Commissioners of Henry County Water District No. Two held at the District's Office at the hour of 7:00 p.m. on November 11, 2008.

Those in attendance are shown by the attached attendance sheet.

The minutes of the October 14, 2008, meeting had been previously sent to the Commissioners for their review. A motion to approve the minutes was made by Commissioner Hawkins, seconded by Commissioner Richardson and passed.

Jay Hoffman of Wet or Dry Tank Inspection was present and advised the Commissioners that the tank contractor was still working toward completing the Pleasureville tank. The inside of the tank is all but done, and Mr. Hoffman estimates that the contractor needs six to eight days of good weather to finish painting the tank and complete their other work.

Tom Green of the District's engineering firm, Tetra Tech, presented the monthly engineering report, a copy of which is attached hereto and made a part hereof. Mr. Green further explained that the Pleasureville tank is on schedule with regard to being placed into service even though one portion of the piping that was needed is on back order.

The District's accountant, Dennis Raisor, was present and provided the Commissioners with an overview of the proposed budget for the year 2009, a copy of which is attached hereto and made a part hereof. After Mr. Raisor provided a detailed explanation as to the budget and comments were made by members of the budget committee concerning how the increases for salaries were arrived at a motion to approve the budget was made by Commissioner Bohannon, seconded by Commissioner Hawkins, and passed. After passage of the budget there was discussion of the potential need for a rate increase, and the Chief Operating Officer commented that there had not been an increase in the District's rates since 1995. It was further discussed that it may be a portion of the recommendations received from the Public Service Commission when a ruling is finally received concerning the District's offsetting improvement charge.

The District's attorney, D. Berry Baxter, advised the Commissioners as to the status of the pending litigation involving Henry County Water District No. Two v. Smith, Kallenberger v. Santa Cruz Cattle Company and concerning the requested relief from Ondeo Degremont concerning the filters. He had further advised the Commissioners that the Public Service Commission had received a complaint concerning the fact that the District had not yet completed the required improvements on the Dwenger property, and that a complaint had been forwarded to the District. Our attorney forwarded a letter to the Public Service Commission advising them as the status of this matter and that it had never been fully resolved by the Circuit Court, a fact that Mr. Dwenger, the complainant was well aware of.

Superintendent Barry Woods was not present, and the Chief Operating Officer presented his report advising the Commissioners that the monthly service and loss report

HENRY COUNTY WATER DISTRICT
 DECEMBER 31, 2008
 Spread of Expense Accts

Expenses Per P&L		Purchased Power	Mat & Supplies	Cont Serv-Eng	Cont Serv-Acct	Cont Serv-Legal	Cont Serv-Mgmt Fees	Cont Serv-Water Testing	Cont Serv-other	Trans Exp	Mis
520-8 office supplies-postage		-21,592	21,592								
620-8 office supplies-office		-5,930	5,930								
620-9 office supplies-plant		-1,749	1,749								
631-4 cont serv off clean		-2,795							2,795		
631-4 cont serv off-pest control		-400							400		
631-4 cont serv off		-4,801							4,801		
631-4 cont serv-rugs		-1,107							1,107		
631-4 cont serv-office copier		-511							511		
635-5 rep bldg-office bldg rep		-5,138	5,138								
635-9 reprs serv dept equip		-14,014	14,014								
		0									
Professional Services	64,432										
631-3 cont serv-acct fees		-22,825			22,825						
631-8 engineering		-31,402		31,402							
633-8 legal		-10,205				10,205					
		0									
Purchased Power	385,234										
615-1 electric dist		-385,234	385,234								
		0									
Transportation Expense	27,628										
650-8 Mileage		-27,628								27,628	
		0									
Utilities	26,271										
615-1a office electric		-3,116	3,116								
615-2 office gas		-4,876									
615-3 office water		-305									
615-4 office sewer		-449									
615-5 office garbage		-797									
615-6 plant garbage		-841									
681-1 pagers		-695									
680-1 online serv		-1,199									
679-1 land line ph		-5,550									
678-1 cell ph		-8,443									
		0									
Total	1,002,045	388,350	303,741	31,402	22,825	10,205	97,482	31,610	55,862	27,628	

9:33 AM

09/21/09

Accrual Basis

Henry County Water District #2 General Ledger As of December 31, 2008

Date	Debit	Credit	Balance	Num	Name	Memo
Retained Earnings			63,528.52			
Total Retaine...			63,528.52			
650-5 Bkhoe & Trk Fuel			0.00			
1/11/2008	1,730.28		1,730.28	346...	Bullock Oil Co., I...	Inv. # 994954, 9094999, 994852
2/8/2008	2,494.45		4,224.73	348...	Bullock Oil Co., I...	Inv. # 994954, 9094999, 994852
3/3/2008	18.17		4,242.90	349...	Browning Autom...	Matthews Trk Oil Chg
3/10/2008	2,309.05		6,551.95	349...	Bullock Oil Co., I...	Inv. # 994954, 9094999, 994852
4/8/2008	4,104.00		10,655.95	350...	Bullock Oil Co., I...	Inv. # 994954, 9094999, 994852
4/25/2008	24.88		10,680.83	351...	Chevron & Texac...	Acct # 789-872-824-6
5/9/2008	18.80		10,699.63	352...	Jay Armstrong	Fuel for White Trk
5/13/2008	23.33		10,722.96	352...	Chevron & Texac...	Acct # 789-872-824-6
5/13/2008	2,364.95		13,087.91	352...	Bullock Oil Co., I...	Inv. # 997031, 997079
6/11/2008	3,061.30		16,149.21	354...	Bullock Oil Co., I...	Inv. # 997031, 997079
7/9/2008	3,158.85		19,308.06	355...	Bullock Oil Co., I...	Inv. # 997031, 997079
8/1/2008	335.41		19,643.47	356...	Chevron & Texac...	Acct # 789-872-824-6
8/12/2008	3,148.21		22,791.68	356...	Bullock Oil Co., I...	Inv. # 997031, 997079
9/9/2008	2,903.89		25,695.57	358...	Bullock Oil Co., I...	Inv. # 997031, 997079
10/6/2008	395.00		26,090.57	358...	Kwik-E-Mart, Inc.	2702191 jerry rankin
10/15/2008	2,745.35		28,835.92	359...	Bullock Oil Co., I...	Inv. # 997031, 997079
11/7/2008	3,993.85		32,829.77	360...	Bullock Oil Co., I...	Inv. # 997031, 997079
12/15/2008	1,283.47		34,113.24	361...	Bullock Oil Co., I...	Inv. # 997031, 997079
12/31/2008		1,730.28	32,382.96	221	?	reverse prior year ap
12/31/2008	2,228.95		34,611.91	247		year end actual
12/31/2008		5,808.14	28,803.77	249		per line extension worksheet
Total 650-5 ...	36,342.19	7,538.42	28,803.77			
TOTAL	36,342.19	7,538.42	92,332.29			

10:33 AM

09/21/09

Accrual Basis

Henry County Water District #2 General Ledger As of August 31, 2009

Date	Debit	Credit	Balance	Num	Name	Memo
Retained Earnings			92,332.29			
Total Retaine...			92,332.29			
650-5 Bkhoe & Trk Fuel			0.00			
1/9/2009	2,228.95		2,228.95	36326	Bullock Oil Co., I...	Inv. # 997031, 997079
2/10/2009	1,671.54		3,900.49	36436	Bullock Oil Co., I...	Inv. # 997031, 997079
3/12/2009	868.96		4,769.45	36584	Bullock Oil Co., I...	Inv. # 997031, 997079
4/2/2009	86.18		4,855.63	36665	Chevron & Texac...	Acct # 789-872-824-6
4/15/2009	133.55		4,989.18	36712	Kwik-E-Mart, Inc.	2702191 jerry rankin
4/15/2009	1,609.47		6,598.65	36716	Bullock Oil Co., I...	Inv. # 997031, 997079
5/14/2009	1,546.25		8,144.90	36872	Bullock Oil Co., I...	Inv. # 997031, 997079
6/17/2009	2,242.35		10,387.25	37024	Bullock Oil Co., I...	Inv. # 997031, 997079
7/10/2009	0.00		10,387.25	37118	Bullock Oil Co., I...	Inv. # 997031, 997079
7/10/2009	1,619.97		12,007.22	37124	Bullock Oil Co., I...	Inv. # 997031, 997079
8/10/2009	3,130.65		15,137.87	37281	Bullock Oil Co., I...	Inv. # 997031, 997079
8/26/2009	20.00		15,157.87	37346	Jay Armstrong	MILEAGE 336 @ 50.5
Total 650-5 ...	15,157.87	0.00	15,157.87			
TOTAL	15,157.87	0.00	107,490.16			

10:48 AM

07/01/09

Accrual Basis

Henry County Water District #2
General Journal Transaction
December 31, 2008

<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Account</u>	<u>Class</u>	<u>Debit</u>	<u>Credit</u>
216		Year End Adj...	131-1 Cash on Hand			950.00
		Year End Adj...	433 Impact Fee		950.00	
					<u>950.00</u>	<u>950.00</u>
TOTAL					<u>950.00</u>	<u>950.00</u>

10:51 AM
07/01/09
Accrual Basis

Henry County Water District #2
General Journal Transaction
December 31, 2008

<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Account</u>	<u>Class</u>	<u>Debit</u>	<u>Credit</u>
217		Year End Adj...	241-11 KY State Re...			2,415.36
		Year End Adj...	241-11 KY State Re...		7,811.22	
		Year End Adj...	604-1 Employee Be...			7,811.22
		Year End Adj...	604-1 Employee Be...		2,415.36	
					<u>10,226.58</u>	<u>10,226.58</u>
TOTAL					<u>10,226.58</u>	<u>10,226.58</u>

10:52 AM

07/01/09

Accrual Basis

Henry County Water District #2
General Journal Transaction
December 31, 2008

<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Account</u>	<u>Class</u>	<u>Debit</u>	<u>Credit</u>
218		year end adju...	236-2 Retirement P...		3,128.75	
		year end adju...	241-11 KY State Re...			384.26
		year end adju...	604-1 Employee Be...			2,744.49
					<u>3,128.75</u>	<u>3,128.75</u>
TOTAL					<u>3,128.75</u>	<u>3,128.75</u>

10:52 AM
 07/01/09
 Accrual Basis

Henry County Water District #2
General Journal Transaction
 December 31, 2008

Num	Name	Memo	Account	Class	Debit	Credit
219		YEAR END A...	243 Funds Held Fut...		9,667.12	
		YEAR END A...	433 Impact Fee			2,850.00
		YEAR END A...	432-2 Contribution...			540.68
		YEAR END A...	432-1 Tap on Fees		950.00	
		YEAR END A...	475-1 Miscellaneou...			6,666.00
		YEAR END A...	620-1 Materials & S...			560.44
					<u>10,617.12</u>	<u>10,617.12</u>
TOTAL					<u>10,617.12</u>	<u>10,617.12</u>

10:53 AM

07/01/09

Accrual Basis

Henry County Water District #2
General Journal Transaction
December 31, 2008

<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Account</u>	<u>Class</u>	<u>Debit</u>	<u>Credit</u>
220		adjust to year...	224-1 SRECC No I...			1,938.59
		adjust to year...	627-6 Int KRWFC ...		1,938.59	
					<u>1,938.59</u>	<u>1,938.59</u>
TOTAL					<u>1,938.59</u>	<u>1,938.59</u>

1:01 PM
 07/01/09
 Accrual Basis

Henry County Water District #2
General Journal Transaction
 December 31, 2008

Num	Name	Memo	Account	Class	Debit	Credit
221	?	reverse prior ...	231 Accounts Paya...		61,845.30	
	?	reverse prior ...	682-1 Reprs, Serv. ...			510.00
	?	reverse prior ...	615-2 Gas, Office			701.69
	?	reverse prior ...	620-2 Service Depa...			10,590.87
	?	reverse prior ...	633-8 Legal			128.00
	?	reverse prior ...	618-2 Plant Supplies			94.75
	?	reverse prior ...	675-7 Plant & Well ...			2,355.00
	?	reverse prior ...	620-8 Office Postage			300.18
	?	reverse prior ...	631-4 Contr Serv Of...			390.00
	?	reverse prior ...	678-1 Cellular Phon...			651.71
	?	reverse prior ...	679-1 Land Lines			472.07
	?	reverse prior ...	615-3 Water, Office			30.69
	?	reverse prior ...	672-1 Water Analysis			920.00
	?	reverse prior ...	Rugs			90.60
	?	reverse prior ...	650-8 Mileage			169.27
	?	reverse prior ...	616-1 Electric, Distr...			906.83
	?	reverse prior ...	616-2 Elect Plant & ...			22,993.36
	?	reverse prior ...	660-8 Advertising E...			566.72
	?	reverse prior ...	650-5 Bkhoe & Trk ...			1,730.28
	?	reverse prior ...	615-4 Sewer, Office			42.46
	?	reverse prior ...	634-2 Cont Serv- M...			8,037.39
	?	reverse prior ...	620-9 Office Suppli...			128.43
	?	reverse prior ...	631-8 Engineering			6,380.00
	?	reverse prior ...	631-8 Engineering			1,785.00
	?	reverse prior ...	105 Work In Progress			1,870.00
					<u>61,845.30</u>	<u>61,845.30</u>
TOTAL					<u>61,845.30</u>	<u>61,845.30</u>

1:01 PM
07/01/09
Accrual Basis

Henry County Water District #2
General Journal Transaction
December 31, 2008

<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Account</u>	<u>Class</u>	<u>Debit</u>	<u>Credit</u>
222		year end adju...	181-1 Unamortized ...			1,576.20
		year end adju...	181 Amortized Debt...		260.00	
		year end adju...	628 Amortization of ...		1,316.20	
					<u>1,576.20</u>	<u>1,576.20</u>
TOTAL					<u>1,576.20</u>	<u>1,576.20</u>

1:03 PM
07/01/09
Accrual Basis

Henry County Water District #2
General Journal Transaction
December 31, 2008

<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Account</u>	<u>Class</u>	<u>Debit</u>	<u>Credit</u>
224		year end adju...	135 Tempoary Cas...		19,263.03	
		year end adju...	419 Interest			19,263.03
					<u>19,263.03</u>	<u>19,263.03</u>
TOTAL					<u>19,263.03</u>	<u>19,263.03</u>

1:04 PM

07/01/09

Accrual Basis

Henry County Water District #2
General Journal Transaction
December 31, 2008

<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Account</u>	<u>Class</u>	<u>Debit</u>	<u>Credit</u>
225		year end adju...	419 Interest		2.14	
		year end adju...	214 Approp Retaine...			2.14
					<u>2.14</u>	<u>2.14</u>
TOTAL					<u>2.14</u>	<u>2.14</u>

1:05 PM

07/01/09

Accrual Basis

Henry County Water District #2
General Journal Transaction
December 31, 2008

<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Account</u>	<u>Class</u>	<u>Debit</u>	<u>Credit</u>
226		year end adju...	221-6 KRWFC 5th-...		2,505.20	
		year end adju...	221-9 KRWFC 5th-...		1,994.90	
		year end adju...	627-1 Int 2001 Issue			1,994.90
		year end adju...	627-2 Int KRWA 20...			2,525.20
		wire fee	685-1 Miscellaneous ...		20.00	
					<u>4,520.10</u>	<u>4,520.10</u>
TOTAL					<u>4,520.10</u>	<u>4,520.10</u>

1:05 PM

07/01/09

Accrual Basis

Henry County Water District #2
General Journal Transaction
December 31, 2008

<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Account</u>	<u>Class</u>	<u>Debit</u>	<u>Credit</u>
227			627-5 Int On H&L 1...		19,695.61	
			627-7 Trustee Fee		700.00	
			627-6 Int KRWFC ...			20,395.61
					<u>20,395.61</u>	<u>20,395.61</u>
TOTAL					<u>20,395.61</u>	<u>20,395.61</u>

1:05 PM

07/01/09

Accrual Basis

Henry County Water District #2
General Journal Transaction
December 31, 2008

<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Account</u>	<u>Class</u>	<u>Debit</u>	<u>Credit</u>
228		year end adju...	241-4 Ky Sales Tax			267.90
		year end adju...	475-1 Miscellaneou...		267.90	
					<u>267.90</u>	<u>267.90</u>
TOTAL					<u>267.90</u>	<u>267.90</u>

1:07 PM

07/01/09

Accrual Basis

Henry County Water District #2
General Journal Transaction
December 31, 2008

<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Account</u>	<u>Class</u>	<u>Debit</u>	<u>Credit</u>
229		year end actual	241-1 Social Securi...			890.73
		year end actual	241-10 Medicare P...			75.70
		year end actual	241-2 Federal With...			70.00
		year end actual	241-3 KY State Wit...		2.00	
		year end actual	408-12 Payroll Taxe...		1,034.43	
					<u>1,036.43</u>	<u>1,036.43</u>
TOTAL					<u>1,036.43</u>	<u>1,036.43</u>

1:08 PM

07/01/09

Accrual Basis

Henry County Water District #2
General Journal Transaction
December 31, 2008

<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Account</u>	<u>Class</u>	<u>Debit</u>	<u>Credit</u>
230	+payments	post Nov 08 ...	141 Accounts Recei...		6,987.53	
	+payments	post Nov 08 ...	241-4 Ky Sales Tax			488.31
	+payments	post Nov 08 ...	241-5 Henry School...			5,130.08
	+payments	post Nov 08 ...	241-6 Trimble Scho...			710.04
	+payments	post Nov 08 ...	241-7 Carroll Schoo...			24.37
	+payments	post Nov 08 ...	241-8 Oldham Scho...			232.99
	+payments	post Nov 08 ...	241-9 Shelby Scho...			264.71
	+payments	post Nov 08 ...	241-13 Eminence S...			137.03
					<u>6,987.53</u>	<u>6,987.53</u>
TOTAL					<u>6,987.53</u>	<u>6,987.53</u>

1:09 PM

07/01/09

Accrual Basis

Henry County Water District #2
General Journal Transaction
December 31, 2008

<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Account</u>	<u>Class</u>	<u>Debit</u>	<u>Credit</u>
231		year end actual	241-5 Henry School...			2,017.79
		year end actual	241-6 Trimble Scho...		176.84	
		year end actual	241-7 Carroll Schoo...			143.71
		year end actual	241-8 Oldham Scho...			207.22
		year end actual	241-9 Shelby Scho...			207.70
		year end actual	241-13 Eminence S...		102.77	
		year end actual	475-1 Miscellaneou...		2,296.81	
					<u>2,576.42</u>	<u>2,576.42</u>
TOTAL					<u>2,576.42</u>	<u>2,576.42</u>

1:08 PM

07/01/09

Accrual Basis

Henry County Water District #2
General Journal Transaction
December 31, 2008

<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Account</u>	<u>Class</u>	<u>Debit</u>	<u>Credit</u>
232		Year End Act...	151 Plant Material ...		2,068.81	
		Year End Act...	620-1 Materials & S...			2,068.81
					<u>2,068.81</u>	<u>2,068.81</u>
TOTAL					<u>2,068.81</u>	<u>2,068.81</u>

1:08 PM
07/01/09
Accrual Basis

Henry County Water District #2
General Journal Transaction
December 31, 2008

<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Account</u>	<u>Class</u>	<u>Debit</u>	<u>Credit</u>
233		year end actual	171 Accrued Intere...			16,347.58
		year end actual	419 Interest		16,347.58	
					<u>16,347.58</u>	<u>16,347.58</u>
TOTAL					<u>16,347.58</u>	<u>16,347.58</u>

1:08 PM

07/01/09

Accrual Basis

Henry County Water District #2
General Journal Transaction
December 31, 2008

<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Account</u>	<u>Class</u>	<u>Debit</u>	<u>Credit</u>
234		Adjust & Yea...	427-4 Interest on C...		555.12	
		Adjust & Yea...	237-3 Accrued Inter...		11.83	
		Adjust & Yea...	235 Customer Depo...		59,864.71	
	+payments	Adjust & Yea...	141 Accounts Recei...			60,431.66
					<u>60,431.66</u>	<u>60,431.66</u>
TOTAL					<u>60,431.66</u>	<u>60,431.66</u>

10:48 AM

07/01/09

Accrual Basis

Henry County Water District #2
General Journal Transaction
December 31, 2008

<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Account</u>	<u>Class</u>	<u>Debit</u>	<u>Credit</u>
235	+payments	year end actual	141-1 Accts Rec Re...		3,184.34	
	+payments	year end actual	141-1 Accts Rec--re...			1,187.95
	+payments	year end actual	475-1 Miscellaneou...			1,996.39
					<u>3,184.34</u>	<u>3,184.34</u>
TOTAL					<u>3,184.34</u>	<u>3,184.34</u>

10:49 AM

07/01/09

Accrual Basis

Henry County Water District #2
General Journal Transaction
December 31, 2008

<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Account</u>	<u>Class</u>	<u>Debit</u>	<u>Credit</u>
236		Reclassify ac...	627-10 Interest Exp...		463.18	
		Reclassify ac...	105 Work In Progress			19,586.22
		Reclassify ac...	304 System Better...		10,885.07	
		Reclassify ac...	233 CNH Capital		8,237.97	
					<u>19,586.22</u>	<u>19,586.22</u>
TOTAL					<u>19,586.22</u>	<u>19,586.22</u>

1:13 PM

07/01/09

Accrual Basis

Henry County Water District #2
General Journal Transaction
December 31, 2008

<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Account</u>	<u>Class</u>	<u>Debit</u>	<u>Credit</u>
237		Assests Trad...	345 Power Operate...			65,712.00
		Assests Trad...	108-6 Accu Depr/P...		65,712.00	
					<u>65,712.00</u>	<u>65,712.00</u>
TOTAL					<u>65,712.00</u>	<u>65,712.00</u>

1:10 PM

07/01/09

Accrual Basis

Henry County Water District #2
General Journal Transaction
December 31, 2008

<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Account</u>	<u>Class</u>	<u>Debit</u>	<u>Credit</u>
238	+payments	Reimburse...	142 Other Accounts...		2,845.00	
	+payments	end of year a...	475-1 Miscellaneou...			2,845.00
					<u>2,845.00</u>	<u>2,845.00</u>
TOTAL					<u><u>2,845.00</u></u>	<u><u>2,845.00</u></u>

1:17 PM

07/01/09

Accrual Basis

Henry County Water District #2
General Journal Transaction
December 31, 2008

<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Account</u>	<u>Class</u>	<u>Debit</u>	<u>Credit</u>
239		reclassify acc...	304 System Better...			9,000.00
		reclassify acc...	105 Work In Progress		9,000.00	
					<u>9,000.00</u>	<u>9,000.00</u>
TOTAL					<u>9,000.00</u>	<u>9,000.00</u>

1:17 PM

07/01/09

Accrual Basis

Henry County Water District #2
General Journal Transaction
December 31, 2008

<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Account</u>	<u>Class</u>	<u>Debit</u>	<u>Credit</u>
240		capital Lease...	345 Power Operate...		42,107.00	
		capital Lease...	233 CNH Capital			42,107.00
					<u>42,107.00</u>	<u>42,107.00</u>
TOTAL					<u>42,107.00</u>	<u>42,107.00</u>

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07/01/09

Accrual Basis

Henry County Water District #2
General Journal Transaction
December 31, 2008

<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Account</u>	<u>Class</u>	<u>Debit</u>	<u>Credit</u>
241		Reclassify Ac...	162-2 Prepaid Main...		5,008.37	
		Reclassify Ac ...	683-1 Dues & Subs...			1,150.00
		Reclassify Ac...	631-4 Cont Serv Off...			258.37
		Reclassify Ac...	631-2 Cont Serv Pl...			3,600.00
					<u>5,008.37</u>	<u>5,008.37</u>
TOTAL					<u>5,008.37</u>	<u>5,008.37</u>

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07/01/09

Accrual Basis

Henry County Water District #2
General Journal Transaction
December 31, 2008

<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Account</u>	<u>Class</u>	<u>Debit</u>	<u>Credit</u>
242		capital meter...	334-4 Meter & Mete...		36,450.00	
		capital meter...	601-1 Employee Sa...			23,693.00
		capital meter...	620-1 Materials & S...			12,757.00
					<u>36,450.00</u>	<u>36,450.00</u>
TOTAL					<u>36,450.00</u>	<u>36,450.00</u>

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07/01/09

Accrual Basis

Henry County Water District #2
General Journal Transaction
December 31, 2008

<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Account</u>	<u>Class</u>	<u>Debit</u>	<u>Credit</u>
243		reclassify bac...	345 Power Operate...		62,800.00	
		reclassify bac...	347 Service Equip...			62,800.00
					<u>62,800.00</u>	<u>62,800.00</u>
TOTAL					<u>62,800.00</u>	<u>62,800.00</u>

1:20 PM

07/01/09

Accrual Basis

Henry County Water District #2
General Journal Transaction
December 31, 2008

<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Account</u>	<u>Class</u>	<u>Debit</u>	<u>Credit</u>
244		adjust to year...	162-1 Prepaid Insur...		49,939.32	
		adjust to year...	658-1 Insur Wkmns...			12,277.00
		adjust to year...	656-8 Bonds			4,895.67
		adjust to year...	657-2 Insurance Ge...			6,402.59
		adjust to year...	657-1 General Insur...			18,831.60
		adjust to year...	656-1 Insur Vehicle/...			7,532.46
					<u>49,939.32</u>	<u>49,939.32</u>
TOTAL					<u>49,939.32</u>	<u>49,939.32</u>

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07/01/09

Accrual Basis

Henry County Water District #2
General Journal Transaction
December 31, 2008

<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Account</u>	<u>Class</u>	<u>Debit</u>	<u>Credit</u>
245		year end actual	242-2 Accrued Wag...			9,011.75
		year end actual	242 Accured Vacation			493.16
		year end actual	601-1 Employee Sa...		9,504.91	
					<u>9,504.91</u>	<u>9,504.91</u>
TOTAL					<u>9,504.91</u>	<u>9,504.91</u>

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07/01/09

Accrual Basis

Henry County Water District #2
General Journal Transaction
December 31, 2008

<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Account</u>	<u>Class</u>	<u>Debit</u>	<u>Credit</u>
246		year end adju...	242-1 Accrued Payr...		182.36	
		year end adju...	408-12 Payroll Taxe...			182.36
					<u>182.36</u>	<u>182.36</u>
TOTAL					<u>182.36</u>	<u>182.36</u>

1:20 PM
 07/01/09
 Accrual Basis

Henry County Water District #2 General Journal Transaction December 31, 2008

Num	Name	Memo	Account	Class	Debit	Credit
247		year end actual	105 Work In Progress		4,345.50	
		year end actual	347 Service Equip...		8,300.00	
		year end actual	635 Credit Card Ma...		333.06	
		year end actual	615-1A Electric, Offi...		387.12	
		year end actual	615-2 Gas, Office		996.03	
		year end actual	615-3 Water, Office		28.88	
		year end actual	615-4 Sewer, Office		41.95	
		year end actual	615-5 Garbage, Offi...		48.22	
		year end actual	616-1 Electric, Distr...		1,140.25	
		year end actual	616-2 Elect Plant & ...		35,176.35	
		year end actual	618-1 Chemicals		1,270.00	
		year end actual	618-2 Plant Supplies		585.24	
		year end actual	620-1 Materials & S...		5,530.78	
		year end actual	620-2 Service Depa...		160.94	
		year end actual	620-7 Office Supplies		385.50	
		year end actual	620-8 Office Postage		1,686.63	
		year end actual	620-9 Office Suppli...		32.10	
		year end actual	Rugs		46.30	
		year end actual	Office Copier		37.66	
		year end actual	631-8 Engineering		170.00	
		year end actual	633-8 Legal		87.00	
		year end actual	634-2 Cont Serv- M...		8,513.30	
		year end actual	650-4 Service Vehic...		18.07	
		year end actual	650-5 Bkhoe & Trk ...		2,228.95	
		year end actual	650-8 Mileage		1,913.54	
		year end actual	667-1 School & Rel...		113.27	
		year end actual	672-1 Water Analysis		1,020.00	
		year end actual	675-7 Plant & Well ...		9,690.50	
		year end actual	679-1 Land Lines		146.79	
		year end actual	682-1 Reprs, Serv ...		635.97	
	?	year end actual	231 Accounts Paya...			85,069.90
					<u>85,069.90</u>	<u>85,069.90</u>
TOTAL					<u>85,069.90</u>	<u>85,069.90</u>

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07/01/09

Accrual Basis

Henry County Water District #2
General Journal Transaction
December 31, 2008

<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Account</u>	<u>Class</u>	<u>Debit</u>	<u>Credit</u>
248		reclassify de... end of year	475-1 Miscellaneou... 675-7 Plant & Well ...		8,177.00	8,177.00
					<u>8,177.00</u>	<u>8,177.00</u>
TOTAL					<u>8,177.00</u>	<u>8,177.00</u>

1:21 PM

07/01/09

Accrual Basis

Henry County Water District #2
General Journal Transaction
December 31, 2008

<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Account</u>	<u>Class</u>	<u>Debit</u>	<u>Credit</u>
249		per line exten...	304 System Better...		39,281.82	
		per line exten...	631-8 Engineering			2,040.00
		per line exten...	620-1 Materials & S...			16,680.19
		per line exten...	601-1 Employee Sa...			16,994.98
		per line exten...	408-12 Payroll Taxe...			1,529.73
		per line exten...	604-1 Retirement E...			2,294.31
		per line exten...	604-1 Employee Be...			5,500.50
		per line exten...	650-5 Bkhoe & Trk ...			5,808.14
		per line exten...	105 Work In Progress		11,566.03	
					<u>50,847.85</u>	<u>50,847.85</u>
TOTAL					<u>50,847.85</u>	<u>50,847.85</u>

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07/01/09

Accrual Basis

Henry County Water District #2
General Journal Transaction
December 31, 2008

<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Account</u>	<u>Class</u>	<u>Debit</u>	<u>Credit</u>
250		donated line-...	304 System Better...		35,200.00	
		donated line-...	475-1 Miscellaneou...			35,200.00
					<u>35,200.00</u>	<u>35,200.00</u>
TOTAL					<u>35,200.00</u>	<u>35,200.00</u>

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07/01/09

Accrual Basis

Henry County Water District #2
General Journal Transaction
December 31, 2008

<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Account</u>	<u>Class</u>	<u>Debit</u>	<u>Credit</u>
251		record year e...	105 Work In Progress		128,628.25	
		record year e...	231-2 Construction ...			70,227.25
		record year e...	231-2 Construction ...			58,401.00
					<u>128,628.25</u>	<u>128,628.25</u>
TOTAL					<u>128,628.25</u>	<u>128,628.25</u>

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07/01/09

Accrual Basis

Henry County Water District #2
General Journal Transaction
December 31, 2008

<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Account</u>	<u>Class</u>	<u>Debit</u>	<u>Credit</u>
252	+payments	unbilled adju...	142 Other Accounts...			4,669.22
	+payments	unbilled adju...	461-11 Metered Sal...		3,423.19	
	+payments	unbilled adju...	461-12 Metered Sal...		527.91	
	+payments	unbilled adju...	461-13 Metered Sal...		19.77	
	+payments	unbilled adju...	461-14 Metered Sal...		159.08	
	+payments	unbilled adju...	461-18 Metered Sal...		81.34	
	+payments	unbilled adju...	461-19 Metered Sal...		159.08	
	+payments	unbilled adju...	461-2 Metered Sale...		298.85	
					<hr/>	<hr/>
					4,669.22	4,669.22
					<hr/>	<hr/>
TOTAL					4,669.22	4,669.22
					<hr/> <hr/>	<hr/> <hr/>

10:48 AM

07/01/09

Accrual Basis

Henry County Water District #2
General Journal Transaction
December 31, 2008

<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Account</u>	<u>Class</u>	<u>Debit</u>	<u>Credit</u>
253	+payments	year end actual	141 Accounts Recei...		30,338.42	
	+payments	year end actual	143 Accum Prov for...			10,899.67
	+payments	year end actual	670-7 Bad Debt Ex...		10,899.67	
	+payments	year end actual	461-11 Metered Sal...			21,843.66
	+payments	year end actual	461-12 Metered Sal...			3,337.23
	+payments	year end actual	461-14 Metered Sal...			910.15
	+payments	year end actual	461-18 Metered Sal...			606.77
	+payments	year end actual	461-19 Metered Sal...			1,213.54
	+payments	year end actual	461-2 Metered Sale...			2,427.07
					<u>41,238.09</u>	<u>41,238.09</u>
TOTAL					<u>41,238.09</u>	<u>41,238.09</u>

10:48 AM
 07/01/09
 Accrual Basis

Henry County Water District #2 General Journal Transaction December 31, 2008

Num	Name	Memo	Account	Class	Debit	Credit
254		year end actual	609 Depreciation E...		9,321.90	
		year end actual	108 Accu Depr/strts...			12,941.09
		year end actual	108-3 Accu Depr/N...		0.02	
		year end actual	108-7 Accu Depr/W...		15,455.91	
		year end actual	108-4 Accrued Dep/...		2,449.98	
		year end actual	108-1 Accu Depr/Of...			2,904.34
		year end actual	108-5 Accu Depr/S...		1,709.62	
		year end actual	108-6 Accu Depr/P...			8,886.13
		year end actual	108-2 Accu Depr/S...			4,205.87
					<u>28,937.43</u>	<u>28,937.43</u>
TOTAL					<u>28,937.43</u>	<u>28,937.43</u>

10:49 AM

07/01/09

Accrual Basis

Henry County Water District #2
General Journal Transaction
December 31, 2008

<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Account</u>	<u>Class</u>	<u>Debit</u>	<u>Credit</u>
255		Book Grants ...	174 Construction Gr...		348,250.00	
		Book Grants ...	105 Work In Progress		1,750.00	
		Book Grants ...	432-2 Contributiona...			350,000.00
					<u>350,000.00</u>	<u>350,000.00</u>
TOTAL					<u>350,000.00</u>	<u>350,000.00</u>

10:31 AM

09/21/09

Accrual Basis

Henry County Water District #2 General Ledger As of December 31, 2008

Date	Debit	Credit	Balance	Num	Name	Memo
Retained Earnings			9,386.13			
Total Retaine...			9,386.13			
615-2 Gas, Office			0.00			
1/3/2008	701.69		701.69	346...	Louisville Gas & ...	Acct # 1000-3799-3500-14
2/1/2008	977.41		1,679.10	347...	Louisville Gas & ...	Acct # 1000-3799-3500-1 4
3/3/2008	852.66		2,531.76	349...	Louisville Gas & ...	Acct # 1000-3799-3500-1 4
4/2/2008	841.01		3,372.77	350...	Louisville Gas & ...	Acct # 1000-3799-3500-1 4
5/13/2008	209.75		3,582.52	352...	Louisville Gas & ...	Acct # 1000-3799-3500-1 4
6/2/2008	59.11		3,641.63	353...	Louisville Gas & ...	Acct # 1000-3799-3500-1 4
7/1/2008	45.46		3,687.09	355...	Louisville Gas & ...	Acct # 1000-3799-3500-1 4
8/1/2008	40.02		3,727.11	356...	Louisville Gas & ...	Acct # 1000-3799-3500-1 4
8/15/2008	373.29		4,100.40	357...	Louisville Gas & ...	Acct # 1000-3799-3500-1 4
8/29/2008	39.52		4,139.92	357...	Louisville Gas & ...	Acct # 1000-3799-3500-1 4
10/6/2008	44.30		4,184.22	359...	Louisville Gas & ...	Acct # 1000-3799-3500-1 4
11/7/2008	42.79		4,227.01	360...	Louisville Gas & ...	Acct # 1000-3799-3500-1 4
12/8/2008	355.03		4,582.04	361...	Louisville Gas & ...	Acct # 1000-3799-3500-1 4
12/31/2008		701.69	3,880.35	221	?	reverse prior year ap
12/31/2008	996.03		4,876.38	247		year end actual
Total 615-2 ...	5,578.07	701.69	4,876.38			
TOTAL	5,578.07	701.69	14,262.51			

10:30 AM

Henry County Water District #2

09/21/09

General Ledger

Accrual Basis

As of August 31, 2009

Date	Debit	Credit	Balance	Num	Name	Memo
Retained Earnings			14,262.51			
Total Retaine...			14,262.51			
615-2 Gas, Office			0.00			
1/9/2009	996.03		996.03	36323	Louisville Gas & ...	Acct # 1000-3799-3500-1 4
2/10/2009	1,224.97		2,221.00	36447	Louisville Gas & ...	Acct # 1000-3799-3500-1 4
3/9/2009	899.93		3,120.93	36560	Louisville Gas & ...	Acct # 1000-3799-3500-1 4
4/2/2009	0.00		3,120.93	36672	Louisville Gas & ...	Acct # 1000-3799-3500-1 4
4/2/2009	483.35		3,604.28	36684	Louisville Gas & ...	Acct # 1000-3799-3500-1 4
5/4/2009	366.72		3,971.00	36819	Louisville Gas & ...	Acct # 1000-3799-3500-1 4
6/4/2009	59.79		4,030.79	36953	Louisville Gas & ...	Acct # 1000-3799-3500-1 4
6/25/2009	35.60		4,066.39	37063	Louisville Gas & ...	Acct # 1000-3799-3500-1 4
7/29/2009	34.80		4,101.19	37217	Louisville Gas & ...	Acct # 1000-3799-3500-1 4
8/28/2009	32.67		4,133.86	37353	Louisville Gas & ...	Acct # 1000-3799-3500-1 4
Total 615-2 ...	4,133.86	0.00	4,133.86			
TOTAL	4,133.86	0.00	18,396.37			

Mileage

9:41 AM

Henry County Water District #2

09/21/09

General Ledger

Accrual Basis

As of December 31, 2008

<u>Date</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>	<u>Num</u>	<u>Name</u>	<u>Memo</u>
11/3/2008	1,248.98		22,697.23	360...	Barry Woods	2135 @ 58.5
11/6/2008	70.20		22,767.43	360...	Jay Armstrong	MILEAGE 336 @ 50.5
11/10/2008	186.62		22,954.05	360...	Keith Morris	Mileage 319 @ 58.5
11/25/2008	687.96		23,642.01	361...	Jerry Rankin	Mileage 1176 @ .58 5
11/25/2008	95.94		23,737.95	361...	Bobbey Simpson	164 @ 58.5
12/2/2008	776.30		24,514.25	361...	Barry Woods	1327 @ 58.5
12/2/2008	406.58		24,920.83	361...	Refunds	109765
12/11/2008	508.37		25,429.20	361...	Keith Morris	Mileage 869 @58.5
12/19/2008	44.46		25,473.66	362...	Lisa Coots	76 @ 58.5
12/19/2008	105.30		25,578.96	362...	CHRIS TROXELL	180 @ 58.5
12/24/2008	166.14		25,745.10	362...	Lynda Wilson	284 @ 58.5
12/26/2008	138.65		25,883.75	362...	Bobbey Simpson	237 @ 58.5
12/31/2008		169.27	25,714.48	221	?	reverse prior year ap
12/31/2008	1,913.54		27,628.02	247		year end actual
Total 650-8 ...	27,797.29	169.27	27,628.02			
TOTAL	27,797.29	169.27	123,739.36			

9:41 AM

Henry County Water District #2

General Ledger

As of December 31, 2008

09/21/09

Accrual Basis

Date	Debit	Credit	Balance	Num	Name	Memo
Retained Earnings			96,111.34			
Total Retaine...			96,111.34			
650-8 Mileage			0.00			
1/10/2008	169.27		169.27	346...	Keith Morris	349 @ .485
1/15/2008	295.85		465.12	347...	Jimmy Simpson	610 @ .485 each
1/15/2008			465.12	347...	Void	
1/18/2008	52.38		517.50	347...	Lisa Coots	Mileage 108 @ .485
1/18/2008	32.28		549.78	347...	Matthew Jackson	658@.485
1/28/2008	1,156.73		1,706.51	347...	Barry Woods	1946 @ .485
1/30/2008	97.97		1,804.48	347...	CHRIS TROXELL	202 Miles @ .485 Each
2/1/2008	269.18		2,073.66	347...	Keith Morris	555 @ .485
2/11/2008	231.35		2,305.01	348...	Bobbey Simpson	Mileage 477 @ .485
2/15/2008	424.86		2,729.87	348...	Jimmy Simpson	876 @ .485 each
2/19/2008	41.71		2,771.58	348...	Lisa Coots	86 miles @ .485
2/28/2008	1,034.99		3,806.57	349...	Barry Woods	2134 @ .485
3/19/2008	13.96		3,820.53	350...	Keith Morris	69 @ .50.5
3/19/2008	24.40		3,844.93	350...	Jimmy Simpson	1220 @ .485 each
3/19/2008	3.88		3,848.81	350...	Lisa Coots	194 @ .485
3/19/2008	77.84		3,926.65	350...	Barry Woods	3892 @ .485
3/19/2008	3.88		3,930.53	350...	CHRIS TROXELL	194 Miles @ .485 Each
3/19/2008	9.54		3,940.07	350...	Bobbey Simpson	Mileage 477 @ .485
3/26/2008	942.84		4,882.91	350...	Barry Woods	1867 @ 50.5
3/26/2008	24.69		4,907.60	350...	Gary T. Johnson	88@.485
3/27/2008	235.33		5,142.93	350...	Bobbey Simpson	Mileage 466 @ .50.5
3/27/2008	558.02		5,700.95	350...	Keith Morris	1105 @ 50.5
4/2/2008	76.76		5,777.71	350...	Lisa Coots	152 miles @ .50.5
4/2/2008	0.00		5,777.71	350...	Rick Wheeler	Mileage 140 Miles @ 50.5
4/8/2008	70.70		5,848.41	350...	Rick Wheeler	140 MILES @ 50.5
4/8/2008	179.62		6,028.03	350...	Lynda Wilson	487 @ 50.5 & 210 @ 48.5
4/14/2008	123.73		6,151.76	351...	CHRIS TROXELL	245 Miles @ .505 Each
4/14/2008	468.64		6,620.40	351...	Jimmy Simpson	928 @ .505 each
4/25/2008	292.40		6,912.80	351...	Keith Morris	349 @ .485
4/25/2008	80.80		6,993.60	351...	Bobbey Simpson	Mileage 160@50.5
4/28/2008	988.29		7,981.89	351...	Barry Woods	1957 @ 50.5
4/28/2008	252.00		8,233.89	351...	Jimmy Simpson	499 @ .505 each
5/7/2008	169.68		8,403.57	352...	Jay Armstrong	MILEAGE 336 @ 50.5
5/7/2008	692.86		9,096.43	352...	Jerry Rankin	730 @ .485
5/22/2008	892.84		9,989.27	353...	Barry Woods	1768 @ 50.5
5/30/2008	48.98		10,038.25	353...	Lisa Coots	86 miles @ .485
5/30/2008	261.09		10,299.34	353...	Jimmy Simpson	499 @ .505 each
6/4/2008	122.21		10,421.55	353...	Bobbey Simpson	Mileage 242 @ 50.5
6/13/2008	487.50		10,909.05	354...	Keith Morris	Mileage 975*50.5
6/17/2008	156.55		11,065.60	354...	CHRIS TROXELL	310 @ 50.5
6/26/2008	1,093.83		12,159.43	354...	Barry Woods	1768 @ 50.5
7/1/2008	74.74		12,234.17	355...	Lynda Wilson	148 @ 50.5
7/1/2008	0.00		12,234.17	355...	Jimmy Simpson	499 @ .505 each
7/2/2008	90.40		12,324.57	355...	Bobbey Simpson	Mileage 242 @ 50.5
7/3/2008	0.00		12,324.57	355...	Barry Woods	VOID: Mileage 824 @ 50.5 24 @ ...
7/3/2008	26.26		12,350.83	355...	Lisa Coots	86 miles @ .485
7/3/2008	420.06		12,770.89	355...	Jimmy Simpson	499 @ .505 each
7/25/2008	272.03		13,042.92	356...	Keith Morris	Mileage 465. * 58.5
7/28/2008	327.02		13,369.94	356...	Jimmy Simpson	559 @ 58.5
7/28/2008	1,013.81		14,383.75	356...	Barry Woods	Mileage 1733 @ 58.5
7/31/2008	104.72		14,488.47	356...	CHRIS TROXELL	179 @ 58.5
8/5/2008	281.97		14,770.44	356...	Bobbey Simpson	Mileage 242 @ 50.5
8/29/2008	0.00		14,770.44	357...	Barry Woods	VOID: Mileage 2331 @ 58.5
8/29/2008	645.26		15,415.70	357...	Jimmy Simpson	Mileage 1103 @ 58.5
8/29/2008	1,363.64		16,779.34	357...	Barry Woods	Mileage 2331 @ 58.5
8/29/2008	149.76		16,929.10	357...	Jay Armstrong	MILEAGE 336 @ 50.5
9/9/2008	51.48		16,980.58	357...	Lisa Coots	86 miles @ .485
9/17/2008	280.80		17,261.38	358...	Bobbey Simpson	Mileage 242 @ 50.5
9/18/2008	786.83		18,048.21	357...	Keith Morris	Mileage 1345 * 58.5
9/24/2008	219.38		18,267.59	358...	CHRIS TROXELL	375 @ 58.5
9/29/2008	524.75		18,792.34	358...	Jimmy Simpson	Mileage 897 @ 58.5
10/7/2008	1,648.53		20,440.87	358...	Barry Woods	2818 @ 58.5
10/15/2008	79.56		20,520.43	359...	Jay Armstrong	MILEAGE 336 @ 50.5
10/15/2008	345.74		20,866.17	359...	Keith Morris	Mileage 591 @ 58.5
10/30/2008	176.67		21,042.84	360...	Bobbey Simpson	Mileage 242 @ 50.5
10/31/2008	405.41		21,448.25	360...	Jimmy Simpson	Mileage 693 @ 58.5

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Henry County Water District #2

09/21/09

General Ledger

Accrual Basis

As of September 30, 2009

Date	Debit	Credit	Balance	Num	Name	Memo
Retained Earnings			123,739.36			
Total Retaine...			123,739.36			
650-8 Mileage			0.00			
1/3/2009	1,142.51		1,142.51	36276	Barry Woods	1953 @ 58.5
1/3/2009	372.06		1,514.57	36277	Keith Morris	Mileage 636 @58.5
1/3/2009	398.97		1,913.54	36278	Refunds	109765
1/26/2009	0.00		1,913.54	36390	Refunds	109765
1/26/2009	209.55		2,123.09	36391	Refunds	109765
2/2/2009	1,150.05		3,273.14	36409	Barry Woods	2091 @ 55.0
2/2/2009	335.50		3,608.64	36410	Keith Morris	Mileage 610 @55.
2/5/2009	134.91		3,743.55	36433	Jay Armstrong	MILEAGE 336 @ 50.5
2/13/2009	60.50		3,804.05	36466	Lisa Coots	110 @ 58.5
2/13/2009	5.83		3,809.88	36486	Barry Woods	Well # 3 Part
2/19/2009	176.00		3,985.88	36493	Bobbey Simpson	176 * 55
2/25/2009	466.95		4,452.83	36515	Refunds	109765
3/2/2009	1,084.05		5,536.88	36516	Barry Woods	1971 @ .55
3/5/2009	500.50		6,037.38	36538	Keith Morris	Mileage 910 @55.
3/20/2009	68.20		6,105.58	36634	Lisa Coots	124 @ .55
3/25/2009	0.00		6,105.58	36637	Refunds	109765
3/25/2009	255.20		6,360.78	36638	Bobbey Simpson	464 * .55
3/25/2009	459.25		6,820.03	36639	Jimmie Simpson	835 * .55
4/1/2009	1,130.25		7,950.28	36641	Barry Woods	2055. @ .55
4/9/2009	601.15		8,551.43	36690	Keith Morris	Mileage 1093 @ .55
4/10/2009	117.70		8,669.13	36693	Bobbey Simpson	214 * .55
4/29/2009	466.00		9,135.13	37301	Jimmie Simpson	847 * .55
5/4/2009	231.00		9,366.13	36800	Bobbey Simpson	231 * .55
5/5/2009	66.00		9,432.13	36828	Lisa Coots	120 @ .55
5/11/2009	1,090.00		10,522.13	36831	Barry Woods	1981 @ .55
6/1/2009	779.35		11,301.48	36935	Jerry Rankin	Mileage 1417 @ .55
6/3/2009	95.70		11,397.18	36936	Jay Armstrong	MILEAGE 336 @ 50.5
6/4/2009	274.45		11,671.63	36939	Jimmie Simpson	499 * .55
6/8/2009	290.95		11,962.58	36954	Bobbey Simpson	529 * .55
6/8/2009	1,037.85		13,000.43	36955	Barry Woods	1887 @ .55
6/10/2009	772.75		13,773.18	36977	Keith Morris	Mileage 1405 @.55
6/11/2009	41.80		13,814.98	36992	Lisa Coots	76 @ .55
6/29/2009	157.30		13,972.28	37065	Lynda Wilson	286 @ .55
6/30/2009	186.45		14,158.73	37069	Jimmie Simpson	339 * .55
7/7/2009	0.00		14,158.73	37080	Jimmie Simpson	VOID: 357 * .55
7/7/2009	471.90		14,630.63	37081	Keith Morris	Mileage 858 @ 55
7/7/2009	196.35		14,826.98	37082	Bobbey Simpson	357 * .55
7/13/2009	1,258.95		16,085.93	37131	Barry Woods	2289 @ .55
7/30/2009	97.35		16,183.28	37222	Lisa Coots	177 @ .55
7/30/2009	204.60		16,387.88	37223	Bobbey Simpson	372 @ .55
8/3/2009	495.00		16,882.88	37225	Jimmie Simpson	900 * .55
8/5/2009	1,093.95		17,976.83	37252	Barry Woods	1989 @ .55
8/7/2009	383.90		18,360.73	37259	Keith Morris	Mileage 698 @.55
8/26/2009	94.05		18,454.78	37347	CHRIS TROXELL	171 @ .55
8/31/2009	92.40		18,547.18	37364	Bobbey Simpson	168 @ .55
9/1/2009	376.20		18,923.38	37386	Keith Morris	Mileage 684 @ .55
9/3/2009	378.95		19,302.33	37389	Jimmie Simpson	689 * .55
9/8/2009	1,228.15		20,530.48	37391	Barry Woods	2233 @ .55
9/11/2009	57.10		20,587.58	37423	Gary T. Johnson	88@.485
9/14/2009	0.00		20,587.58	37436	Jay Armstrong	MILEAGE 336 @ 50.5
9/14/2009	0.00		20,587.58	37437	Matthew Jackson	658@.485
9/14/2009	0.00		20,587.58	37438	Gary T. Johnson	88@.485
9/14/2009	0.00		20,587.58	37440	Bobbey Simpson	VOID: 168 @ .55
9/14/2009	0.00		20,587.58	37441	Refunds	109765
9/14/2009	0.00		20,587.58	37442	Refunds	109765
9/14/2009	0.00		20,587.58	37443	Lynda Wilson	VOID: 286 @ .55
9/14/2009	0.00		20,587.58	37443	Barry Woods	VOID: 2233 @ .55
9/14/2009	0.00		20,587.58	37444	Keith Morris	VOID: Mileage 684 @ .55
9/16/2009	112.20		20,699.78	37487	Lisa Coots	204 @ .55
9/16/2009	28.53		20,728.31	37486	Barry Woods	Lunch School (2)
Total 650-8 ...	20,728.31	0.00	20,728.31			
TOTAL	20,728.31	0.00	144,467.67			

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 09/21/09
 Accrual Basis

Henry County Water District #2 General Ledger As of December 31, 2008

Date	Debit	Credit	Balance	Num	Name	Memo
Retained Earnings			94,416.41			
Total Retaine...			94,416.41			
618-1 Chemicals			0.00			
2/1/2008	3,411.86		3,411.86	347...	Brenntag Mid-So...	BMS414545,BMS679753,BMS422...
3/3/2008	2,458.56		5,870.42	349...	Brenntag Mid-So...	Inv. # BMS436446-Cust # 525908
3/10/2008	2,833.59		8,704.01	349...	Brenntag Mid-So...	Inv. # BMS432982-Cust # 525908
3/26/2008	4,355.00		13,059.01	350...	Brenntag Mid-So...	Inv. # BMS447283, BMS693729-C...
4/2/2008	566.00		13,625.01	350...	Brenntag Mid-So...	Inv. # BMS451984 Cust # 525908
5/2/2008	2,325.17		15,950.18	352...	Brenntag Mid-So...	Inv. # BMS465275 Cust # 525908
5/22/2008	23,804.53		39,754.71	353...	Southeastern La...	Inv. # 38814
6/2/2008	2,175.17		41,929.88	353...	Brenntag Mid-So...	Inv. # BMS484596 Cust # 52590
7/1/2008	1,708.56		43,638.44	354...	Brenntag Mid-So...	Inv. # BMS488761,BMS02242,BM...
8/1/2008	165.83		43,804.27	356...	Brenntag Mid-So...	Inv. # BMS516642 Cust # 52590
8/8/2008	2,308.56		46,112.83	356...	Brenntag Mid-So...	Inv. # BMS522623 & BMS716799
8/29/2008	2,793.13		48,905.96	357...	Brenntag Mid-So...	Inv. # BMS533264
10/6/2008	249.96		49,155.92	359...	Brenntag Mid-So...	Inv. # BMS549850,BMS725873
10/15/2008	3,506.39		52,662.31	359...	Brenntag Mid-So...	Inv. # BMS553757,7156,728477
12/8/2008	2,555.80		55,218.11	361...	C I Thornsburg	Inv. # S1374087.3,S1374087.1
12/19/2008	5,229.40		60,447.51	362...	C I Thornsburg	Inv. # S1374087.3,S1374087.1
12/31/2008	1,270.00		61,717.51	247		year end actual
Total 618-1 ...	61,717.51	0.00	61,717.51			
TOTAL	61,717.51	0.00	156,133.92			

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Accrual Basis

Henry County Water District #2
General Ledger
As of August 31, 2009

<u>Date</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>	<u>Num</u>	<u>Name</u>	<u>Memo</u>
Retained Earnings			156,133.92			
Total Retaine...			156,133.92			
618-1 Chemicals			0.00			
1/22/2009	1,270.00		1,270.00	36368	C I Thornsburg	S14016183.003 & S1402832.009
2/13/2009	4,316.60		5,586.60	36476	C I Thornsburg	Inv. # S12422392.1
4/15/2009	15,462.03		21,048.63	36706	C I Thornsburg	Acct. # 1182
5/4/2009	4,089.40		25,138.03	36816	C I Thornsburg	Acct. # 1182, Inv. # S1430410.1
6/17/2009	3,969.40		29,107.43	37011	C I Thornsburg	Acct. # 1182, Inv. # S1433929.002
7/10/2009	1,969.40		31,076.83	37129	C I Thornsburg	Acct. # 1182, Inv. # S1437761.001
8/5/2009		2,750.00	28,326.83		+payments	Brentag Refund
8/10/2009	8,635.87		36,962.70	37279	C I Thornsburg	Acct. # 1182, Inv. # S1440437 & S1443254
Total 618-1 ...	<u>39,712.70</u>	<u>2,750.00</u>	<u>36,962.70</u>			
TOTAL	<u>39,712.70</u>	<u>2,750.00</u>	<u>193,096.62</u>			

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Accrual Basis

Henry County Water District #2
General Ledger
As of August 31, 2009

Date	Debit	Credit	Balance	Num	Name	Memo
Retained Earnings			1,067,862.72			
Total Retaine...			1,067,862.72			
616-1 Electric, Distribution			0.00			
1/9/2009	1,140.25		1,140.25	36307	Kentucky Utilities	distribution
1/22/2009	1,188.60		2,328.85	36361	Shelby Energy C...	10 Accts
1/22/2009	1,689.42		4,018.27	36382	Kentucky Utilities	distribution
2/13/2009	1,210.72		5,228.99	36472	Shelby Energy C...	10 Accts
3/9/2009	2,557.33		7,786.32	36557	Kentucky Utilities	distribution
3/12/2009	1,436.47		9,222.79	36580	Shelby Energy C...	10 Accts
3/12/2009	4.88		9,227.67	36586	Kentucky Utilities	distribution
4/2/2009	2,017.69		11,245.36	36670	Kentucky Utilities	distribution
4/15/2009	14.38		11,259.74	36699	Kentucky Utilities	distribution
4/15/2009	968.93		12,228.67	36701	Shelby Energy C...	10 Accts
5/4/2009	18.86		12,247.53	36803	Kentucky Utilities	distribution
5/4/2009	1,520.69		13,768.22	36804	Kentucky Utilities	distribution
5/14/2009	743.43		14,511.65	36867	Shelby Energy C...	10 Accts
5/29/2009	962.87		15,474.52	36931	Kentucky Utilities	distribution
6/17/2009	986.40		16,460.92	37023	Shelby Energy C...	10 Accts
6/17/2009	20.27		16,481.19	37028	Kentucky Utilities	distribution
6/29/2009	1,823.95		18,305.14	37067	Kentucky Utilities	distribution
7/2/2009	19.76		18,324.90	37077	Kentucky Utilities	distribution
7/10/2009	1,065.37		19,390.27	37111	Shelby Energy C...	10 Accts
7/29/2009	2,041.35		21,431.62	37216	Kentucky Utilities	distribution
8/10/2009	19.87		21,451.49	37278	Kentucky Utilities	Pleasureville 300
8/18/2009	246.56		21,698.05	37326	Shelby Energy C...	10 Accts
8/28/2009	2,585.16		24,283.21	37351	Kentucky Utilities	Acct # 3000-0138-3342
Total 616-1 ...	24,283.21	0.00	24,283.21			
TOTAL	24,283.21	0.00	1,092,145.93			

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Accrual Basis

Henry County Water District #2

General Ledger

As of August 31, 2009

Date	Debit	Credit	Balance	Num	Name	Memo
Retained Earnings			350,668.15			
Total Retaine...			350,668.15			
616-2 Elect Plant & Wellfield			0.00			
1/22/2009	33,095.71		33,095.71	36361	Shelby Energy C...	10 Accts
2/13/2009	32,095.17		65,190.88	36472	Shelby Energy C...	10 Accts
3/12/2009	27,743.85		92,934.73	36580	Shelby Energy C...	10 Accts
4/15/2009	28,621.20		121,555.93	36701	Shelby Energy C...	10 Accts
5/14/2009	30,041.47		151,597.40	36867	Shelby Energy C...	10 Accts
6/17/2009	30,890.73		182,488.13	37023	Shelby Energy C...	10 Accts
7/10/2009	31,384.70		213,872.83	37111	Shelby Energy C...	10 Accts
8/18/2009	31,615.60		245,488.43	37326	Shelby Energy C...	10 Accts
8/28/2009	208.22		245,696.65	37351	Kentucky Utilities	Acct # 3000-0138-3342
Total 616-2 ...	245,696.65	0.00	245,696.65			
TOTAL	245,696.65	0.00	596,364.80			

2009 Elect Totals

Plant & Wellfield 245,696.65

Distribution 24,283.21

269,979.86

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Accrual Basis

Henry County Water District #2 General Ledger As of December 31, 2008

Date	Debit	Credit	Balance	Num	Name	Memo
Retained Earnings			1,033,296.81			
Total Retaine...			1,033,296.81			
616-1 Electric, Distribution			0.00			
1/11/2008	906.83		906.83	346...	Shelby Energy C...	10 Accounts
2/1/2008	0.00		906.83	347...	Kentucky Utilities	VOID: 901661
2/1/2008	2,235.35		3,142.18	347...	Kentucky Utilities	distribu tion
2/21/2008	2,401.68		5,543.86	348...	Kentucky Utilities	distribu tion
2/22/2008	1,069.37		6,613.23	349...	Shelby Energy C...	190402-190413
3/12/2008	1,065.08		7,678.31	349...	Shelby Energy C...	190402-190413
3/26/2008	2,293.51		9,971.82	350...	Kentucky Utilities	distribution
4/9/2008	1,371.92		11,343.74	351...	Shelby Energy C...	Acct: 190402-190413
4/25/2008	2,061.25		13,404.99	351...	Kentucky Utilities	distribution
5/16/2008	999.36		14,404.35	352...	Shelby Energy C...	Acct: 190402-190413 10 accts
5/22/2008	1,653.69		16,058.04	353...	Kentucky Utilities	distribution
6/11/2008	862.62		16,920.66	354...	Shelby Energy C...	Acct: 190402-190413 10 accts
6/25/2008	1,989.31		18,909.97	354...	Kentucky Utilities	distribution
7/16/2008	1,065.83		19,975.80	355...	Shelby Energy C...	Acct: 190402-190413 10 accts
7/25/2008	2,122.81		22,098.61	356...	Kentucky Utilities	distribution
8/13/2008	797.33		22,895.94	356...	Shelby Energy C...	Acct: 190402-190413 10 accts
8/29/2008	2,512.24		25,408.18	357...	Kentucky Utilities	distribution
9/12/2008	680.47		26,088.65	358...	Shelby Energy C...	Acct: 190402-190413 10 accts
9/26/2008	2,431.72		28,520.37	358...	Kentucky Utilities	distribution
10/15/2008	978.08		29,498.45	359...	Shelby Energy C...	Acct: 190402-190413 10 accts
10/24/2008	1,953.48		31,451.93	359...	Kentucky Utilities	distribution
11/18/2008	875.80		32,327.73	360...	Shelby Energy C...	Acct: 190402-190413 10 accts
12/8/2008	1,081.90		33,409.63	361...	Kentucky Utilities	distribution
12/15/2008	922.86		34,332.49	362...	Shelby Energy C...	10 Accts
12/31/2008		906.83	33,425.66	221	?	reverse prior year ap
12/31/2008	1,140.25		34,565.91	247		year end actual
Total 616-1 ...	35,472.74	906.83	34,565.91			
TOTAL	35,472.74	906.83	1,067,862.72			

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 Accrual Basis

Henry County Water District #2
General Ledger
 As of December 31, 2008

Date	Debit	Credit	Balance	Num	Name	Memo
616-2 Elect Plant & Wellfield			0.00			
1/11/2008	22,993.36		22,993.36	346...	Shelby Energy C...	10 Accounts
2/22/2008	26,968.00		49,961.36	349...	Shelby Energy C...	190402-190413
3/12/2008	27,156.49		77,117.85	349...	Shelby Energy C...	190402-190413
4/9/2008	30,152.38		107,270.23	351...	Shelby Energy C...	Acct: 190402-190413
5/16/2008	27,612.05		134,882.28	352...	Shelby Energy C...	Acct: 190402-190413 10 accts
6/11/2008	29,744.16		164,626.44	354...	Shelby Energy C...	Acct: 190402-190413 10 accts
7/16/2008	30,636.48		195,262.92	355...	Shelby Energy C...	Acct: 190402-190413 10 accts
8/13/2008	30,223.77		225,486.69	356...	Shelby Energy C...	Acct: 190402-190413 10 accts
9/12/2008	28,769.11		254,255.80	358...	Shelby Energy C...	Acct: 190402-190413 10 accts
10/15/2008	30,246.23		284,502.03	359...	Shelby Energy C...	Acct: 190402-190413 10 accts
11/18/2008	26,043.32		310,545.35	360...	Shelby Energy C...	Acct: 190402-190413 10 accts
12/15/2008	27,939.81		338,485.16	362...	Shelby Energy C...	10 Accts
12/31/2008		22,993.36	315,491.80	221	?	reverse prior year ap
12/31/2008	35,176.35		350,668.15	247		year end actual
Total 616-2 ...	373,661.51	22,993.36	350,668.15			
TOTAL	373,661.51	22,993.36	350,668.15			

2008 Elect. Totals
 Plant & Well Field
 373,661.51
 Distribution 24,283.21

 397,944.72

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 10/13/09
 Accrual Basis

Henry County Water District #2
General Ledger
 As of June 30, 2009

Date	Debit	Credit	Balance	Memo
Retained Earnings			1,067,862.72	
Total Retaine...			1,067,862.72	
616-1 Electric, Distribution			0.00	
1/9/2009	1,140.25		1,140.25	distribution
1/22/2009	1,188.60		2,328.85	10 Accts
1/22/2009	1,689.42		4,018.27	distribution
2/13/2009	1,210.72		5,228.99	10 Accts
3/9/2009	2,557.33		7,786.32	distribution
3/12/2009	1,436.47		9,222.79	10 Accts
3/12/2009	4.88		9,227.67	distribution
4/2/2009	2,017.69		11,245.36	distribution
4/15/2009	14.38		11,259.74	distribution
4/15/2009	968.93		12,228.67	10 Accts
5/4/2009	18.86		12,247.53	distribution
5/4/2009	1,520.69		13,768.22	distribution
5/14/2009	743.43		14,511.65	10 Accts
5/29/2009	962.87		15,474.52	distribution
6/17/2009	986.40		16,460.92	10 Accts
6/17/2009	20.27		16,481.19	distribution
6/29/2009	1,823.95		18,305.14	distribution
Total 616-1 ...	18,305.14	0.00	18,305.14	
TOTAL	18,305.14	0.00	1,086,167.86	

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10/13/09

Accrual Basis

Henry County Water District #2

General Ledger

As of June 30, 2009

<u>Date</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>	<u>Memo</u>
Retained Earnings			350,668.15	
Total Retaine...			350,668.15	
616-2 Elect Plant & Wellfield			0.00	
1/22/2009	33,095.71		33,095.71	10 Accts
2/13/2009	32,095.17		65,190.88	10 Accts
3/12/2009	27,743.85		92,934.73	10 Accts
4/15/2009	28,621.20		121,555.93	10 Accts
5/14/2009	30,041.47		151,597.40	10 Accts
6/17/2009	30,890.73		182,488.13	10 Accts
Total 616-2 ...	<u>182,488.13</u>	<u>0.00</u>	<u>182,488.13</u>	
TOTAL	<u><u>182,488.13</u></u>	<u><u>0.00</u></u>	<u><u>533,156.28</u></u>	

Henry County Water District #2

Account Listing

September 22, 2009

Account	Type	Balance Total	Description
131-14 Cust Line Ext Escrow	Bank	6,852.71	
131-15 Cust Contribution Refund	Bank	3,764.66	
131-17 Impact Charge Escrow	Bank	232,005.24	
131-2 Revenue Account	Bank	78,042.07	
131-3 Operations Account	Bank	100,131.95	
131-4 Bond & Interest Account	Bank	591,003.48	
131-5 Depreciation Account	Bank	134,257.72	
131-6 Escrow Account	Bank	58.17	
131-7 Improvement Proj Account	Bank	236,517.89	
141-1 Accts Rec Returned Che...	Accounts Receivable	0.00	
141 Accounts Receivable	Accounts Receivable	127,468.60	
142 Other Accounts Receivable	Accounts Receivable	160,214.00	
105 Work In Progress	Other Current Asset	1,138,510.41	
131-1 Cash on Hand	Other Current Asset	500.00	
132 Special Deposits	Other Current Asset	50,000.00	
135-1 Temp Cash Investment S...	Other Current Asset	1,066,210.42	
135-2 Temp Cash Invest Depr Fd	Other Current Asset	285,000.00	
135 Tempoary Cash Investments	Other Current Asset	307,976.19	
141-1 Accts Rec--returned check	Other Current Asset	2,129.45	
143 Accum Prov for Uncoll Acct	Other Current Asset	-46,930.67	
151 Plant Material & Supplies	Other Current Asset	75,866.80	
162-1 Prepaid Insurance	Other Current Asset	-1,886.31	
162-2 Prepaid Maintenance	Other Current Asset	2,245.29	
171 Accrued Interest Receivable	Other Current Asset	10,921.76	
174 Construction Grant Receive	Other Current Asset	348,250.00	
108-1 Accu Depr/Office Equip	Fixed Asset	-170,490.52	
108-2 Accu Depr/Serv Equip	Fixed Asset	-221,354.63	
108-3 Accu Depr/New Building	Fixed Asset	-174,585.81	
108-4 Accrued Dep/Meters	Fixed Asset	-1,603,065.07	
108-5 Accu Depr/Shop Equip	Fixed Asset	-33,941.67	
108-6 Accu Depr/Power Equip...	Fixed Asset	-166,463.71	
108-7 Accu Depr/Water Treatm...	Fixed Asset	-53,021.16	
108 Accu Depr/strts & Inprov	Fixed Asset	-9,377,324.18	Accrued Dep Structures & Impr
303 Land & Land Rights	Fixed Asset	174,617.25	
304-1 New Building	Fixed Asset	304,953.09	
304-5 Structures Improvements P	Fixed Asset	0.00	
304 System Betterment	Fixed Asset	22,160,863.21	
311 Pumping Equipment	Fixed Asset	0.00	
320 Water Treatment Equipment	Fixed Asset	65,918.34	
334-4 Meter & Meter Inst- T&D	Fixed Asset	1,962,991.99	
340 Office Furniture & Equip	Fixed Asset	188,527.84	
343 Tools, Shop & Garage Equip	Fixed Asset	34,006.46	
345 Power Operated Equipment	Fixed Asset	328,293.00	
347 Service Equipment	Fixed Asset	311,435.19	
231 Accounts Payable	Accounts Payable	85,069.90	
Chase-VISA	Credit Card	0.00	Chase VISA BUSINESS CCard
231-2 Construction Ret payable	Other Current Liability	128,628.25	
233 CNH Capital	Other Current Liability	33,869.03	Lease Payable
235 Customer Deposits	Other Current Liability	79,432.12	
236-2 Retirement Payable	Other Current Liability	6,892.71	
237-3 Accrued Interest-Cust Dep	Other Current Liability	1,074.34	
237-4 Accured Interest-98 Issue	Other Current Liability	58,865.00	
241-1 Social Security Payment	Other Current Liability	1,186.77	
241-10 Medicare Payment	Other Current Liability	343.00	
241-11 KY State Retirement Emp	Other Current Liability	-384.49	
241-12 Other Withholding	Other Current Liability	0.00	
241-13 Eminence School Tax	Other Current Liability	95.38	
241-2 Federal Withholding	Other Current Liability	2,012.23	
241-3 KY State Withholding	Other Current Liability	2,359.34	
241-4 Ky Sales Tax	Other Current Liability	-365.56	
241-5 Henry School Tax	Other Current Liability	-2,070.90	
241-6 Trimble School Tax	Other Current Liability	316.56	
241-7 Carroll School Tax	Other Current Liability	-149.15	
241-8 Oldham School Tax	Other Current Liability	29.48	
241-9 Shelby School Tax	Other Current Liability	127.80	
242-1 Accrued Payroll Taxes	Other Current Liability	9.00	
242-2 Accrued Wages	Other Current Liability	36,818.21	
242 Accrued Vacation	Other Current Liability	20,470.81	
Payroll Liabilities	Other Current Liability	0.00	
181-1 Unamortized Debt 2003 ...	Long Term Liability	-73,323.32	

Henry County Water District #2

Account Listing

September 22, 2009

Account	Type	Balance Total	Description
181 Amortized Debt Disc	Long Term Liability	-164,840.00	
221-10 Regions Mgn Keg 2006	Long Term Liability	0.00	Regions Morgan Keegan Trust
221-6 KRWFC 5th-3rd 2003	Long Term Liability	2,582,016.80	
221-8 H&L 1998 Bond Issue	Long Term Liability	6,330,000.00	
221-9 KRWFC 5th-3rd 2001 iss...	Long Term Liability	568,995.92	
224-1 SRECC No Int Loan	Long Term Liability	159,126.66	
243 Funds Held Future Lines	Long Term Liability	4,600.00	
214 Approp Retained Earnings	Equity	112,002.14	
215-1 R/E from income bf cont	Equity	1,939,283.87	
215-2 Donated cap-cont in aid	Equity	1,187,864.73	
215-3 Donated cap-tap on fees	Equity	1,682,542.85	
215-4 Donated Cap- Grants	Equity	3,147,406.00	
215 Unapporp Retained Earnings	Equity	150,928.35	
Opening Bal Equity	Equity	0.00	
414 Gain/Loss on sale of PP&E	Income		
419 Interest	Income		
419 Interest:Bond & Interest	Income		
419 Interest:Cust Line Ext Escr...	Income		
419 Interest:Customer Contrib ...	Income		
419 Interest:Depreciation Acct	Income		
419 Interest:Impact Chg Escrow	Income		
419 Interest:Improvement Proj ...	Income		
419 Interest:Improvement Project	Income		
419 Interest:Operations Acct Int...	Income		
419 Interest:Revenue Acct. Inte...	Income		
432-1 Tap on Fees	Income		
432-2 Contributional Grant	Income		Contributional Grants
432-3 Cust Contrib Line Payback	Income		
433 Impact Fee	Income		
461-11 Metered Sales-Henry	Income		
461-12 Metered Sales-Trimble	Income		
461-13 Metered Sales-Carroll	Income		
461-14 Metered Sales-Oldham	Income		
461-18 Metered Sales- Eminence	Income		
461-19 Metered Sales-Shelby	Income		
461-2 Metered Sales-Wholesale	Income		
470 Penalties/ Late Charges	Income		
471-1 Connections & Transfers	Income		
472-1 Credit Card Service Chgs	Income		
473-1 Bank Chgs for RCK	Income		
474-1 At Door Collection Fee	Income		
475-1 Miscellaneous Income	Income		
476-1 Other Income	Income		
476-1 Other Income:Delinquent...	Income		
476-1 Other Income:Escrow lin...	Income		
476-1 Other Income:Extend line...	Income		
476-1 Other Income:Health Ins...	Income		
476-1 Other Income:Materials &...	Income		
476-1 Other Income:Office Sup...	Income		
476-1 Other Income:Outstandin...	Income		Outstanding checks never cash
476-1 Other Income:Prepaid In...	Income		
400 Hydraulic Analysis	Expense		
408-12 Payroll Taxes Employer	Expense		
601-1 Employee Salaries	Expense		
603-8 Commissioners Per Diem	Expense		
604-1 Employee Benefits	Expense		
604-1 Medical	Expense		
604-1 Retirement Employee	Expense		
609 Depreciation Expenses	Expense		
610-1 Water	Expense		
615-1A Electric, Office	Expense		
615-2 Gas, Office	Expense		
615-3 Water, Office	Expense		
615-4 Sewer, Office	Expense		
615-5 Garbage, Office	Expense		
615-6 Garbage, Plant	Expense		
616-1 Electric, Distribution	Expense		
616-2 Elect Plant & Wellfield	Expense		616-2 Electric Plant & Wellfield
618-1 Chemicals	Expense		
618-2 Plant Supplies	Expense		

Henry County Water District #2 Account Listing September 22, 2009

Account	Type	Balance Total	Description
620-1 Materials & Supplies	Expense		
620-2 Service Department Suppli	Expense		
620-6 Office ACH Fee	Expense		
620-7 Office Supplies	Expense		
620-8 Office Postage	Expense		620-8 Office Supplies Postage
620-8 Office Supplies, Office	Expense		
620-9 Office Supplies-Plant	Expense		
627-1 Int 2001 Issue	Expense		
627-10 Interest Expense-CNH	Expense		
627-2 Int KRWA 2003 Issue	Expense		
627-5 Int On H&L 1998 Issue	Expense		
627-6 Int KRWFC Series 2006 B	Expense		Regions Bank
627-7 Trustee Fee	Expense		Regions Bank
627-8 RECC 2008 Loan	Expense		
627-9 2008A REGIONS	Expense		KY RURAL WATER
628 Amortization of Debt Disc	Expense		
631-1 Cont Serv Mowing	Expense		
631-2 Cont Serv Plant	Expense		
631-3 Cont Serv-Accounting Fees	Expense		
631-4 Cont Serv Office Cleaning	Expense		Contractual Services Office Cl...
631-4 Contr Serv Office	Expense		
631-4 Contr Serv Office:GPS	Expense		
631-4 Contr Serv Office:Office ...	Expense		
631-4 Contr Serv Office:Pest C...	Expense		
631-4 Contr Serv Office:Rugs	Expense		
631-5 Contr Serv Mtr Repair	Expense		
631-6 Contr Serv RR Crossings	Expense		
631-8 Engineering	Expense		
632-8 Contr Serv Acct/AD&G	Expense		
633-8 Contr Serv Legal/AD&G	Expense		
633-8 Legal	Expense		
634-2 Cont Serv- Meter Readings	Expense		
634-3 Contract Serv MGT MAINT	Expense		
635 Credit Card Machine Fee	Expense		Humbolt Monthly Fee
636 Contractual Services	Expense		Credot Card Fee
650-4 Service Vehicle Maint.	Expense		
650-5 Bkhoe & Trk Fuel	Expense		
650-8 Mileage	Expense		
656-1 Insur Vehicle/Operation	Expense		
656-8 Bonds	Expense		
657-1 General Insurance	Expense		
657-2 Insurance Gen liab/maint	Expense		
658-1 Insur Wkmns Comp/Oper...	Expense		
660-8 Advertising Expense	Expense		
667-1 School & Related Expens...	Expense		
670-7 Bad Debt Expense	Expense		Bad Debts Collected
671-1 Misc Exp Debt Insurance	Expense		
672-1 Water Analysis	Expense		
673-1 Repairs Equipment	Expense		
674-1 Office Building Repairs	Expense		
675-7 Plant & Well Field Repair	Expense		
676-1 Repairs Other	Expense		
677-1 Utilities-Telephone	Expense		
678-1 Cellular Phones	Expense		
679-1 Land Lines	Expense		
680-1 Online Services	Expense		
681-1 Pagers	Expense		
682-1 Reprs, Serv. Dept. Equipi	Expense		
683-1 Dues & Subscriptions	Expense		
684-1 PSC Assessment	Expense		684 Public Service Assessme...
685-1 Miscellaneous Exp.	Expense		
Reconciliation Discrepancies	Expense		Discrepancies between bank ...
427-4 Interest on Cust Accts	Other Income		
432-2 Proceeds Cap Const Gra..	Other Income		

HENRY COUNTY WATER DISTRICT #2
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITORS' REPORTS

At December 31, 2008 and 2007

**HENRY COUNTY WATER DISTRICT #2
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY INFORMATION
AND INDEPENDENT AUDITORS' REPORTS**

Years Ended December 31, 2008 and 2007

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

Certified Public Accountants

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CARROLLTON, KENTUCKY 41008
(502) 732-6655 FAX (502) 732-6161

To the Commissioners of the
Henry County Water District #2
Campbellsburg, Kentucky 40011

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of Henry County Water District #2 as of and for the years ended December 31, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of Henry County Water District #2's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Henry County Water District #2, as of December 31, 2008 and 2007, and the changes in financial position, and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 24, 2009, on our consideration of the Henry County Water District #2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

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

Raisor, Zapp & Woods, PSC

RAISOR, ZAPP & WOODS, PSC
Certified Public Accountants

March 24, 2009

**HENRY COUNTY WATER DISTRICT #2
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2008**

Our discussion and analysis of the Henry County Water District #2's financial performance provides an overview of the District's financial activities for the year ended December 31, 2008. Please read it in conjunction with the District's financial statements, which begin on page 6.

REQUIRED FINANCIAL STATEMENTS

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

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

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

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

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

FINANCIAL HIGHLIGHTS

The following are key financial highlights:

- Total assets at year-end were \$18.71 million and exceeded liabilities in the amount of \$9.90 million by \$8.81 million (i.e. net assets). Of the total net assets, \$1,197,689 was unrestricted and was available to support short-term operations. Total net assets increased from year-end 2007 to 2008 in the amount of \$226,021.
- Operating revenues decreased \$185,045 (5.8% decrease) from 2007 to 2008.
- Operating expenses increased by \$35,511.
- Capital contributions decreased during 2008 by \$29,315 to \$480,710.

Statement of Net Assets

	Condensed Assets		Difference
	2008	2007	
Current Assets	\$ 987,923	\$ 1,542,205	\$ (554,282)
Capital Assets (Net)	14,951,591	14,749,563	202,028
Other Non Current Assets	2,772,980	2,720,543	52,437
Total Assets	\$ 18,712,494	\$ 19,012,311	\$ (299,817)

**HENRY COUNTY WATER DISTRICT #2
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2008**

Statement of Net Assets (Continued)

The net change in total assets is a \$299,817 decrease. The decrease in current assets (which includes unrestricted cash, accrued interest receivable, accounts receivable, inventory and prepaid expense) is principally due to the use of unrestricted cash to pay down District debt and an overall decrease in cash provided by operating activities. The increase in capital assets is the net effect of capital assets acquired during the year and the depreciation expense on all assets. The increase in other non-current assets (which includes restricted cash, accrued interest receivable and construction grants receivable) is from the net of normal investing activities of restricted funds and the grants receivable at year end.

Condensed Liabilities			
	2008	2007	Difference
Current Liabilities	\$ 703,514	\$ 482,789	\$ 220,725
Noncurrent Liabilities	9,197,764	9,944,327	(746,563)
Total Liabilities	\$ 9,901,278	\$ 10,427,116	\$ (525,838)

Current liabilities increased from 2007 to 2008 due to additional current amounts of a capital lease, Shelby RECC loan, and construction related payables. The decrease in noncurrent liabilities is the result of regular long-term debt principal payments and the payoff of \$526,000 of Kentucky Rural Water Finance Corporation Bonds.

Net Assets			
	2008	2007	Difference
Invested in Capital Assets, Net of Related Debt	\$ 5,049,155	\$ 4,411,563	\$ 637,592
Restricted Net Assets	2,564,372	2,547,823	16,549
Unrestricted Net Assets	1,197,689	1,625,809	(428,120)
Total Net Assets	\$ 8,811,216	\$ 8,585,195	\$ 226,021

Total net assets increased by \$226,021 (net income). Restricted net assets reflect restrictions placed on assets by bond resolutions, note payable requirements and construction activities.

Statement of Revenues, Expenses, and Changes in Fund Net Assets

Condensed Statement of Revenues, Expenses and Changes in Fund Net Assets			
	2008	2007	Difference
Operating Revenues	\$ 2,990,154	\$ 3,175,199	\$ (185,045)
Operating Expenses	2,858,695	2,823,184	(35,511)
Net Operating Income	\$ 131,459	\$ 352,015	\$ (220,556)
Non-Operating Revenue (Expenses)	(386,148)	(409,616)	23,468
Net Income (Loss) Before Contributions	\$ (254,689)	\$ (57,601)	\$ (197,088)
Capital Contributions	480,710	510,025	(29,315)
Net Income	\$ 226,021	\$ 452,424	\$ (226,403)
Net Assets-Beg Year	8,585,195	8,132,771	
Net Assets-End Year	\$ 8,811,216	\$ 8,585,195	

Operating revenue (which consists of billed water charges, bulk water charges, reconnect/disconnect charges and miscellaneous) decreased because of the drought in 2007 versus fairly mild weather in 2008. Operating expenses in total remained constant with increases in chemical and maintenance expenses and decreases in insurance expense and professional services.

**HENRY COUNTY WATER DISTRICT #2
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2008**

Statement of Cash Flows

Condensed Statement of Cash Flows

	<u>2008</u>	<u>2007</u>	<u>Difference</u>
Cash from Operating Activities	\$ 922,699	\$ 1,163,673	\$ (240,974)
Cash from Capital & Related Financing Activities	(1,885,985)	(434,228)	(1,451,757)
Cash from Investing Activities	800,610	(386,359)	1,186,969
Change in Cash	<u>\$ (162,676)</u>	<u>\$ 343,086</u>	<u>\$ (505,762)</u>
Cash Balance, Beg Year	1,337,023	993,937	343,086
Cash Balance, End Year	<u>\$ 1,174,347</u>	<u>\$ 1,337,023</u>	<u>\$ (162,676)</u>

Cash from operating activities decreased from 2007 to 2008. Receipts from customers decreased by 4.8% (decreased \$152,529). Also, payments to suppliers and employees increased by 2.2% (increased \$44,537). The combination of these two items explains the decrease in cash from operating activities. The net cash from capital financing activities in 2008 reflect payment of the Kentucky Rural Water Flexible Term Bonds, and purchases related to new equipment and water tank construction. The change in investing activities is consistent with expectations for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2008, the District had \$26.2 million invested in capital assets (before depreciation) including buildings, equipment, and water lines. (See table below.) This represents an increase of \$943,638 or 3.7%.

	<u>2008</u>	<u>2007</u>
Land & Land Rights	\$ 174,617	\$ 174,617
Structures & Improvements	22,465,816	22,380,449
Distribution System	1,891,145	1,854,695
Machinery & Equipment	919,881	867,764
Construction-in-process	<u>769,704</u>	<u>-</u>
Totals	<u>\$ 26,221,163</u>	<u>\$ 25,277,525</u>

This year's major additions included:

- \$742,328 of construction costs related to a 300,000 gallon water tank in Pleasureville.
- A \$42,107 Case 550 dozer and a \$62,800 Case 560 backhoe.
- Approximately \$4,600 in office equipment.
- Approximately \$122,000 of new water lines and meters were capitalized and added to the distribution system.

Debt

At year-end, the District had \$9,773,808 in bonds payable, note payable and capital lease obligation compared to \$10,414,000 last year as shown below. The decrease of \$640,192 resulted from principal payments of \$882,299 offset by additional debt from Shelby RECC and a capital lease for a dozer purchased by the District.

	<u>2008</u>	<u>2007</u>
Note Payable	\$ 183,939	\$ -
Capital Lease	33,869	-
Bonds Payable	9,556,000	9,888,000
Kentucky Rural Water Flexible Term Bonds Payable	-	526,000
Totals	<u>\$ 9,773,808</u>	<u>\$ 10,414,000</u>

**HENRY COUNTY WATER DISTRICT #2
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2008**

ECONOMIC FACTORS

District commissioners have budgeted a 5% increase in operating revenues and a 7 – 8% increase in expenditures for 2009. The District, with the intention to improve upon water services and availability, is considering several projects involving extending lines, replacing inadequate lines and expanding capacity. At present, these projects are in the planning stages.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Office at 8955 Main Street, Campbellsburg, Kentucky 40011.

James T. Simpson II
Chief Operations Officer

HENRY COUNTY WATER DISTRICT #2
STATEMENT OF NET ASSETS
December 31, 2008 and 2007

	2008	2007
ASSETS		
Current Assets:		
Cash, Including Time Deposits	\$ 469,323	\$ 1,023,884
Accrued Interest Receivable	402	1,527
Accounts Receivable (Net)	421,983	427,489
Other Receivables	822	2,295
Inventory	74,868	72,798
Prepaid Expense	20,525	14,212
Total Current Assets	\$ 987,923	\$ 1,542,205
Noncurrent Assets:		
Restricted Assets:		
Cash, Including Time Deposits	\$ 2,414,211	\$ 2,694,801
Accrued Interest Receivable	10,519	25,742
Construction Grants Receivable	348,250	-
Capital Assets (Net)	14,951,591	14,749,563
Total Noncurrent Assets	\$ 17,724,571	\$ 17,470,106
Total Assets	\$ 18,712,494	\$ 19,012,311
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 85,070	\$ 61,845
Accrued Compensated Absences	20,471	19,978
Accrued Salaries, Wages & Benefits	36,818	27,806
Accrued Payroll Taxes/Employee Withholding	11,690	7,535
Utility Tax Payable	6,792	12,375
Sales Tax Payable	465	349
Accrued Interest Payable - KY Rural Water Finance Corp. Bonds	-	19,695
Capital Lease Obligation	33,869	-
Current Liabilities Payable from Restricted Assets:		
Construction Accounts Payable	58,401	-
Construction Retainage Payable	70,227	-
Accrued Interest Payable - Customer Deposits	1,091	1,206
Revenue Bonds Payable	346,000	332,000
Note Payable	32,620	-
Total Current Liabilities	\$ 703,514	\$ 482,789
Noncurrent Liabilities:		
Revenue Bonds Payable (Net of Unamortized Bond Discount of \$242,255 and \$249,708)	\$ 8,967,745	\$ 9,306,292
Note Payable	151,319	-
KY Rural Water Finance Corp. Bonds	-	526,000
Noncurrent Liabilities Payable from Restricted Assets:		
Customer Deposits Payable	77,500	102,945
Funds Held for Future Lines	1,200	9,090
Total Noncurrent Liabilities	\$ 9,197,764	\$ 9,944,327
Total Liabilities	\$ 9,901,278	\$ 10,427,116
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 5,049,155	\$ 4,411,563
Restricted for Capital Projects	583,825	293,401
Restricted for Debt Service	1,980,547	2,254,422
Unrestricted	1,197,689	1,625,809
Total Net Assets	\$ 8,811,216	\$ 8,585,195

See accompanying notes to the basic financial statements.

HENRY COUNTY WATER DISTRICT #2
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Years Ended December 31, 2008 and 2007

	2008	2007
Operating Revenues:		
Charges for Services:		
Water Charges (Net of Estimated Bad Debts)	\$ 2,651,619	\$ 2,833,151
Bulk Water Charges	216,995	219,327
Total Charges for Services	\$ 2,868,614	\$ 3,052,478
Other Charges and Miscellaneous:		
Reconnect and Disconnect Charges	\$ 20,530	\$ 17,246
Forfeited Discounts	75,026	72,173
Miscellaneous	25,984	33,302
Total Other Charges and Miscellaneous	\$ 121,540	\$ 122,721
Total Operating Revenues	\$ 2,990,154	\$ 3,175,199
Operating Expenses:		
Accounting and Collecting Labor	\$ 109,294	\$ 112,857
Chemicals	61,718	31,528
Commissioner Salaries	26,100	28,350
Continuing Education	1,968	1,826
Contractual Services-Maintenance of Mains/Distribution System	143,730	132,227
Dues	3,432	1,782
Insurance	43,192	72,954
Maintenance of Mains/Distribution System Expenses	275,524	214,124
Miscellaneous	4,385	1,295
Office Supplies and Expense	69,441	63,653
Operating Labor	546,460	497,443
Other Interest Expense	555	567
Payroll Taxes	51,229	48,107
Professional Services	64,432	170,359
Purchased Power	385,234	362,718
Purchased Water	-	699
Regulatory Fees	5,116	4,878
Retirement Expense & Employee Benefits	205,664	213,354
Transportation Expense	27,628	30,277
Utilities	26,271	21,279
Depreciation Expense	807,322	812,907
Total Operating Expenses	\$ 2,858,695	\$ 2,823,184
Net Operating Income	\$ 131,459	\$ 352,015
Nonoperating Revenue (Expense):		
Investment Income	\$ 111,787	\$ 117,432
Interest Expense	(490,482)	(523,341)
Amortization Expense	(7,453)	(7,453)
Gain on Equipment Insurance Recovery	-	3,746
Total Nonoperating Revenues (Expense)	\$ (386,148)	\$ (409,616)
Net Income (Loss) Before Contributions	\$ (254,689)	\$ (57,601)
Capital Contributions	480,710	510,025
Net Income	\$ 226,021	\$ 452,424
Net Assets--Beginning of Year	8,585,195	8,132,771
Net Assets--End of Year	\$ 8,811,216	\$ 8,585,195

HENRY COUNTY WATER DISTRICT #2
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 2,997,133	\$ 3,149,662
Payments to Suppliers	(1,367,323)	(1,358,153)
Payments to Employees	(672,349)	(636,982)
Other Receipts (Payments)	(34,762)	9,146
Net Cash Provided (Used) by Operating Activities	\$ 922,699	\$ 1,163,673
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	\$ (832,876)	\$ (435,763)
Principal Proceeds from Capital Debt	242,107	326,000
Principal Paid on Capital Debt	(882,299)	(334,590)
Interest Paid on Capital Debt	(510,177)	(503,646)
Capital Contributions	97,260	510,025
Gain on Equipment Insurance Recovery	-	3,746
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (1,885,985)	\$ (434,228)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds (Purchase) of Investments (Net)	\$ 672,475	\$ (491,433)
Interest Received	128,135	105,074
Net Cash Provided (Used) by Investing Activities	\$ 800,610	\$ (386,359)
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (162,676)	\$ 343,086
Balances-Beginning of the Year	1,337,023	993,937
Balances-End of the Year	\$ 1,174,347	\$ 1,337,023

	Balances Per December 31, 2008 Statement of Net Assets	Balances Per December 31, 2008 Statement of Cash Flows
Cash	\$ 285,365	\$ 285,365
Certificates of Deposit	183,958	-
Restricted Cash	888,982	888,982
Restricted Certificates of Deposit	1,525,229	-
Total Cash and Cash Equivalents, End of Year	\$ 2,883,534	\$ 1,174,347

	Balances Per December 31, 2007 Statement of Net Assets	Balances Per December 31, 2007 Statement of Cash Flows
Cash	\$ 538,884	\$ 538,884
Certificates of Deposit	485,000	-
Restricted Cash	798,139	798,139
Restricted Certificates of Deposits	1,896,662	-
Total Cash and Cash Equivalents, End of Year	\$ 3,718,685	\$ 1,337,023

(Continued)

HENRY COUNTY WATER DISTRICT #2
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2008 and 2007

	2008	2007
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 131,459	\$ 352,015
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Cash Flows Reported in Other Categories:		
Depreciation Expense	807,322	812,907
Change in Assets and Liabilities:		
Receivables, Net	5,506	(24,815)
Other Receivables	1,473	(722)
Inventories	(2,070)	2,323
Prepaid Expenses	(6,313)	(2,869)
Accounts and Other Payables	10,579	14,020
Accrued Expenses	8,078	894
Customer Meter Deposits Payable	(25,445)	830
Funds Held for Future Lines	(7,890)	9,090
Net Cash Provided by Operating Activities	\$ 922,699	\$ 1,163,673

SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

At December 31, 2008, Henry County Water District #2 had \$12,646, \$58,401, and \$70,227 of capitalized expenditures for the acquisition/construction of plant assets in accounts payable, construction accounts payable and construction retainage payable on the Statement of Net Assets, respectively. Also at December 31, 2008, Henry County Water District #2 had \$35,200 of noncash contributed capital. This was 4,400 feet of three inch water line.

At December 31, 2007, Henry County Water District #2 had no noncash investing, capital, or financing activities to report.

HENRY COUNTY WATER DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2008 and 2007

NOTE 1 – DESCRIPTION OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

Description of entity: Henry County Water District #2 is a rural water company serving approximately 6,200 customers in the Kentucky counties of Henry, Trimble, Carroll, Oldham and Shelby, and is regulated by the Public Service Commission of the Commonwealth of Kentucky. The water company was formed under the laws of Henry County through its Fiscal Court and began operations in 1965.

In evaluating how to define Henry County Water District #2 for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic -- but not the only -- criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units.

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

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

All activities of the District are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net assets. Net assets (i.e., total assets net of total liabilities) are segregated into invested in capital assets, net of related debt; restricted; and unrestricted components.

Revenues and expenses: Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities.

HENRY COUNTY WATER DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2008 and 2007

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

The District adheres to the use restrictions established by Bond Agreements when expenses are incurred for which both restricted and unrestricted net assets are available. The District has no policy defining which resources (restricted or unrestricted) to use first.

Property and equipment: Property and equipment purchased or constructed is stated at cost. The District's policy is to capitalize asset purchases exceeding \$500 for office equipment and \$1,000 for service equipment. The cost of meters, including installation, is recorded at the Public Service Commission approved charge of \$575. Interest related to costs, and major improvements, renewals and replacements is capitalized as a cost of the project. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. The range of estimated useful lives by type of asset is as follows:

- Structures & Improvements	7-60 years
- Distribution System	7-40 years
- Machinery & Equipment	3-25 years

Construction in process represents costs related to various water line extensions being installed by District employees, as well as system improvements. Expenses for maintenance and repairs that do not increase the useful life of the asset are charged to operations as they are incurred.

Inventory: Inventories of supplies are valued at the lower of cost or market on a first-in, first-out basis.

Bond Discount: The bond discount is amortized over the life of the bonds.

Compensated Absences: See Note 9 for the District's policy on vacation and sick pay.

Income Taxes: The Henry County Water District #2 is not subject to income taxes.

Contributed Capital: Under the Governmental Accounting Standards Board's (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the District recognizes capital contributions as revenues, instead of contributed capital. Capital contributions include donated property, impact fees, tap on fees and grants. Tap on fees and impact fees of \$81,100 and \$110,025 were received by the District for the years ended December 31, 2008 and 2007, respectively. Grants of \$350,000 and \$400,000 were received by the District for the years ended December 31, 2008 and 2007, respectively. \$49,610 of donated property was received by the District for the year ended December 31, 2008. No donated property was received by the District for the year ended December 31, 2007.

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

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

Statement of Cash Flows: For the purpose of the Statement of Cash Flows, Henry County Water District #2 considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

HENRY COUNTY WATER DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2008 and 2007

NOTE 2 – DEBT RESTRICTIONS AND COVENANTS

The Bond and Interest Sinking Account was established with the original bond issue. Under the bond resolution which established this account, it was provided that a minimum balance be maintained in this account as security to the bondholders. In order to attain the minimum balance, the monthly transfer to be made into the account for the outstanding bond issues is as follows:

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

Also as part of the 1998 bond issuance, the District was required to purchase a certificate of deposit of \$525,229 as a debt service reserve.

Transfers and/or segregated deposits were sufficient to meet the total obligation outstanding on all issues at December 31, 2008 and 2007.

Upon the issuance of the original bonds, a Depreciation Account was established to provide funds for extraordinary repairs and extensions to the system and/or make up any deficiency in the Bond and Interest Sinking Account. After monthly deposits are made into the Bond and Interest Account, monthly transfers are required to be made to the Depreciation Account. The 1996 Bond Resolution (which was refinanced with the 2003 Bond Issue) required a monthly transfer of \$3,845 to accumulate to a balance of \$461,400. The 1998, 2001 and 2003 Bond Resolutions ratify and confirm the creation of the 1996 Depreciation Fund. At December 31, 2007, the Depreciation Account was fully funded. During 2008 an expenditure for a backhoe was made from the Depreciation Account. Monthly transfers did not resume as required. Subsequent to year end the District transferred required funds to meet the Depreciation Account obligation.

NOTE 3 – CASH AND INVESTMENTS

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

Henry County Water District #2's policies regarding deposits of cash are discussed above. The table presented below is designed to disclose the level of custody credit risk assumed by the District based upon how its deposits were insured or secured with collateral at December 31, 2008 and 2007. The categories of credit risk are defined as follows:

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

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

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

HENRY COUNTY WATER DISTRICT #2
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2008 and 2007

NOTE 3 – CASH AND INVESTMENTS (Continued)

December 31, 2008

Type of Deposits	Total Bank Balance	Custody Credit Risk Category			Total Carrying Value
		1	2	3	
Demand Deposits	\$ 1,184,798	\$ 253,823	\$ 930,975	\$ -	\$ 1,173,847
Time Deposits	1,709,187	1,235,000	474,187	-	1,709,187
Total Deposits	\$ 2,893,985	\$ 1,488,823	\$ 1,405,162	\$ -	\$ 2,883,034

December 31, 2007

Type of Deposits	Total Bank Balance	Custody Credit Risk Category			Total Carrying Value
		1	2	3	
Demand Deposits	\$ 1,176,115	\$ 4,359	\$ 1,171,756	\$ -	\$ 1,335,573
Time Deposits	2,381,662	800,000	1,231,662	350,000	2,381,662
Total Deposits	\$ 3,557,777	\$ 804,359	\$ 2,403,418	\$ 350,000	\$ 3,717,235

Reconciliation to Statement of Net Assets:

	December 31, 2008	December 31, 2007
Unrestricted Cash, Including Time Deposits	\$ 469,323	\$ 1,023,884
Restricted Cash, Including Time Deposits	2,414,211	2,694,801
Less Cash on Hand	(500)	(1,450)
	\$ 2,883,034	\$ 3,717,235

NOTE 4 – RESTRICTED ASSETS

Restricted cash and time deposits consist of the following:

	December 31, 2008	December 31, 2007
Bond and Interest Sinking Account	\$ 1,349,692	\$ 1,242,354
Depreciation Account	420,336	986,326
Shelby RECC Note Payable	200,000	-
Customer Deposits & Impact Charge Escrow	208,608	172,720
Construction Account	235,575	293,401
Total	\$ 2,414,211	\$ 2,694,801

Restricted receivables consist of the following:

	December 31, 2008	December 31, 2007
Interest Receivable	\$ 10,519	\$ 25,742
Construction Grants Receivable	348,250	-
	\$ 358,769	\$ 25,742

NOTE 5 – CUSTOMER ACCOUNTS RECEIVABLE

Customer Accounts Receivable has been netted with an Allowance for Bad Debts of \$46,931 and \$36,031 at December 31, 2008 and 2007, respectively. The amount provided for bad debts represents the portion of the total amounts for which collection is unlikely, based on historical collection data.

Estimated unbilled water service revenue of \$160,214 and \$162,038 is included in accounts receivable at December 31, 2008 and 2007, respectively.

HENRY COUNTY WATER DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2008 and 2007

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2008 and 2007, was as follows:

	Balance at January 1, 2008	Additions	Disposals	Balance at December 31, 2008
Land & Land Rights	\$ 174,617	\$ -	\$ -	\$ 174,617
Structures & Improvements	22,380,449	85,367	-	22,465,816
Distribution System	1,854,695	36,450	-	1,891,145
Machinery & Equipment	867,764	117,829	65,712	919,881
Construction in Process	-	780,589	10,885	769,704
Totals at Historical Cost	\$ 25,277,525	\$ 1,020,235	\$ 76,597	\$ 26,221,163
Less: Accumulated Depreciation				
Structures & Improvements	\$ (8,462,124)	\$ (659,049)	\$ -	\$ (9,121,173)
Distribution System	(1,465,044)	(81,832)	-	(1,546,876)
Machinery & Equipment	(600,794)	(66,441)	(65,712)	(601,523)
Total Accumulated Depreciation	\$ (10,527,962)	\$ (807,322)	\$ (65,712)	\$ (11,269,572)
Capital Assets, Net	\$ 14,749,563	\$ 212,913	\$ 10,885	\$ 14,951,591

	Balance at January 1, 2007	Additions	Disposals	Balance at December 31, 2007
Land & Land Rights	\$ 174,617	\$ -	\$ -	\$ 174,617
Structures & Improvements	21,530,388	850,061	-	22,380,449
Distribution System	1,805,470	49,225	-	1,854,695
Machinery & Equipment	841,079	35,185	8,500	867,764
Construction in Process	547,068	14,547	561,615	-
Totals at Historical Cost	\$ 24,898,622	\$ 949,018	\$ 570,115	\$ 25,277,525
Less: Accumulated Depreciation				
Structures & Improvements	\$ (7,796,164)	\$ (665,960)	\$ -	\$ (8,462,124)
Distribution System	(1,378,182)	(86,862)	-	(1,465,044)
Machinery & Equipment	(549,209)	(60,085)	(8,500)	(600,794)
Total Accumulated Depreciation	\$ (9,723,555)	\$ (812,907)	\$ (8,500)	\$ (10,527,962)
Capital Assets, Net	\$ 15,175,067	\$ 136,111	\$ 561,615	\$ 14,749,563

Included under the District's capital assets were \$2,368,099 and \$1,925,532 of fully depreciated assets, at December 31, 2008 and 2007, respectively. Land and land rights and construction in process are capital assets not being depreciated.

A \$42,107 550H Case dozer is recorded under a capital lease. Accumulated depreciation of \$2,105 is associated with this asset.

Depreciation expense aggregated \$807,322 and \$812,907 in 2008 and 2007, respectively.

NOTE 7 – CUSTOMER DEPOSITS/ESCROW

Customer deposits are collected upon installation of water service. This amount is to be refunded to the customer upon discontinuation of service (after the customer's bill has been paid in full) or one year pending a

HENRY COUNTY WATER DISTRICT #2
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2008 and 2007

NOTE 7 – CUSTOMER DEPOSITS/ESCROW (Continued)

satisfactory payment record. Deposits received from customers are held in an interest bearing account (which is included in the financial statements as restricted cash). Records are maintained which detail the accrued interest on each customer's deposit based on the current annual rate. Accrued interest is paid annually and when the deposit is refunded.

NOTE 8 – LONG-TERM DEBT

As of December 31, 2008 and 2007, the long-term debt payable consisted of the following:

Bonds Payable:

	December 31, 2008	December 31, 2007
1998 Bond Issue, original issue amount of \$8,245,000, secured by water revenues. Interest is charged 4.65% to 4.75% per annum. Final maturity is January 1, 2028.	\$ 6,330,000	\$ 6,545,000
2001 Bond Issue, original issue amount of \$900,000, secured by water revenues. Interest is charged 2.4% to 4.75% per annum. Final maturity is January 1, 2018.	603,000	656,000
2003 Bond Issue, original issue amount of \$2,978,000, secured by water revenues. Interest is charged 4.06% to 4.81% per annum. Final maturity is January 1, 2033.	2,623,000	2,687,000
Total Bonds Payable	\$ 9,556,000	\$ 9,888,000
Current Portion	\$ 346,000	\$ 332,000
Noncurrent Portion	9,210,000	9,556,000
Total Bonds Payable	\$ 9,556,000	\$ 9,888,000
Unamortized Bond Discount	(242,255)	(249,708)
Total Bonds Payable Net of Unamortized Bond Discount	\$ 9,313,745	\$ 9,638,292

Note Payable:

2008 note, original loan amount of \$200,000, secured by (2) District certificates of deposit. Interest is charged 2% per annum. Final maturity is May 13, 2014.

	\$ 183,939	\$ -
Current Portion	\$ 32,620	\$ -
Noncurrent Portion	151,319	-
Total Note Payable	\$ 183,939	\$ -

Capital Lease Obligation:

CNH Capital fixed rate lease agreement dated November 14, 2008. 5 months, 13.2% interest rate, secured by a dozer. Monthly payments with final maturity April 14, 2009.

	\$ 33,869	\$ -
Current Portion	\$ 33,869	\$ -
Noncurrent Portion	-	-
Total Capital Lease Obligation	\$ 33,869	\$ -

HENRY COUNTY WATER DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2008 and 2007

NOTE 8 – LONG-TERM DEBT (Continued)

Flexible Term Bonds Payable

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program) Series 2007 B, issued January 31, 2007 to refinance funds advanced to the District through Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds, Series 2006 B. Such advances represent draws for the upgrade of water lines. Interest is charged at 4.00%.	\$ -	\$ 526,000
Current Portion	\$ -	\$ -
Noncurrent Portion	-	526,000
Total Flexible Term Bonds Payable	\$ -	\$ 526,000

Accrued Compensated Absences:

Accrued Compensated Absences (All Current)	\$ 20,471	\$ 19,978
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Waterworks Revenue & Refunding Revenue Bonds Series 1998

At original issue, \$8,245,000 of Revenue & Refunding Revenue Bonds were outstanding with interest rates that range from 4.65% to 4.75% per annum with maturity dates ranging from 1999-2028. On December 31, 2008, \$6,330,000 of bonds were outstanding on this issue. On December 31, 2007, \$6,545,000 of bonds were outstanding on this issue.

Kentucky Rural Water Finance Corporation Flexible Term Finance Program Series 2001D

At original issue, \$900,000 of municipal bonds were outstanding with interest rates that range from 2.4% to 4.75% per annum with maturity dates ranging from 2003-2018. On December 31, 2008, \$603,000 of bonds were outstanding on this issue. On December 31, 2007, \$656,000 of bonds were outstanding on this issue.

Kentucky Rural Water Finance Corporation Flexible Term Finance Program Series 2003

At original issue, \$2,978,000 of municipal bonds were outstanding with interest rates that range from 4.06% to 4.81% per annum with maturity dates ranging from 2003-2033. On December 31, 2008, \$2,623,000 of bonds were outstanding on this issue. On December 31, 2007, \$2,687,000 of bonds were outstanding on this issue.

2008 Shelby Rural Electric Cooperative Corporation Note Payable

The original balance of the Shelby Rural Electric Cooperative Corporation note payable was \$200,000. The note is payable in monthly installments of \$3,000 through May 13, 2014. Interest is charged at 2% per annum. The principal balance outstanding at December 31, 2008 was \$183,939.

1997 Shelby Rural Electric Cooperative Corporation Note Payable

The original balance of the Shelby Rural Electric Cooperative Corporation note payable was \$400,000. The note is payable in monthly installments of \$3,334 (all principal) through May 1, 2007. It is a non-interest bearing note. This note was paid in full during the year ended December 31, 2007.

Capital Lease Obligation – CNH Capital

The amount shown in the accompanying financial statements as capital lease obligation represents Henry County Water District No. 2's future obligation to make lease payments under its fixed lease agreement with CNH Capital, aggregating \$33,869 (original principal balance of the lease was \$42,107). The lease is for a period of five months for a 550H Case dozer.

HENRY COUNTY WATER DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2008 and 2007

NOTE 8 – LONG-TERM DEBT (Continued)

Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds, Series 2007

Through its participation with the Kentucky Rural Water Finance Corporation, the District had been advanced \$526,000 as of December 31, 2007 to finance system improvements. On February 1, 2008, the District refinanced the outstanding balance of \$526,000 through participation in the Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program) Series 2008A. This debt was paid in full during the year ended December 31, 2008.

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the years ended December 31, 2008 and 2007.

December 31, 2008

	Balance at January 1, 2008	Additions	Retirements	Balance at December 31, 2008	Current Portion
Bonds Payable	\$ 9,888,000	\$ -	\$ (332,000)	\$ 9,556,000	\$ 346,000
Note Payable - 2008 Shelby RECC	-	200,000	(16,061)	183,939	32,620
Capital Lease Obligation	-	42,107	(8,238)	33,869	33,869
Flexible Term Bonds Payable	526,000	-	(526,000)	-	-
Accrued Compensated Absences	19,978	493	-	20,471	20,471
Total Enterprise Fund Debt	<u>\$ 10,433,978</u>	<u>\$ 242,600</u>	<u>\$ (882,299)</u>	<u>\$ 9,794,279</u>	<u>\$ 432,960</u>

December 31, 2007

	Balance at January 1, 2007	Additions	Retirements	Balance at December 31, 2007	Current Portion
Bonds Payable	\$ 10,206,000	\$ -	\$ (318,000)	\$ 9,888,000	\$ 332,000
Note Payable - 1997 Shelby RECC	16,590	-	(16,590)	-	-
Flexible Term Bonds Payable	200,000	326,000	-	526,000	-
Accrued Compensated Absences	21,502	-	(1,524)	19,978	19,978
Total Enterprise Fund Debt	<u>\$ 10,444,092</u>	<u>\$ 326,000</u>	<u>\$ (336,114)</u>	<u>\$ 10,433,978</u>	<u>\$ 351,978</u>

The annual requirements for all long-term debt outstanding at December 31, 2008, are as follows:

Due	Bonds	Bond Interest	Note Payable	Note Payable Interest	Capital Lease	Capital Lease Interest	Total Principal and Interest
2009	\$ 346,000	\$ 448,148	\$ 32,620	\$ 3,380	\$ 33,869	\$ 936	\$ 864,953
2010	363,000	433,016	33,278	2,722	-	-	832,016
2011	375,000	416,272	33,950	2,050	-	-	827,272
2012	389,000	398,978	34,630	1,370	-	-	823,978
2013	413,000	381,021	35,334	666	-	-	830,021
2014-2018	2,277,000	1,601,592	14,127	68	-	-	3,892,787
2019-2023	2,512,000	1,063,044	-	-	-	-	3,575,044
2024-2028	2,350,000	425,792	-	-	-	-	2,775,792
2029-2033	531,000	55,224	-	-	-	-	586,224
	<u>\$ 9,556,000</u>	<u>\$ 5,223,087</u>	<u>\$ 183,939</u>	<u>\$ 10,256</u>	<u>\$ 33,869</u>	<u>\$ 936</u>	<u>\$ 15,008,087</u>

HENRY COUNTY WATER DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2008 and 2007

NOTE 8 – LONG-TERM DEBT (Continued)

The annual requirements for all long-term debt outstanding excluding the flexible term bonds payable at December 31, 2007, are as follows:

Due	Bonds	Bond Interest	Total Principal & Interest
2008	\$ 332,000	\$ 462,652	\$ 794,652
2009	346,000	448,148	794,148
2010	363,000	433,016	796,016
2011	375,000	416,272	791,272
2012	389,000	398,978	787,978
2013-2017	2,258,000	1,706,147	3,964,147
2018-2022	2,391,000	1,173,526	3,564,526
2023-2027	2,745,000	558,286	3,303,286
2028-2032	689,000	88,714	777,714
	<u>\$ 9,888,000</u>	<u>\$ 5,685,739</u>	<u>\$ 15,573,739</u>

NOTE 9 – COMPENSATED ABSENCES

Vacation and sick pay are considered expenditures in the year earned.

Vacation Days

All full time employees earn one week of vacation time and one additional day per year up to the maximum of four weeks. Only two weeks of unused vacation time may be carried over to the next year. If there is still any vacation leave remaining, the employee will be paid straight time for that portion not carried over in January of the following year. If an employee has accumulated vacation leave at time of retirement or resigning, he may have the option to use the leave time or receive payment at his/her regular rate. A terminated employee will be compensated for any accrued vacation time.

At December 31, 2008 and 2007, a liability for accrued vacation was recorded in the amount of \$20,471 and \$19,978, respectively.

Sick and Personal Days

All full time employees earn 1 sick day per month. He/she may carry over any sick leave accrued during the year that was not used, without limit. If and when the employee retires or resigns, there will be no pay for unused sick leave. Full time personnel earn 4 personal days per year with no carry-over or pay for any unused time.

At December 31, 2008 and 2007, the District had an unrecorded sick pay liability to its employees of \$100,030 and \$84,515, respectively. The estimated liabilities include required salary related payments.

NOTE 10 – FUND EQUITY- RESTRICTED NET ASSETS

	December 31, 2008	December 31, 2007
Restricted for Capital Projects:		
Monies Reserved for Future System Improvements	\$ 235,575	\$ 293,401
Construction Grants Receivable	348,250	-
Total Restricted for Capital Projects	<u>\$ 583,825</u>	<u>\$ 293,401</u>
Restricted for Debt Service:		
1998, 2001 & 2003 Bond Issues and Shelby RECC Note Payable		
Cash	\$ 1,970,028	\$ 2,228,680
Add: Accrued Interest Receivable	10,519	25,742
Total Restricted for Debt Service	<u>\$ 1,980,547</u>	<u>\$ 2,254,422</u>

HENRY COUNTY WATER DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2008 and 2007

NOTE 11 – BAD DEBT EXPENSE

Water revenue charges have been netted with an estimated bad debt expense of \$10,900 and \$16,380 at December 31, 2008 and 2007, respectively.

NOTE 12 – INTEREST EXPENSE

Interest expense incurred for the years ended December 31, 2008 and 2007 was \$491,037 and \$523,908, respectively. No amount of interest was capitalized in 2008 or 2007.

NOTE 13 – INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risks is covered through the purchase of commercial insurance. The District is also subject to the risks associated with employee injury. These risks are covered through premiums paid to Midwestern Insurance Alliance, a commercial insurance company.

NOTE 14 – THE COUNTY EMPLOYEES' RETIREMENT SYSTEM

Henry County Water District #2 participates in the Commonwealth of Kentucky's County Employees' Retirement System (CERS). Electing employees and all new employees of the District may participate in the System. The most recent financial report on CERS is included in the Kentucky Retirement System's annual report, June 30, 2008 and 2007. Copies of this report will be distributed to each participating employer in the Kentucky Employees Retirement System, County Employees Retirement System, and State Police Retirement System. Copies will also be available to Legislative personnel and state libraries.

Plan Description - CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of the State legislature.

Contributions - For the fiscal years ended June 30, 2008 and 2007, plan members were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565 (3), normal contribution and past service contribution rates shall be determined by the Board of Trustees of the Kentucky Retirement Systems (Board) on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the years ended June 30, 2008 and 2007, participating employers contributed 13.19% of each employee's creditable compensation through June 30, 2007 and 16.17% of each employee's creditable compensation through June 30, 2008. The rate was decreased to 13.50% July 1, 2008. These were the actuarially determined rates determined by the Board to be paid on creditable compensation. Administrative costs of the Kentucky Retirement System are financed through employer contributions and investment earnings.

The District's total payroll for the year ended December 31, 2008 was \$713,037. Contributions were based on \$686,735 (eligible gross wages). The total pension expense for the year ended December 31, 2008 was \$101,886 and \$34,337 for the employer and employees, respectively. All contributions were made as required during the year ended December 31, 2008.

**HENRY COUNTY WATER DISTRICT #2
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2008 and 2007**

NOTE 14 – THE COUNTY EMPLOYEES' RETIREMENT SYSTEM (Continued)

The District's total payroll for the year ended December 31, 2007 was \$690,293. Contributions were based on \$658,215 (eligible gross wages). The total pension expense for the year ended December 31, 2007 was \$96,679 and \$32,911 for the employer and employees, respectively. All contributions were made as required during the year ended December 31, 2007.

The District's contribution for the year ended June 30, 2008 and 2007, was .019% and .024%, respectively, of the System's total contribution requirements for all employers.

For non-hazardous duty, the required contributions to the plan were as follows:

	Annual Required Contributions	Actual Contributions	Retiree Drug Subsidy Contributions	Percentage Contributions
June 30, 2008	544,853,127	347,035,445	6,003,181	64.8%
June 30, 2007	398,108,795	271,869,651	9,623,431	70.7%
June 30, 2006	356,066,426	219,701,869	-	61.7%

NOTE 15 – ECONOMIC DEPENDENCY

Henry County Water District #2 provides water services to residential and commercial customers in the Kentucky counties of Henry, Trimble, Carroll, Oldham and Shelby. The District also supplies water for resale to the cities of Eminence and New Castle located in Henry County. It should be noted that 7.0% of the total water revenue was received from these cities for both years ended December 31, 2008 and 2007. The wholesale rate charged to the cities of Eminence and New Castle was \$2.20 per 1,000 gallons. Also, the District supplies water for resale to West Carroll Water District at the same wholesale rate.

NOTE 16 – FUNDS HELD FOR FUTURE LINES AND CONTRIBUTED CAPITAL – IMPACT FEES

The District collects funds from developers for their allocable cost of line extensions. The amount is calculated based on the size of the line and the number of estimated hook-ups. As others pay to hook-up to the line, portions of these funds are refunded to the developer. Once a line has been completed, the developer's cost of the line is recorded as capital contributions from customers.

On September 4, 2002, the PSC granted the District the authority to impose an impact fee (offsetting improvement charge) in the amount of \$980 per gallon per minute peak flow to offset the hydraulic impact on the system. Residential development is to be charged on the basis of one gallon of expansion per minute of peak flow per lot. Commercial and industrial developments are to be evaluated by a specific engineering analysis of their peak flow to which the gallon of expansion per minute charge will be applied. These fees will be expended only for water line projects that improve hydraulic conditions in the distribution system. Impact fees are recorded as capital contributions from customers. Effective June 1, 2007, the impact fee decreased to \$950.

On December 8, 2008, the Public Service Commission ruled that the impact fee will continue in effect until June 6, 2009. All offsetting improvement charges collected prior to this date will be retained by the District. When the fee is discontinued, it may or may not be replaced by a similar system development charge, subject to Public Service Commission approval.

The Public Service Commission has indicated its intention to review the District's practice concerning refunds related to water line extensions made within subdivision developments. The liability, if any, that may be associated with this review cannot be determined at this time.

NOTE 17 – COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS

In September 2008, the construction of a \$813,700, 300,000 gallon elevated water tank began. The project was financed by \$263,700 of local funds, a \$200,000 Shelby Rural Electric Cooperative Corporation loan and \$350,000 of grants through the Kentucky Infrastructure Authority. At December 31, 2008, the \$350,000 of Kentucky

HENRY COUNTY WATER DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2008 and 2007

NOTE 17 – COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS (Continued)

Infrastructure Authority grant money had not been requested. The engineer on the project is Tetra Tech, Inc. The contract for the construction of the water tank was awarded to Caldwell Tanks. At year end the project was approximately 86% complete. At December 31, 2008, there are construction accounts payable and retainage of \$58,401 and \$70,227, respectively.

The District is the subject of pending claims or lawsuits. The ultimate disposition of any settlement or other legal decision is not determined at the present time.

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

Certified Public Accountants

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

Henry County Water District

Enclosed are copies of your audit reports for the year ended December 31, 2008. Also enclosed are the Public Service Commission Reports for the same period. Copies are to be distributed as follows by March 31, 2009:

PUBLIC SERVICE REPORT

The Public Service Report and the Gross Interstate Operating Revenue Report form (single sheet) **must be signed and notarized**. Mail one (1) original copy of both of these reports and a copy of the audited financial statements to:

Public Service Commission
211 Sowers Boulevard
PO Box 615
Frankfort, Kentucky 40602

There is one (1) copy of the Public Service Report for your records.

We recommend that you mail your reports "return receipt" so that you have verification in your file that the reports have been received by the agency.

To the Commissioners of the
Henry County Water District #2
Campbellsburg, Kentucky 40011

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

We have audited the financial statements of Henry County Water District #2, as of and for the year ended December 31, 2008, and have issued our report thereon dated March 24, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit we considered Henry County Water District #2'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 Henry County Water District #2's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Henry County Water District #2's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Henry County Water District #2's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Henry County Water District #2's financial statements that is more than inconsequential will not be prevented or detected by Henry County Water District #2's internal control. We consider items 08-1 and 08-2 described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Henry County Water District #2's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the significant deficiencies described above to be material weaknesses.

OMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Henry County Water District #2'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 an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and responses as item 08-3.

We also noted certain other matters that we reported to management of Henry County Water District #2, in a separate letter dated March 24, 2009.

Henry County Water District #2's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Henry County Water District #2's response and, accordingly, we express no opinion on it.

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

Raisor, Zapp & Woods, PSC

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

March 24, 2009

HENRY COUNTY WATER DISTRICT #2
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2008

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Henry County Water District #2.
2. Two significant deficiencies disclosed during the audit of the financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. The deficiencies were reported as material weaknesses.
3. One instance of noncompliance material to the financial statements of Henry County Water District #2, which would be required to be reported in accordance with Government Auditing Standards, was disclosed during the audit.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCIES

GOVERNMENT AUDITING STANDARDS

08-1 SIZE OF ENTITY

CONDITION

Due to the size of the administrative staff, internal control is limited.

CRITERIA

Internal controls should be in place to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition.

CAUSE

The staff size of the District limits the ability to rotate duties and implement checking procedures.

EFFECT

The staff size of the District limits the ability to rotate duties and implement checking procedures. This limitation may affect the ability to record, process, summarize and report financial data.

RECOMMENDATION

Management should strive to separate duties as staff and cost benefits allow.

RESPONSE

We concur with the recommendation.

HENRY COUNTY WATER DISTRICT #2
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
For the Year Ended December 31, 2008

FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

SIGNIFICANT DEFICIENCIES (Continued)

GOVERNMENT AUDITING STANDARDS (Continued)

08-2 FAILURE TO PREPARE COMPLETE SET OF FINANCIAL STATEMENTS INCLUDING REQUIRED NOTE DISCLOSURES

CONDITION

District financial statements, including the required disclosures, are prepared as part of the annual audit.

CRITERIA

Internal controls should be in place to provide management with reasonable, but not absolute, assurance that financial statements and required notes are prepared in accordance with generally accepted accounting principles.

CAUSE

The draft accrual basis financial statements and disclosures are prepared during the audit process. The entries are entered into the District's general ledger/financial reports.

EFFECT

Management engaged auditor to prepare the draft of the financial statements, including the related notes to the financial statements. Management reviewed, approved, and accepted responsibility for the financial statements prior to their issuance.

RECOMMENDATION

The outsourcing of this service is not unusual for a District this size and is a result of management's cost benefit decision to use others' accounting expertise rather than incur internal resource costs. We recommend that District management continue to enhance its knowledge of reporting requirements in providing oversight of this service.

RESPONSE

We concur with the recommendation and will continue to improve our overall accounting knowledge.

COMPLIANCE AND OTHER MATTERS

08-3 VIOLATION OF KRS 424.260

CONDITION

The District did not advertise for bid on certain contractual services.

CRITERIA

The bid law requires districts to advertise for sealed bids for any contract, lease or other agreement for materials, supplies, equipment or for contractual services other than professional involving an expenditure of more than \$20,000.

HENRY COUNTY WATER DISTRICT #2
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
For the Year Ended December 31, 2008

9. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

COMPLIANCE AND OTHER MATTERS (Continued)

08-3 VIOLATION OF KRS 424.260 (Continued)

CAUSE

Management negotiated with individuals to provide treatment plant filter repairs and mowing services, but did not advertise for bid.

EFFECT

Services may not be purchased at the most competitive price.

RECOMMENDATION

Review aggregate purchases for any bid requirements.

RESPONSE

We concur with the recommendation.

<u>HCWD2 2009 Long Range Plan</u>	<u>Description</u>	<u>Cost Estimate</u>
<u>Water Lines</u>		
KY 153 from Sligo to I-71	Upsize 9000' 6" to 16" & bore I-71	\$ 1,200,000
KY 153 from I-71 to Jericho	Upsize 18000' 6" to 12"	\$ 720,000
KY 1861 & KY 22 Smithfield Area	Upsize 28,000' 3" to 6"	\$ 350,000
New Castle Bypass	Parallel 8" with 5000' 12"	\$ 200,000
KY 146 from Jackson Rd to Ky 153	Upsize 30,000' 3" to 6"	\$ 375,000
KY 193 from New Castle Tank to Lacie	Upsize 22,000' 3" to 6"	\$ 275,000
KY 202 from US 421 east	Upsize 18,000' 3" to 6"	\$ 225,000
Martini Lane via US 421 to Webb Lane	Upsize 13,000 3" to 10"	\$ 350,000
Dawkins/KY 146/Kavanaugh	Close loops w 10,000' 6"	\$ 125,000
KY 1359 Loop Bellview KY	Close loop with 4000' 4"	\$ 40,000
Bunk-Ellis Rd	Close loop with 5000' 4"	\$ 50,000
Radcliff Rd to KY 712	Close loop with 3200' 6"	\$ 40,000
	subtotal	\$ 3,950,000
<u>General System</u>		
Upgrade all meters to radio-read		\$ 800,000
Upgrade telemetry		\$ 100,000
Two way metering stations for leak detection		\$ 100,000
	subtotal	\$ 1,000,000
	TOTAL	\$ 4,950,000

HENRY COUNTY WATER DISTRICT NO. 2

BOARD COMMISSIONERS

Merle Brewer
Dale Jennings
Wendell Hawkins
Ray Nelson
Richard Clark
Larry Bohannon
Ronald K. Barrickman
Charles Richardson
Donald R. St. Clair
Ricky Jones

Jimmy Simpson, Chief Operating Officer

Berry Baxter, Attorney
Dennis Raisor, CPA

PRELIMINARY ENGINEERING REPORT
FOR
MORTON RIDGE TRANSMISSION MAIN & US 42 TANK
HENRY COUNTY WATER DISTRICT NO. 2

Prepared By:

TETRA TECH, INC.
800 Corporate Drive
Lexington, Kentucky 40503
Phone: 859-223-8000
Fax: 859-224-1025
e-mail: Dan.Shoemaker@tetratech.com

April, 2009

I. DETAILED PROJECT DESCRIPTION

The Henry District is served by a treatment plant in the extreme northwestern corner of its service area. Treated water must travel four miles from the plant to the distribution system's first elevated storage tank on US 42. The existing transmission mains are a pair of 12-inch pipes: one is forty year-old asbestos cement, the other is a twenty year-old PVC line which was poorly installed and is an ongoing problem due to breaks, leaks, and resulting outages. The average daily plant output is approximately 2 million gallons, with a peak day in excess of 3 million gallons, and almost all of this daily system usage passes through the existing 200,000 gallon tank on US 42, which is the first, or "lead tank" in the distribution system.

When line breaks occur along the Morton Ridge transmission lines, or when pumping operations are interrupted, the US 42 tank provides very limited reserve capacity into the system. Even under normal operating conditions the tank draws down very rapidly, requiring the high service pumps at the plant to run most of the time.

This project addresses both problems. Because the proposed 1,000,000 gallon tank will have five times the capacity, it will require less frequent pump runs, and it will provide greater reserve storage for the system in the event of supply outages. And the proposed 20-inch line will replace the unreliable 12-inch lines, providing greater dependability in the link between the treatment plant and the distribution system. The 22,000 feet of proposed transmission main is Class 350 ductile iron. The reduced friction losses in this larger new line will permit the existing pumps to operate at higher flow-rates, refilling the tank more efficiently at lower energy costs.

The multi-leg elevated tank has a design bowl height of 35' and a 70' diameter. Ground elevation is approximately 930, and tank overflow is at 1140, the same as the old tank. The tank site is at longitude 85d 19' 29" west, latitude 38d 31' 21" north. A tank bowl mixing system by Tideflex will be installed to assure water quality and proper turnover rates. Notes on the plans and in the technical specifications require the mixing system to provide a complete drain/fill cycle within 72 hours, which can be achieved according to the analysis performed by Tideflex.

The Kentucky Division of Water has approved the design plans and specifications for the Morton Ridge Main and US 42 Tank as a combined project AI#1846, APE20090003, PWSID#0520192-09-003. The two elements of the project have WRIS Numbers of WX21103021 (main) and WX21103037 (tank). Additionally, the Transportation Cabinet has issued Encroachment Permit #05-0204-6 for both Morton Ridge Road (KY 2868) and US 42.

II. PRELIMINARY COST ESTIMATE

<u>Item</u>	<u>Estimated Cost</u>
Lines	\$2,150,000
Tank	<u>2,250,000</u>
Construction Subtotal	4,400,000
Engineering, Bidding, Contract Administration (6.75% of construction from RD fee schedule)	300,000
Contingency	<u>200,000</u>
Total Estimated Cost	\$4,900,000

III PROJECT FINANCING

The District has several options depending upon the availability of funds and more favorable rates, but is planning at this point to use a Rural Development 40 year loan at 4.25% interest. The effects of this annual debt service and other RD requirements are being addressed in a HCWD rate case which will be presented to the PSC later in 2009.



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STEVEN L. BESHEAR
GOVERNOR

LEONARD K. PETERS
SECRETARY

ENERGY AND ENVIRONMENT CABINET

DEPARTMENT FOR ENVIRONMENTAL PROTECTION

DIVISION OF WATER

200 FAIR OAKS LANE, 4TH FLOOR

FRANKFORT, KENTUCKY 40601

www.kentucky.gov

February 26, 2009

James T Simpson, Chief Operating Officer
Henry Co Water District 2
PO Box 219
Campbellsburg, KY 40011

RE: Henry Co Water District 2
AI # 1846, APE20090003
PWSID # 0520192-09-003
Morton Ridge Road & New One Million
Gallon Storage Tank on HWY 42
Henry County, KY

Dear Mr. Simpson:

We have reviewed the plans and specifications for the above referenced project. The plans include the construction of approximately 22,000 feet of 20 inch DI waterline and 1,000,000 gallon elevated water storage tank. This is to advise that plans and specifications for the above referenced project are APPROVED with respect to sanitary features of design, as of this date with the requirements contained in the attached construction permit.

If you have any questions concerning this project, please contact Mr. Jonathan Reynolds at 502-564-8158 extension 4834.

Sincerely,

Solitha Dharman, PE
Supervisor, Engineering Section
Water Infrastructure Branch
Division of Water

SD:JR

Enclosures

C: Tetra Tech Inc
Trimble County Health Department
Public Service Commission





COPY

TRANSPORTATION CABINET

Steven L. Beshear
Governor
March 20, 2009

Department of Highways District 5 Office
8310 Westport Road
Louisville, KY 40242-3042
(502) 210-5400

Joseph W. Prather
Secretary

James Simpson
Henry County Water District
PO Box 219
Campbellsburg KY 40011

Permit No. 05-0204-09

Your application for an encroachment permit has been approved by the Department of Highways. We are returning two (2) copies of the approved permit. One copy of the permit is for your record and files, the other is to be on the work site at all times. Failure to have this permit at the site could result in a stop-work order by the Department of Highways.

The "Manual on Uniform Traffic Control Devices" (MUTCD) is the accepted national standard for all traffic control. All traffic control measures used must be in compliance with the MUTCD.--

Please contact this office prior to beginning the work and also when the work has been completed. Please see that the work is done in strict conformity with the permit and any other applicable conditions (see form TC99-21 and any other attached documents, conditions, or specifications). The permit will be released when the permitted work and any necessary restoration has been completed.

Please contact this office if you have any questions.

Sincerely,

Travis Thompson, EIT
District Permits



Release Date _____

ENCROACHMENT PERMIT

PERMIT NO. 05-0207-09

APPLICANT IDENTIFICATION:

NAME: HENRY COUNTY WATER DISTRICT
 PERSON: JAMES SIMPSON
 ADDRESS: P.O. Box 219
 CITY: Campbellsburg
 STATE: Ky. ZIP CODE: 40011
 PHONE: area code (502) 532-6280

PROJECT IDENTIFICATION:

ACCESS CONTROL By Permit Partial Full
 COUNTY: Trimble PRIORITY ROUTE NO: 2542
 MILEPOINT: 4.077 Left Right X-ing
 PROJECT STATUS: Maint. Const. Desig
 PROJECT # STATE: MP112-2868-4.077
 PROJECT # FEDERAL: _____
 ROAD/ STREET NAME: Hwy. 2868 & Hwy. 42

TYPE OF ENCROACHMENT:

- COMMERCIAL ENTRANCE - BUSINESS
- PRIVATE ENTRANCE: Single Family Farm
- UTILITY: Overhead Underground
- GRADE: Fill Landscape on R/W
- AIRSPACE: Agreement Lease
- OTHER: (Specify) _____

ATTACHMENTS:

- Standard Drawings (List on TC 99-21 under Misc.)
- Applicant's Plans
- Highway Plan and Profile Sheets
- TC 99-3 (Ponding Encroachment Specs. & Conditions)
- TC 99-4 (Rest Area Usage Specs. & Conditions)
- TC 99-5 (Tree Cutting/Trimming Specs. & Conditions)
- TC 99-6 (Chemical Use of Specs. & Conditions)
- TC 99-10 (Typical Hwy. Boring Crossing Detail)
- TC 99-12 (Overhead Utility Encroachment Diagram)
- TC 99-13 (Surface Restoration Methods)
- TC 99-21 (Encroachment Permit General Notes & Specs.)
- TC 99-22 (Agreement for Services to be Performed)
- TC 99-23 (Mass Transit Shelter Specs. & Conditions)
- Other Attachments (Specify): Attachment "A"

TYPE OF INDEMNITY: Bond Cash
 SELF-INSURED AMOUNT ENCUMBERED \$ _____
 OTHER _____

NAME AND ADDRESS OF LOCAL INSURANCE AGENCY OR SELF-INSURED REPRESENTATIVE: AGINA CASUALTY & SURETY

RECEIVED
MAR 03 2009
D/5 PERMIT

INDEMNITY: The applicant, in order to secure this obligation, has deposited with the Transportation Cabinet as a guarantee of conformance with the Department's Encroachment Permit requirements, an indemnity in the amount of \$ 30,000.00 as determined by the Department. It shall be the responsibility of the applicant or permittee, his heirs and assignees to keep all indemnities in full force until construction or reconstruction has been completed and duly accepted by an authorized agent of the Transportation Cabinet, Department of Highways.

BRIEF DESCRIPTION OF WORK TO BE DONE: (If private entrance, show sketch with pipe location, Separate attached drawings required for encroachment other than private entrances.)
SEE ATTACHMENT: PRECONSTRUCTION meeting PRIOR to ANY WORK.

IMPORTANT (PLEASE READ): Applicant does does not intend to apply for excess R/W

When the work is completed in accordance with the terms of this encroachment permit, your indemnity will be released. However, the permit is effective until revoked by the Transportation Cabinet and the terms on the permit accompanying permit documents and drawings remain in effect as long as the encroachment exists. **FUTURE MAINTENANCE OF THE ENCROACHMENT IS THE RESPONSIBILITY OF THE PERMITTEE.** It is important that you understand the requirements of this encroachment permit application and accompanying documents. If you have not done so, it is suggested that you review these documents and place the permit package in a safe place for future reference

copy of this permit and all documents shall be given to your contractor and shall be readily available at the work site for the encroachment permit inspector to review at all times. Failure to meet this requirement may result in cancellation of this permit.

IN THE EVENT THIS APPLICATION IS APPROVED, THIS DOCUMENT SHALL CONSTITUTE A PERMIT FOR THE APPLICANT TO USE THE RIGHT-OF-WAY, BUT ONLY IN THE MANNER AUTHORIZED BY THIS DOCUMENT AND REGULATIONS OF THE DEPARTMENT AND THE DRAWINGS, PLANS, ATTACHMENTS, AND OTHER PERTINENT DATA ATTACHED HERETO AND MADE A PART HEREOF

The permittee agrees to the following terms and conditions:

The permittee shall comply with and is bound by the requirements of the Department's Permits Manual as revised to and in effect on the date of the issuance of this permit which is made a part hereof by reference

Permittee agrees that if the Department determines that vehicular capacity deficiencies or over capacity conditions develop as a result of the installation and use of this facility, the permittee shall adjust, relocate, or reconstruct the facilities and/or provide and bear the expenses for signs, storage lanes, or other corrective measures reasonably deemed necessary by the Department and as set forth in the Department's Permit Manual within a reasonable length of time after receipt of written notice regarding such adjustments, relocation, additions, modifications, and/or corrective measures, such time to be specified in the notice. In cases where traffic signals are permitted or required, as determined by the Department, the costs for signal equipment and installation(s) shall be borne by the permittee and/or the Department in accordance with Department policy then in force as set forth in the Traffic Manual. Any modifications to the permittee's entrance necessary to accommodate signalization (including necessary easement(s) on private property) shall be the responsibility of the permittee, at no expense to the Department. (This applies only to Entrance Permits.)

The said encroachment will not infringe on the frontage rights of an abutting owner without written consent of the said owner as hereto: "I (we) consent to the granting of attached permit."
Date _____ (This does not apply to utilities which serve the general public.)

Any permit granted hereunder shall be with the full understanding that it shall not interfere with any similar rights or permits heretofore granted to any other party except as otherwise provided by law.

A plan prepared by _____ and dated _____ is attached hereto and made a part hereof, which describes the facilities to be constructed by the permittee for which facilities this permit is granted. The permittee agrees as a condition to the issuance of the permit to construct and maintain such facilities in accordance with said plan, and the permittee shall not use the facilities authorized herein in any manner contrary to that prescribed by this permit and plan. Normal usage and routine maintenance only are authorized under this permit.

Permittee shall comply with the Manual on Uniform Traffic Control Devices as revised to and in effect on the date of the issuance of this permit which is made a part hereof by reference.

Permittee shall at all times from date when work is first commenced and until such time as all facilities are removed from the right-of-way premise, defend, protect, and save harmless the Department from all liability, claims, and demands arising out of work undertaken by the permittee pursuant to this permit, due to any negligent act or omission by the permittee, its servants, agents, employees, or contractors. This provision shall not inure to the benefit of any third party or operate to enlarge any liability of the Department beyond that existing at common law if this right to indemnity did not exist.

Upon a violation of any of the provisions of this permit, the Department may revoke the permit by giving notice to the permittee in writing to remove from the right-of-way any facilities placed thereon within a reasonable time as set forth in the notice, and in the event said facilities are not so removed, and the right-of-way restored the Department may cause same to be removed, and the costs thereof shall be charged to the permittee.

The permittee, his successors and assigns shall use the encroachment premises in compliance with all Federal requirements imposed pursuant to the provisions of the Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000-1) and regulations of the U.S. Department of Transportation as set forth in Title 49 C.F.R., Part 21, and as said regulations may be amended.

Permittee agrees that in the event it should become necessary, as may be reasonably determined by the Department, for the facilities covered by this permit to be removed or relocated in connection with the reconstruction, relocation, or improvement of the abutting highway, the Department may revoke this permit and require removal or relocation by the permittee at his own expense according and pursuant to the procedures provided in Paragraph 8 above except in those cases where the Department is required by law to pay any or all the same.

The permittee understands and agrees that this permit is personal to the permittee and shall not inure to his successors and assigns without the written approval of the Department that he is bound by the provisions of this permit as long as the encroachment exists unless a written release has been obtained from the Department. (Does not apply to utilities serving the general public.)

If the work authorized by this permit is on a project in the construction phase, it shall be the responsibility of the permittee to make personal contact with Resident Engineer on the project to coordinate the permitted work with the State's prime contractor on the project.

This permit does not alleviate any requirements of any other government agency.

Permittee agrees to keep the priority route in which this permit was issued clear of dirt, mud, and debris during construction and for the life of this permit.

RECEIVED

MAR 03 2009

D/5 PERMIT

THE UNDERSIGNED APPLICANT (being duly authorized representative/owner) DOES AGREE TO ALL TERMS AND CONDITIONS SET FORTH HEREIN.

January 1st July 1st, 2009
Completion Date

2-21-2009
Date

James T. Sigson
Signature
CHIEF OPERATING OFFICER

RECOMMENDED FOR APPROVAL

TE Tech III
Title

Shahid Muhammad Abdul
Signature
Chief District Engineer

MAR 10 2009
Date

PRIVATE ENTRANCE: TO BE COMPLETED BY PERSONNEL INSTALLING FACILITY.

Installed By: _____
Title _____ Signature _____ Date _____

RATE ANALYSIS

A billing analysis showing test year revenue and an analysis showing proposed revenue is attached. The revised analysis shows the dollar and percentage increase for each rate step.

A summary of water produced, purchased and distributed is also included in this exhibit.

Henry District requests that each rate increment be increased by 18 percent to achieve the level of income necessary to cover expenses. By basing the rates on a cost of service study, some rates will dramatically increase which will place a burden on those users. Additionally the wholesale rate will increase to an undesirable level. The wholesale customers have other options to purchase water and Henry District does not want to loose these customers.

A rate analysis is included in a CD attached to this application.

HENRY COUNTY WATER DISTRICT NO. 2

REVISED BILLING ANALYSIS

USAGE ANALYSIS

			1,500	3,500	5,000	10,000	30,000	50,000
First 1,500	19,341	9,050,825	9,050,825					
Next 3,500	31,284	117,677,445	46,926,000	70,751,445				
Next 5,000	19,706	128,520,380	29,559,000	68,971,000	29,990,380			
Next 10,000	4,123	54,601,720	6,184,500	14,430,500	20,615,000	13,371,720		
Next 30,000	1,276	36,986,430	1,914,000	4,466,000	6,380,000	12,760,000	11,466,430	
Over 50,000	497	89,744,220	745,500	1,739,500	2,485,000	4,970,000	14,910,000	64,894,220
Total Retail	76,227	436,581,020	94,379,825	160,358,445	59,470,380	31,101,720	26,376,430	64,894,220

REVENUE TABLE

	BILLS	GALLONS	RATE	REVENUE	Current Rates	\$ Increase	% Increase
First 1,500	19,341	94,379,825	\$ 18.80	\$ 1,433,068	16.00	2.80	0.18
Next 3,500	31,284	160,358,445	6.80	1,090,437	5.75	1.05	0.18
Next 5,000	19,706	59,470,380	6.20	368,419	5.25	0.94	0.18
Next 10,000	4,123	31,101,720	5.00	155,509	4.25	0.75	0.18
Next 30,000	1,276	26,376,430	3.85	101,549	3.25	0.60	0.18
Over 50,000	497	64,894,220	2.60	168,465	2.20	0.40	0.18
Total Retail	76,227	436,581,020		\$ 3,317,447			
Wholesale		97,490,450	2.60	\$ 253,085	2.20	0.40	0.18
TOTAL REVENUE FROM SALES				\$ 3,570,532			
Other Revenue				302,797	-		
Total Revenue				\$ 3,873,329			
Expenses				3,867,917			
Difference				\$ 5,412			

Added 15 New Customers from Scobie Lane, Carpenter Lane and Pattons Creek

Added - Annual Report v Billing Analysis

Less Veneer CA Garner Usage - See Attachment

RATE ANALYSIS

			1,500	3,500	5,000	10,000	30,000	50,000
Actual	436,578	436,581	94,379	160,358	59,470	31,101	26,376	64,894
Percent			0.2162	0.3673	0.1362	0.0712	0.0604	0.1486
			2.00	1.75	1.50	1.25	1.15	1.00
Demand	692,976		188,758	280,627	89,205	38,876	30,332	64,894
Percent			0.2724	0.4051	0.1287	0.0561	0.0438	0.0936
Commodity		\$ 1,268,696	\$ 274,265	\$ 466,000	\$ 172,820	\$ 90,380	76,649	188,582
Demand		1,500,002	408,582	607,685	193,091	84,151	65,657	140,468
Customer		543,336	543,336					
Total			\$ 1,226,183	\$ 1,073,686	\$ 365,911	\$ 174,530	\$ 142,306	\$ 329,050
Customers		76,227	16.09	6.70	\$ 6.15	5.61	5.40	5.07
Current			16.00	5.75	5.25	4.25	3.25	2.20
\$ Increase			\$ 0.09	\$ 0.95	\$ 0.90	\$ 1.36	\$ 2.15	\$ 2.87
% Increase			0.01	0.16	0.17	0.32	0.66	1.30
District requests 18 percent across the board.								

Description		January	February	March
1	Water Produced, Purchased and Distributed			
2	Water Produced	65,426,310	62,229,900	62,179,240
3	Water Purchased			
4	Total Produced and Purchased	65,426,310	62,229,900	62,179,240
6	Water Sales			
7	Residential	34,457,860	28,986,520	34,687,930
8	Commercial	1,822,140	1,847,810	1,464,710
9	Industrial	973,600	896,970	1,343,230
10	Bulk Loading Station			
11	Resale Wholesale	7,721,110	8,279,770	7,296,310
12	Other Sales Public Gov. Schools	582,950	519,050	563,700
13	Total Water Sales	45,557,660	40,530,120	45,355,880
15	Other Water Used			
16	Utility/Water Treatment Plant	6,576,050	4,739,910	4,640,500
27	Wastewater Plant			
18	System Flushing	2,574,840	2,819,400	3,022,460
19	Fire Department	29,500	12,500	33,000
20	Other			
21	Total Other Water Used	9,180,390	7,571,810	7,695,960
23	Water Loss			
24	Tank Overflows		2,880,000	
25	Line Breaks	6,292,940	6,267,380	1,446,000
26	Line Leaks			
27	Other	4,395,320	4,980,590	7,681,400
28	Total Line Loss	10,688,260	14,127,970	9,127,400
	Note: Line 13 + Line 21 + Line 28 Must equal line 4			
32	Water Loss Percentage	16.34%	22.70%	14.68%
33	Line 28 divided by Line 4			

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April	May	June	July	August	September	October
61,210,470	67,782,810	68,148,330	64,997,960	67,482,180	64,600,220	61,839,070
61,210,470	67,782,810	68,148,330	64,997,960	67,482,180	64,600,220	61,839,070
26,975,740	29,176,700	32,242,150	34,503,610	36,705,840	42,575,950	32,544,370
1,935,490	1,945,280	2,138,690	3,184,390	2,448,720	2,643,360	2,425,770
1,338,200	872,300	597,900	187,300	206,500	186,000	247,900
8,297,750	7,545,110	9,232,090	7,682,480	9,472,890	8,132,030	7,898,450
172,430	846,000	968,710	1,131,350	1,318,410	1,626,760	1,512,700
38,719,610	40,385,390	45,179,540	46,689,130	50,152,360	55,164,100	44,629,190
5,588,270	5,269,420	6,140,430	4,858,360	4,281,300	2,156,200	4,509,220
43,401,100	11,133,600	7,149,600	5,807,600	3,931,200	1,860,500	3,784,920
12,400	24,000	0	25,000	5,000	0	16,000
49,001,770	16,427,020	13,290,030	10,690,960	8,217,500	4,016,700	8,310,140
2,016,000		1,440,000			272,000	
6,734,200	4,132,800	5,791,400	3,900,600	3,641,000	5,022,400	5,132,400
3,799,890	6,859,200	2,447,360	3,717,270	5,471,320	131,800	3,767,340
12,550,090	10,992,000	9,678,760	7,617,870	9,112,320	5,426,200	8,899,740
20.50%	16.22%	14.20%	11.72%	13.50%	8.40%	14.39%

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November	DECEMBER	Year-End
57,741,080	65,482,700	769,120,270
		0
57,741,080	65,482,700	769,120,270
		0
29,236,360	27,375,860	389,468,890
2,063,540	1,525,830	25,445,730
267,500	265,400	7,382,800
		0
9,071,690	6,860,580	97,490,260
382,500	1,603,370	11,227,930
41,021,590	37,631,040	531,015,610
		0
4,291,580	4,709,810	57,761,050
		0
5,147,700	13,487,000	104,119,920
24,000	0	181,400
		0
9,463,280	18,196,810	162,062,370
		0
2,400,000		9,008,000
1,565,400	7,399,210	57,325,730
		0
3,290,810	2,255,640	48,797,940
7,256,210	9,654,850	115,131,670
12.57%	14.74%	14.97%

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BY: JS

Customer History Report
 Select Customer By: Account Range: From 105742 To 105742
 Status: All Accounts
 Transaction Types:

Date	Type	Cls	Amount	Paid	Reference	Usage	Balance
Account: 105742 VENIEER C A GARNER Location: 10-31950 LAKE JERICHO RD/PLANT							
11/30/05	ADJUSTMENT	BAL	787.81	787.81	244920000-0 BALANCE F		787.81
12/15/05	PAYMENT	CHK	-787.81		12/15/05/VSC		0.00
12/30/05	WATER	WAT	1,001.92	1,001.92	24492000-24905430 E12	413430	1,001.92
12/30/05	UTILITY TAX	TXU	30.06	30.06			1,031.98
12/30/05	SALES TAX	TXS	61.92	61.92			1,093.90
01/11/06	PAYMENT	CHK	-1,093.90		011106LC		0.00
01/31/06	WATER	WAT	1,070.43	1,070.43	24905430-25350000 M1/	444570	1,070.43
01/31/06	UTILITY TAX	TXU	32.11	32.11			1,102.54
01/31/06	SALES TAX	TXS	66.16	66.16			1,168.70
02/14/06	PAYMENT	CHK	-1,168.70		021406LC		0.00
02/24/06	WATER	WAT	644.58	644.58	25350000-25601000 M2/	251000	644.58
02/24/06	UTILITY TAX	TXU	19.34	19.34			663.92
02/24/06	SALES TAX	TXS	39.83	39.83			703.75
03/09/06	PAYMENT	CHK	-703.75		VC030906		0.00
03/23/06	WATER	WAT	1,773.18	1,773.18	25601000-26365000 M3/	764000	1,773.18
03/23/06	UTILITY TAX	TXU	53.20	53.20			1,826.38
03/23/06	SALES TAX	TXS	109.58	109.58			1,935.96
04/12/06	PAYMENT	CHK	-1,935.96		041206LC		0.00
04/23/06	WATER	WAT	1,557.58	1,557.58	26365000-27031000 M4/	666000	1,557.58
04/23/06	UTILITY TAX	TXU	46.73	46.73			1,604.31
04/23/06	SALES TAX	TXS	96.25	96.25			1,700.56
05/11/06	ADJUSTMENT	LTF	155.76	155.76	LATE CHARGE		1,856.32
05/12/06	PAYMENT	CHK	-1,700.56		05/12/06LV		155.76
05/12/06	ADJUSTMENT	LTF	-155.76				0.00
05/23/06	WATER	WAT	1,062.58	1,062.58	27031000-27472000 M5/	441000	1,062.58
05/23/06	UTILITY TAX	TXU	31.88	31.88			1,094.46
05/23/06	SALES TAX	TXS	65.66	65.66			1,160.12
06/03/06	PAYMENT	CHK	-1,160.12		060306VC1		0.00
06/27/06	WATER	WAT	730.38	730.38	27472000-27762000 M6/	290000	730.38
06/27/06	UTILITY TAX	TXU	21.91	21.91			752.29
06/27/06	SALES TAX	TXS	45.13	45.13			797.42
07/11/06	PAYMENT	CHK	-797.42		071106LC		0.00
07/23/06	WATER	WAT	1,249.58	1,249.58	27762000-28288000 M7/	526000	1,249.58
07/23/06	UTILITY TAX	TXU	37.49	37.49			1,287.07
07/23/06	SALES TAX	TXS	77.22	77.22			1,364.29
08/10/06	PAYMENT	CHK	-1,364.29		081006CD		0.00
08/23/06	WATER	WAT	1,007.58	1,007.58	28288000-28704000 M8/	416000	1,007.58
08/23/06	UTILITY TAX	TXU	30.23	30.23			1,037.81
08/23/06	SALES TAX	TXS	62.26	62.26			1,100.07
09/03/06	PAYMENT	CHK	-1,100.07		090306VC3		0.00
09/23/06	WATER	WAT	1,192.38	1,192.38	28704000-29204000 M9/	500000	1,192.38
09/23/06	UTILITY TAX	TXU	35.77	35.77			1,228.15
09/23/06	SALES TAX	TXS	73.69	73.69			1,301.84
10/11/06	PAYMENT	CHK	-1,301.84		101106LB		0.00
10/27/06	WATER	WAT	664.38	664.38	29204000-29464000 M10	260000	664.38
10/27/06	UTILITY TAX	TXU	19.93	19.93			684.31
10/27/06	SALES TAX	TXS	41.06	41.06			725.37

BY: JS

Customer History Report
 Select Customer By Account Range: From 105742 To 105742
 Status: All Accounts
 Transaction Types:

Date	Type	Cls	Amount	Paid	Reference	Usage	Balance
Account: 105742 VENIER C A GARNER Location: 10-31950 LAKE JERICHO RD/PLANT							
11/13/06	PAYMENT	CHK	-795.37		111306VC1		0.00
11/23/06	WATER	WAT	983.38	983.38	29464000-29869000 M11	405000	983.38
11/23/06	UTILITY TAX	TXU	29.50	29.50			1,012.88
11/23/06	SALES TAX	TXS	60.77	60.77			1,073.65
12/03/06	PAYMENT	CHK	-1,073.65		120806L4		0.00
12/23/06	WATER	WAT	1,042.78	1,042.78	29869000-30301000 M12	432000	1,042.78
12/23/06	UTILITY TAX	TXU	31.28	31.28			1,074.06
12/23/06	SALES TAX	TXS	64.45	64.45			1,138.51
01/11/07	PAYMENT	CHK	-1,138.51		011107VC1		0.00
01/23/07	WATER	WAT	758.98	758.98	30301000-30604000 M1/	303000	758.98
01/23/07	UTILITY TAX	TXU	22.77	22.77			781.75
01/23/07	SALES TAX	TXS	46.91	46.91			828.66
02/03/07	PAYMENT	CHK	-828.66		020907LC1		0.00
02/27/07	WATER	WAT	1,091.18	1,091.18	30604000-31059000 M2/	454000	1,091.18
02/27/07	UTILITY TAX	TXU	32.74	32.74			1,123.92
02/27/07	SALES TAX	TXS	67.43	67.43			1,191.35
03/13/07	PAYMENT	CHK	-1,191.35		031207LC4		0.00
03/23/07	WATER	WAT	1,319.98	1,319.98	31058000-31616000 M3/	558000	1,319.98
03/23/07	UTILITY TAX	TXU	39.60	39.60			1,359.58
03/23/07	SALES TAX	TXS	81.58	81.58			1,441.16
04/11/07	PAYMENT	CHK	-1,441.16		041107LC2		0.00
04/27/07	WATER	WAT	1,528.98	1,528.98	31616000-32269000 M4/	653000	1,528.98
04/27/07	UTILITY TAX	TXU	45.87	45.87			1,574.85
04/27/07	SALES TAX	TXS	94.49	94.49			1,669.34
05/11/07	PAYMENT	CHK	-1,669.34		051107VC2		0.00
05/23/07	WATER	WAT	1,478.38	1,478.38	32269000-32899000 M5/	630000	1,478.38
05/23/07	UTILITY TAX	TXU	44.35	44.35			1,522.73
05/23/07	SALES TAX	TXS	91.36	91.36			1,614.09
06/12/07	ADJUSTMENT	LTF	147.84	147.84	LATE CHARGE		1,761.93
06/20/07	PAYMENT	CHK	-1,614.09		062007CD		147.84
06/23/07	WATER	WAT	1,293.58	1,293.58	32899000-33445000 M6/	546000	1,441.42
06/23/07	UTILITY TAX	TXU	38.81	38.81			1,480.23
06/23/07	SALES TAX	TXS	79.94	79.94			1,560.17
07/03/07	PAYMENT	CHK	-1,560.17		070907VC2		0.00
07/23/07	WATER	WAT	1,209.98	1,209.98	33445000-33953000 M7/	509000	1,209.98
07/23/07	UTILITY TAX	TXU	36.20	36.20			1,246.28
07/23/07	SALES TAX	TXS	74.78	74.78			1,321.06
08/14/07	ADJUSTMENT	LTF	121.00	121.00	LATE CHARGE		1,442.06
08/13/07	PAYMENT	CHK	-1,321.06		081607VC1		121.00
08/23/07	WATER	WAT	873.38	873.38	33953000-34308000 M8/	355000	994.38
08/23/07	UTILITY TAX	TXU	26.20	26.20			1,020.58
08/23/07	SALES TAX	TXS	53.97	53.97			1,074.55
09/03/07	PAYMENT	CHK	-1,074.55		090607VC1		0.00
09/23/07	WATER	WAT	1,119.78	1,119.78	34308000-34775000 M9/	467000	1,119.78
09/23/07	UTILITY TAX	TXU	33.59	33.59			1,153.37
09/23/07	SALES TAX	TXS	69.20	69.20			1,222.57
10/03/07	PAYMENT	CHK	-1,222.57		100907VC1		0.00

BY: JS

Customer History Report
 Select Customer By Account Range: From 105742 To 105742
 Status: All Accounts
 Transaction Types:

Date	Type	Cls	Amount	Paid	Reference	Usage	Balance
Account: 105742 VENEER C A GARNER							
Location: 10-31950 LAKE JERICHO RD/PLANT							
10/23/07	WATER	WAT	1,091.18	1,091.18	34775000-35229000 M10	454000	1,091.18
10/23/07	UTILITY TAX	TXU	32.74	32.74			1,123.92
10/23/07	SALES TAX	TXS	67.43	67.43			1,191.35
11/14/07	ADJUSTMENT	LTF	109.12	109.12	LATE CHARGE		1,300.47
11/21/07	PAYMENT	CHK	-1,100.35		112107JS1		109.12
11/23/07	WATER	WAT	791.98	791.98	35229000-35547000 M11	318000	901.10
11/23/07	UTILITY TAX	TXU	23.76	23.76			924.86
11/23/07	SALES TAX	TXS	48.94	48.94			973.80
12/13/07	ADJUSTMENT	LTF	79.20	79.20	LATE CHARGE		1,053.00
12/14/07	PAYMENT	CHK	-79.20		121707VC2		79.20
12/21/07	WATER	WAT	1,286.98	1,286.98	35547000-36090000 M12	543000	1,366.18
12/21/07	UTILITY TAX	TXU	38.61	38.61			1,404.79
12/21/07	SALES TAX	TXS	79.54	79.54			1,484.33
01/14/08	ADJUSTMENT	LTF	128.70	128.70	LATE CHARGE		1,613.03
01/14/08	PAYMENT	CHK	-1,641.98		012208JS1		-27.55
01/14/08	WATER	WAT	1,174.78	1,174.78	36090000-36582000 M1/	492000	1,147.23
01/14/08	UTILITY TAX	TXU	35.24	35.24			1,182.47
01/14/08	SALES TAX	TXS	72.60	72.60			1,255.07
02/14/08	ADJUSTMENT	LTF	114.72	114.72	LATE CHARGE		1,369.79
02/14/08	PAYMENT	CHK	-1,255.07		021508VC1		114.72
02/21/08	WATER	WAT	1,144.99	1,144.99	36582000-37060460 E2/	478460	1,259.71
02/21/08	UTILITY TAX	TXU	34.35	34.35			1,294.06
02/23/08	SALES TAX	TXS	70.76	70.76			1,364.82
03/14/08	ADJUSTMENT	LTF	114.50	114.50	LATE CHARGE		1,479.32
03/14/08	PAYMENT	CHK	-1,364.82		031708VC1		114.50
03/21/08	WATER	WAT	2,649.96	2,649.96	37060460-38223000 M3/	1162540	2,764.46
03/21/08	UTILITY TAX	TXU	79.50	79.50			2,843.96
03/21/08	SALES TAX	TXS	163.77	163.77			3,007.73
04/01/08	PAYMENT	CHK	-3,007.73		040908VC1		0.00
04/21/08	WATER	WAT	2,056.98	2,056.98	38223000-39116000 M4/	893000	2,056.98
04/23/08	UTILITY TAX	TXU	61.71	61.71			2,118.69
04/23/08	SALES TAX	TXS	127.12	127.12			2,245.81
05/14/08	ADJUSTMENT	LTF	205.70	205.70	LATE CHARGE		2,451.51
05/14/08	PAYMENT	CHK	-2,245.81		051408JS		205.70
05/21/08	WATER	WAT	1,319.98	1,319.98	39116000-39674000 M5/	558000	1,525.68
05/23/08	UTILITY TAX	TXU	39.60	39.60			1,565.28
05/23/08	SALES TAX	TXS	81.57	81.57			1,646.85
06/14/08	ADJUSTMENT	LTF	132.00	132.00	LATE CHARGE		1,778.85
06/21/08	PAYMENT	CHK	-1,646.85		062008VC2		132.00
06/21/08	WATER	WAT	761.18	761.18	39674000-39978000 M6/	304000	893.18
06/21/08	UTILITY TAX	TXU	22.84	22.84			916.02
06/21/08	SALES TAX	TXS	47.04	47.04			963.06
07/14/08	PAYMENT	CHK	-963.06		070308JS1		0.00
07/14/08	PAYMENT	CHK	-30.00		1093 VC072208CD		-30.00
07/21/08	WATER	WAT	169.88	169.88	39978000-40018000 M7/	40000	139.88
07/23/08	UTILITY TAX	TXU	5.10	5.10			144.98
07/23/08	SALES TAX	TXS	10.50	10.50			155.48
08/14/08	ADJUSTMENT	LTF	13.99	13.99	LATE CHARGE		169.47
08/21/08	WATER	WAT	16.00	16.00	40018000-40016000 M8/	-2000	185.47

BY: JS

Customer History Report
 Select Customer By Account Range: From 105742 To 105742
 Status: All Accounts
 Transaction Types:

Date	Type	Cls	Amount	Paid	Reference	Usage	Balance
Account: 105742 VENIEER C A GARNER Location: 10-31950 LAKE JERICHO RD/PLANT							
08/27/08	WAT REBATE	WAT	2.87		USAGE CREDIT		182.60
08/27/08	UTILITY TAX	TXU	0.39	0.39			182.99
08/27/08	SALES TAX	TXS	0.81	0.81			183.80
09/01/08	PAYMENT	CHK	-112.01		1136 VC090308CD		40.79
09/01/08	PAYMENT	CHK	-207.00		VC 1137090308CD		-159.21
09/27/08	WATER	WAT	8.88	18.88	40016000-40018000 M9/	2000	-140.33
09/27/08	UTILITY TAX	TXU	0.57	0.57			-139.75
09/27/08	SALES TAX	TXS	1.17	1.17			-138.59
10/27/08	WATER	WAT	16.00	16.00	40018000-40018000 M10		-122.59
10/27/08	UTILITY TAX	TXU	0.48	0.48			-122.11
10/27/08	SALES TAX	TXS	0.99	0.99			-121.12
11/07/08	WATER	WAT	16.00	16.00	40018000-40018000 M11		-105.12
11/07/08	UTILITY TAX	TXU	0.48	0.48			-104.64
11/07/08	SALES TAX	TXS	0.99	0.99			-103.65
12/07/08	WATER	WAT	16.00	16.00	40018000-40018000 M12		-87.65
12/07/08	UTILITY TAX	TXU	0.48	0.48			-87.17
12/07/08	SALES TAX	TXS	0.99	0.99			-86.18
01/07/09	WATER	WAT	16.00	16.00	40018000-40018000 M1/		-70.18
01/07/09	UTILITY TAX	TXU	0.48	0.48			-69.70
01/07/09	SALES TAX	TXS	0.99	0.99			-68.71
02/07/09	ADJUSTMENT	BAD	138.32	138.32	FROM 105743		69.61
02/07/09	WATER	WAT	16.00	16.00	40018000-40018000 M2/		85.61
02/07/09	UTILITY TAX	TXU	0.48	0.48			86.09
02/07/09	SALES TAX	TXS	0.99	0.99			87.08
03/07/09	WATER	WAT	16.00	16.00	40018000-40018000 A3/		103.08
03/07/09	UTILITY TAX	TXU	0.48	0.48			103.56
03/07/09	SALES TAX	TXS	0.99	0.99			104.55
04/07/09	ADJUSTMENT	LTF	1.60	1.60	LATE CHARGE		106.15
04/07/09	PAYMENT	CHK	-106.15		042009VC1		0.00
04/07/09	PAYMENT	CHK	-100.00		VC042009VC1		-100.00
04/07/09	WATER	WAT	16.00	16.00	40018000-40018000 A4/		-84.00
04/07/09	UTILITY TAX	TXU	0.48	0.48			-83.52
04/07/09	SALES TAX	TXS	0.99	0.99			-82.53
05/07/09	WATER	WAT	16.00	16.00	40018000-40018000 A5/		-66.53
05/07/09	UTILITY TAX	TXU	0.48	0.48			-66.05
05/07/09	SALES TAX	TXS	0.99	0.99			-65.06
06/07/09	WATER	WAT	16.00	16.00	40018000-40017990 A6/	-10	-49.06
06/07/09	UTILITY TAX	TXU	0.48	0.48			-48.58
06/07/09	SALES TAX	TXS	0.99	0.99			-47.59
07/07/09	WATER	WAT	16.00	16.00	40017990-40018000 A7/	10	-31.59
07/07/09	UTILITY TAX	TXU	0.48	0.48			-31.11
07/07/09	SALES TAX	TXS	0.99	0.99			-30.12
08/07/09	WATER	WAT	16.00	16.00	40018000-40018000 A8/		-14.12
08/07/09	UTILITY TAX	TXU	0.48	0.48			-13.64
08/07/09	SALES TAX	TXS	0.99	0.99			-12.65
09/07/09	WATER	WAT	12.65	12.65	40018000-40019000 A9/	1000	3.35

DATE 10/08/2009 08:46:43 AM

HENRY COUNTY WATER DISTRICT #2

PAGE NO: 5

BY: JS

Customer History Report
Select Customer By: Account Range: From 105742 To 105742
Status: All Accounts
Transaction Types:

Date	Type	Cls	Amount	Paid	Reference	Usage	Balance
Account: 105742 VENEER C A GARNER							
Location: 10-31950 LAKE JERICO RD/PLANT							
09/17/09	UTILITY TAX	TXU	3.88				3.83
09/17/09	SALES TAX	TXS	0.99				4.82
ENDING BAL							4.82

* Denotes an unposted transaction.

<< End of Customer History Report: 5 Page(s) >>

Office:

8955 Main Street • P.O. Box 219
Campbellsburg, KY 40011

Telephones:

(502) 532-6279 • (502) 532-6280
1-800-256-2350

Fax:

(502) 532-0027



Water Treatment Plant:

3278 Morton Ridge Road
Bedford, Ky 40006

Telephone:

(502) 255-0126

Fax:

(502) 255-0347

Petition

Henry County Water District No. 2, 411 Main Street, Campbellsburg, Kentucky, 40011, petitions the Public Service Commission, in accordance with 807 KAR 5:090, to issue an order approving the Equity System Development Charge submitted herewith. The charge is calculated in accordance with net equity valuation methodology as explained in the testimony of Thomas Green, also submitted herewith.

Merle Brewer

11-10-2009

Merle Brewer, Chairman
Henry County Water District No. 2

(date)

Resolution of the Board of the
Henry County Water District No. 2

November 10, 2009

Whereas it is the intention of the Board to adopt a charge that complies with the applicable provisions of the Kentucky Administrative Regulations promulgated by the Kentucky Public Service Commission for System Development Charges;

And Whereas, the Board is desirous of insuring that it has imparted all necessary authority to its agent and employees to present necessary information to the Public Service Commission in support of its application and a rate increase request;

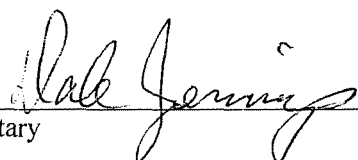
Now therefore, the Board of the Henry County Water District #2 authorizes the collection of an Equity System Development Charge in the amount of \$470 per residential equivalent customer. The Board further states that it has reviewed the proposed tariff and approves it for submittal to the Public Service Commission as part of the District's rate case. Additionally the Board has reviewed and approves the associated testimony of Thomas Green in support of the calculations and methodology of the Equity System Development Charge, and authorizes and adopt his requests for relief on behalf of the District for regulatory waivers from several sections of 807 KAR 5:090.

Approved this 10th day of November, 2009.



Chairman

ATTEST:



Secretary

FOR Henry County & portions of Trimble, Carroll,
Shelby, and Oldham Counties

Community, Town or City

P.S.C. KY. NO. _____

_____ SHEET NO. _____

Henry County Water District No. 2

(Name of Utility)

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

_____ SHEET NO. _____

RULES AND REGULATIONS

EQUITY SYSTEM DEVELOPMENT CHARGE

Effective January 1, 2010, it shall be the policy of the Henry County Water District No. 2 that new customers requesting service and persons requesting the certification of service to proposed subdivisions and other unserved areas shall pay an Equity System Development Charge (SDC) in the amount of \$470 per lot or residential equivalent service. If the number of lots on a certified plat is later reduced by consolidation, the District will refund any overcollection to the person originally paying the SDC.

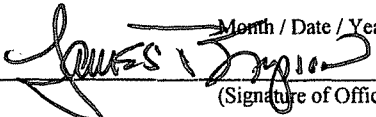
This system development charge has been calculated by determining the net value of the system equity which existing customers have contributed to the system, and dividing that value by the number of residential customers the system has capacity to serve. Its purpose is to achieve a reasonable equity balance between existing and new customers. The Equity SDC will be recalculated as part of each future PSC rate case.

Persons who propose usage in greater amounts than typical residential applications will be assessed the Equity SDC in multiples of equivalent residential usage. For example, a new business whose usage will be three times residential will pay 3 x \$470 or \$1410. Non-residential usage will be assessed by an analysis performed by the District's engineer in accordance with the standards of the American Water Works Association.

The District will maintain a record showing the date and amount of each Equity SDC collection, and will file an annual report with the PSC.

DATE OF ISSUE November 16, 2009
Month / Date / Year

DATE EFFECTIVE January 1, 2010
Month / Date / Year

ISSUED BY 
(Signature of Officer)

TITLE Chief Operating Officer

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. _____ DATED _____

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

CASE NO. _____

VERIFICATION OF TESTIMONY OF THOMAS GREEN

Comes Thomas Green, of the engineering firm Tetra Tech, Inc., engineers for the Henry County Water District No. 2. (hereinafter "Henry District"), after first being duly sworn and states that he personally prepared the attached testimony that he adopts same as his sworn testimony in this matter and that he verifies its authenticity.

Witness the hand of the undersigned this 13 day of November, 2009.



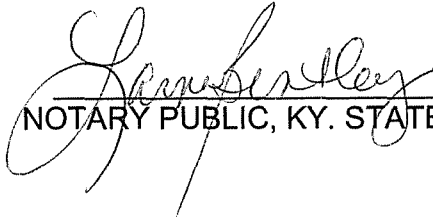
Thomas Green
Tetra Tech, Inc.

STATE OF KENTUCKY)

COUNTY OF Jayette)

The foregoing VERIFICATION OF TESTIMONY was acknowledged and sworn to before me this 13 day of November, 2009, by Thomas Green, Tetra Tech, Inc, engineers for Henry County Water District #2.

My commission expires: _____ MY COMMISSION EXPIRES MAY 21, 2012



NOTARY PUBLIC, KY. STATE AT LARGE



TETRA TECH

November 13, 2009

Mr. Jeff Derouen, Executive Director
Kentucky Public Service Commission
211 Soward Boulevard
Frankfort, Kentucky 40602

*Re: Testimony of Thomas Green
Equity System Development Charge
Henry County Water District No. 2 (HCWD2)*

Dear Mr. Derouen:

At the direction of the Board of the Henry County Water District No. 2, and in support of the proposed Equity System Development charge which is to be reviewed by the Public Service Commission as part of the District's rate case, I submit the following testimony:

Professional Experience and Background Information

I have worked for consulting engineering firms in Kentucky since 1976 as an engineering technician, primarily with rural water systems. I have worked for Tetra Tech, Inc, on projects for Henry County Water District No. 2 since 1994. I have been trained at the University of Kentucky in the use of KyPipe software to evaluate the impact of growth on water systems. In 1999 I was asked by HCWD2 to help develop an impact fee to partially offset the costs of development. With input from the Public Service Commission Staff, I was the primary author of the District's Offsetting Improvement Charge (OIC), approved by the PSC in 2002 and currently in effect.

I am familiar with PSC Administrative Case 375, with AWWA guidance on SDCs, with 807 KAR 5:090, and I was involved to a considerable extent in both Case 2001-00393 and in Case 2006-00191. I attended PSC informal Staff meetings, prepared many of the responses to interrogatories, and testified at the September 13, 2007 hearing on the OIC.

In the course of learning about system development charges I have consulted with two experienced SDC professionals, Andy Woodcock, PE, MBA, of Florida and Vic Cooperwasser, PE, of Michigan. Mr. Cooperwasser currently serves as the AWWA Team Leader for revisions to Chapter 28, System Development Charges, in the new M-1 Manual. Both men are employed by Tetra Tech.



TETRA TECH

I have obtained and discussed information on the District's assets and debt with their accountant, Dennis Raisor, CPA, of Raisor, Zapp, and Woods, P.S.C. I have evaluated the system's capacity to serve residential customers in consultation with Dan Shoemaker, PE, of Tetra Tech, who has overseen the majority of my work for the District since 1994. I have also consulted with District's Commissioners and personnel in compiling and analyzing data, and in formulating the application policy of the proposed Equity SDC.

My most specific source of guidance on equity methodology and requirements has been the Public Service Commission Staff. Kentucky's SDC regulation, 807 KAR 5:090, addresses system development charges from the standpoint of incremental methodology. But in order to follow the Commission's Case 2006-00191 recommendation that HCWD2 employ equity methodology, I have sought and followed Commission Staff's specific suggestions regarding the acceptable means of determining an equity SDC. I prepared the list of questions which Staff discussed the July, 21, 2009 meeting attended by Scott Lawless, Sam Reid, Mark Frost, and Gerald Wuetcher, and I have also sent Staff several subsequent questions.

Henry District's Property and Field of Operation

"Henry District, a water district organized pursuant to KRS Chapter 74, owns and operates facilities that provide water service to 6,367 customers in Henry, Trimble, Oldham, Carroll, and Shelby Counties, Kentucky. It provides wholesale water service to the cities of New Castle and Eminence, Kentucky and to West Carroll Water District... Henry District obtains its water supply from wells located in Trimble County, Kentucky, near the Ohio River. It pumps water from these wells to a water treatment facility, also located in Trimble County... This treatment facility, which was constructed in 1998 at a cost of approximately \$9.4 million, has a maximum daily capacity of 4 million gallons. Its average daily production in 2007 was approximately 2.14 million gallons. Henry District's average daily sales for the same period were 1.58 million gallons. Henry District's transmission and distribution system covers Henry County, the southern portions of Trimble County, and small segments of Oldham, Carroll, and Shelby Counties..."

-Public Service Commission Order, Case 2006-00191, December 8, 2008

According to its recent audit, the original cost of HCWD assets is approximately \$26 million. To date, grants of approximately \$3.5 million have been received, and project financing has generally been provided through FmHA, RD, KIA, KRWA, and Shelby RECC.



Previous Cases

In Case 2001-00393 and Case 2006-00191 the PSC examined the circumstances and policies of the Henry District in regard to the Offsetting Improvement Charge (OIC). HCWD2 requests the records of those cases be made part of the current proceeding.

The December 8, 2008 Order in Case 2006-00191 stated:

“...the Commission finds that the Offsetting Improvement Charge should not be reauthorized. To prevent any disparate treatment of customers that might result from the sudden termination of the Offsetting Improvement Charge, however, the Commission will permit Henry District to continue to assess the charge for 180 days from the date of this Order. This grace period will permit Henry District sufficient time to develop and to file with the Commission an alternative mechanism that comprehensively addresses the allocation of costs associated with customer growth.

We remind Henry District that the Commission has previously recognized the equity method as an acceptable means of allocating such costs. It is based upon the “principle of achieving capital equity between new and existing customer.” This approach attempts to assess new customers a fee to approximate the equity or debtfree investment position of current customers. Its goal is to ‘achieve a level of equity from new customers by collecting a... charge representative of the average equity attributable to existing customers.’ Given the concerns that Henry District has previously expressed about forecasting its capital needs and its slow to moderate growth rate, this methodology would more effectively achieve Henry District’s objective of parity between current and new customers without the problems presented by the Offsetting Improvement Charge.”

Reason for the Charge

The reason the proposed Equity SDC is required by the Henry District is to achieve the above-stated policy goal of a reasonable equity balance between existing customers and new customers in the manner suggested by the Commission. It is the District’s intent to acknowledge the contributions of its existing customers and “level the playing field” by assessing new customers a fair and reasonable system development charge. As the Commission has stated, an equity SDC is an acceptable means of allocating the costs associated with customer growth. Henry District is not an investor-owned utility in which equity accrues to stockholders, and the equity methodology is therefore an appropriate mechanism to achieve parity among its customers.



Request for 807 KAR 5:090 Waivers

In his April 2, 2009 letter to HCWD Chairman Merle Brewer, PSC Executive Director Jeff Derouen stated:

“Commission Staff agrees with your assessment of 807 KAR 5:090. Many of the filing requirements... would be of very limited use to evaluate a system development charge base on the equity methodology. Commission Staff recommends that an applicant...request a waiver from Section 3(6) of 807KAR5:090. It further notes that deviations from Sections 5, 8, and 10 through 13 may also be required...”

Accordingly, Henry District requests a waiver from Section 3(6) which mandates a capital improvement plan of future improvements. Because equity methodology is not based on future improvements, such a plan is not needed.

Henry District requests a waiver from Section 5, which stipulates that an SDC shall be considered reasonable if it addresses the costs of system expansion. These specific expansion costs are the basis of incremental methodology, but are not pertinent to the equity calculation.

Henry District requests a waiver from Section 8, which concerns the Commission’s approval of a capital improvement plan, and from Section 13, which addresses amendments to that capital improvement plan.

Henry District requests a waiver from Sections 10 and 11 which address credits, collection, and disbursement of incremental SDC proceeds. Commission Staff has indicated that the proceeds of an equity methodology SDC may be used for any of the District’s legitimate purposes, and it is therefore not necessary to segregate these funds. Henry District similarly requests a waiver from Sections 12(2), 12(3), 12(4b), and 12(4c).

Methodology

AWWA M-1 Manual, Chapter 28, states that equity SDCs are calculated “...by dividing the net system value by the number of 5/8-inch-equivalent customers the system is capable of serving.”

The Henry District’s proposed Equity SDC has been calculated by first determining the net system equity in accordance with the AWWA Manual M-1 guidelines as expanded by the specific recommendations of Public Service Commission Staff. Although the District would consider it more reasonable to use replacement costs as our equity basis, we have instead used original costs, in keeping with Commission Staff’s guidance. Assets were taken from the



TETRA TECH

“Henry County Water District #2 Basic Financial Statements, Supplementary Information, and Independent Auditor’s Reports at December 31, 2008 and 2007” prepared by Raisor, Zapp & Woods, P.S.C., Certified Public Accountants. We have excluded from the 2008 listing of assets all meters, services, and hydrants; also excluded are all water lines contributed by developers. Lines partially customer-financed are listed with only the District’s costs; all customer contributions have been excluded.

As suggested by Commission Staff, we have based our asset depreciation on the longest service lives listed in the 1979 NARUC study for small water utilities. Also as recommended by Staff, we have added to the equity calculation cash and investments, and deducted grants and outstanding debt. We have arrived at an equity value of \$6.2 million (please see Appendix A, attached)

We have determined the system’s capacity to serve residential-equivalent customers by evaluating recent peak usage records relative to the treatment plant output. Over the past five years, the peak day of the District’s 4MGD treatment plant has averaged 3.3 million gallons, representing a factor of 1.5 times the average daily plant output of 2.2 million.

Similarly, on peak consumption days the District’s wholesale buyers (Eminence, New Castle, and West Carroll Water District) have used 1.5 times their 266,000 average daily demand, or about 400,000 gallons. Because the individual customers of these wholesale buyers pay rates which contribute to the equity of their own systems, and because the HCWD Equity SDC will not be paid by new customers joining these wholesale systems, it is appropriate to deduct the quantity of water needed to accommodate wholesale usage from HCWD’s Equity SDC calculation of capacity available to serve residential equivalent customers.

In order to supply 400,000 gallons to our three wholesale buyers, it is necessary (considering a conservative estimate of 12% loss in plant usage, transmission system breaks/leakage, tank overflows, etc.) to produce 450,000 gallons at the treatment plant. After supplying wholesale buyers, the 4 MGD plant therefore has remaining capacity adequate to provide 3,550,000 gallons to residential equivalent customers throughout the service area of the Henry District.

Average residential monthly usage of 4800 gallons represents 160 gallons per average day. However, system capacity must accommodate peak usage 1.5 times average, which amounts to 240 gallons peak per residential equivalent customer. Again, in order to deliver 240 gallons to the meter, it is necessary for the plant to produce 12% more for line leakage, etc. The per-customer plant production therefore requires approximately 270 gallons per peak day, and so the 3,550,000 gallon available plant capacity would be adequate to serve approximately 13,200 residential equivalent customers.

Dividing the \$6.2 million net system equity by the 13,200 customer capacity results in a Henry District Equity SDC of \$470 per residential equivalent customer.



TETRA TECH

New customers who propose usage in greater amounts than typical residential applications will be assessed the Equity SDC in multiples of equivalent residential usage. For example, a new business whose usage will be three times residential will pay 3 x \$470 or \$1410. Non-residential usage will be assessed relative to equivalent residential usage by an analysis performed by the District's engineer in accordance with AWWA standards.

This charge will be recalculated periodically as part of each future rate case.

Time of Assessment

The SDC will be charged when a new customer requests a meter be set, or when the District is asked to certify water availability on a subdivision plat, or to provide a letter certifying such water availability, or to certify service for the Division of Water approval of water line plans for proposed developments. This is a reasonable policy because certifications of service obligate the District to make whatever infrastructure improvements are needed to accommodate these commitments, and an equity system development charge appropriately addresses the allocation of costs associated with growth. In Case 2006-00191 the PSC directed the District "to develop and to file with the Commission an alternative mechanism that comprehensively addresses the allocation of costs associated with customer growth. We remind Henry District that the Commission has previously recognized the equity method as an acceptable means of allocating such costs."

Interim Concerns

Because the OIC is set to expire December 31, 2009, and because the approval of the Equity SDC is unlikely before that date, the District submitted a tariff October 2, 2009, which states that in the absence of an approved SDC, the District cannot make unconditional plat certifications. Without such a charge in place, it is unreasonable for the District to hold hydraulic capacity in reserve indefinitely via unconditional subdivision plat certifications, which unfairly limit the ability to provide new service to subsequent actual customers. The Henry District requests the expedited approval of this policy.

Sincerely,

Thomas Green

tom.green@tetrattech.com

Pc: Mr. Merle Brewer, Chairman, HCWD2

HENRY COUNTY WATER DISTRICT # 2

EXHIBIT 9 - APPENDIX A

NET EQUITY VALUATION

12/31/2008

G/L Code	PSC Code	Description	Method	Life	Cost or Other Basis	NARUC Life	Year in Service	2010 Age	NARUC Depreciation
304-00	301.1	Organization	SL	60.0	\$16,359.00	60	1974	36	\$9,815.40
304-00	301.1	Miscellaneous	SL	50.0	\$3,773.35	50	1974	36	\$2,716.81
304-00	301.1	Organization	SL	50.0	\$22,751.00	50	1974	36	\$16,380.72
304-00	301.1	Miscellaneous	SL	50.0	\$140,078.91	50	1974	36	\$100,856.82
304-00	302.1	Franchise & conse	SL	50.0	\$2,268.00	50	1974	36	\$1,632.96
303-00	303.2	Land Rights	n/a	0.0	\$1,531.00				
303-00	303.2	Fallen Timber Rd	n/a	0.0	\$4,000.00				
303-00	303.2	Pumping Plant	n/a	0.0	\$4,250.00				
303-00	303.2	Franklinton tower	n/a	0.0	\$3,454.00				
303-00	303.2	Land at well field	n/a	0.0	\$13,740.00				
303-00	303.3	Land for Treatmen	n/a	0.0	\$54,516.65				
303-00	303.4	Land and land rights	n/a	0.0	\$2,270.00				
303-00	303.4	Land and land rights	n/a	0.0	\$4,388.60				
303-00	303.4	Campbellsburg	n/a	0.0	\$15,967.00				
303-00	303.4	Land for booster	n/a	0.0	\$4,000.00				
303-00	303.4	Land for Booster	n/a	0.0	\$4,500.00				
303-00	303.4	Easements for Re	n/a	0.0	\$17,650.00				
303-00	303.4	Land for Tank Site	n/a	0.0	\$200.00				
303-00	303.4	Union church easements	n/a	0.0	\$5,500.00				
303-00	303.4	Land Pleasureville tank site	n/a	0.0	\$7,400.00				
303-00	303.4	Jackson Road & Hwy 22 Esmts	n/a	0.0	\$13,675.00				
303-00	303.4	Easements	n/a	0.0	\$7,575.00				
303-00	303.5	Office/Shop land	n/a	0.0	\$10,000.00				
304-00	304.2	Structures & Impr	SL	33.0	\$178,557.79	40	1974	36	\$160,702.01
304-00	304.2	Fence around pla	SL	20.0	\$9,506.75	40	1977	33	\$7,843.07
304-00	304.2	Supply lines	SL	60.0	\$291,787.00	75	1977	33	\$128,386.28
304-00	304.2	Phase I - Structure	SL	25.0	\$362,322.90	40	1987	23	\$208,335.67
304-00	304.2	Structures & Impr	SL	25.0	\$157,707.65	40	1988	22	\$86,739.21
304-00	304.2	Structures & Impr	SL	25.0	\$331,672.23	40	1988	22	\$182,419.73
304-00	304.2	Structures & Impr	SL	25.0	\$60,945.54	40	1988	22	\$33,520.05
304-00	304.2	Tower painting	SL	10.0	\$46,593.23	10	1989	21	\$46,593.23
304-00	304.2	Tower painting	SL	10.0	\$4,525.00	10	1990	20	\$4,525.00
304-00	304.2	Tower painting	SL	10.0	\$85,297.44	10	1991	19	\$85,297.44
304-00	304.2	Franklinton tower	SL	25.0	\$227,558.58	60	1992	18	\$68,267.57
304-00	304.2	Fence at Lacie To	SL	7.0	\$4,743.00	20	1996	14	\$3,320.10
304-00	304.2	Campbellsburg Office tank	SL	25.0	\$442,743.95	60	1998	12	\$88,548.79
304-00	304.2	Tower Climbing D	SL	25.0	\$1,750.00	40	1999	11	\$481.25
304-00	304.2	Pleasureville Tank	SL	25.0	\$77,490.00	40	1999	11	\$21,309.75
304-00	304.2	42 Tower Fence	SL	10.0	\$4,551.00	20	2000	10	\$2,275.50
304-00	304.2	Lacie Tower-Paint	SL	10.0	\$71,506.02	10	2001	9	\$64,355.42
304-00	304.2	Metal shed	SL	10.0	\$15,673.24	20	2002	8	\$6,269.30
304-00	304.2	Campbellsburg	SL	10.0	\$12,470.00	20	2003	7	\$4,364.50
304-00	304.2	Regional- intake wellfield impvmts	SL	25.0	\$540,282.52	40	2003	7	\$94,549.44
304-00	304.2	Fence around off	SL	7.0	\$1,453.00	20	2003	7	\$508.55
304-00	304.2	Storage Bldg Wiri	SL	20.0	\$1,800.00	20	2003	7	\$630.00
304-00	304.2	Fence @ Well sites	SL	10.0	\$9,525.00	20	2004	6	\$2,857.50
304-00	304.2	Pump Accessories	SL	7.0	\$5,600.00	20	2005	5	\$1,400.00
304-00	304.3	Structures & Impr	SL	25.0	\$40,906.66	40	1988	22	\$22,498.66
304-00	304.3	Fence	SL	7.0	\$1,440.00	20	1988	22	\$1,440.00
304-00	304.3	Safety equipment	SL	7.0	\$5,702.65	20	1995	15	\$4,276.99
304-00	304.3	Clear modification	SL	7.0	\$12,888.00	35	1995	15	\$5,523.43
304-00	304.3	Plant-Trimble Co.	SL	35.0	\$5,596,339.00	40	1998	12	\$1,678,901.70
304-00	304.3	In ground holding	SL	33.0	\$519,571.96	40	1998	12	\$155,871.59
304-00	304.3	Back door plant	SL	10.0	\$601.00	20	2000	10	\$300.50
304-00	304.3	Plant alarm	SL	7.0	\$513.76	20	2000	10	\$256.88
304-00	304.3	Plant gate	SL	15.0	\$6,127.00	20	2002	8	\$2,450.80
304-01	304.5	Office and storage	SL	25.0	\$100,839.21	25	1988	22	\$88,738.50
304-01	304.5	Metal Door & sid	SL	25.0	\$1,402.00	25	1989	21	\$1,177.68
304-01	304.5	Paving at office	SL	25.0	\$10,544.60	25	1990	20	\$8,435.68
304-01	304.5	Tri co. overhead d	SL	25.0	\$1,098.80	25	1990	20	\$879.04
304-01	304.5	Phils landscaping	SL	10.0	\$578.00	10	1991	19	\$578.00
304-01	304.5	Building addition	SL	25.0	\$186,809.48	40	1999	11	\$51,372.61

HENRY COUNTY WATER DISTRICT # 2

EXHIBIT 9 - APPENDIX A
NET EQUITY VALUATION

12/31/2008

G/L Code	PSC Code	Description	Method	Life	Cost or Other Basis	NARUC Life	Year in Service	2010 Age	NARUC Depreciation
304-01	304.5	Furnace & Door	SL	10.0	\$3,681.00	25	2000	10	\$1,472.40
304-00	304.5	Sealcoating and s	SL	15.0	\$1,973.92	10	2002	8	\$1,579.14
304-00	304.5	AC Unit-Plant	SL	7.0	\$1,118.53	15	2005	5	\$372.84
304-00	309.2	Supply mains	SL	33.0	\$803,366.07	75	1988	22	\$235,654.05
304-00	311.2	Electric pumping	SL	20.0	\$129,068.69	25	1977	33	\$129,068.69
304-00	311.2	Phase I - Pumpin	SL	25.0	\$130,000.00	25	1987	23	\$119,600.00
304-00	311.2	Electric pumping	SL	20.0	\$186,854.41	25	1988	22	\$164,431.88
304-00	311.2	Computer telem	SL	7.0	\$153,153.30	10	1988	22	\$153,153.30
304-00	311.2	Telemetry radio	SL	7.0	\$2,108.53	10	1996	14	\$2,108.53
304-00	311.2	Lightning Ground	SL	7.0	\$6,858.50	10	1996	14	\$6,858.50
304-00	311.2	By-pass flowmeter	SL	20.0	\$6,668.00	20	2000	10	\$3,334.00
304-00	311.2	Bypass flowmeter	SL	20.0	\$4,491.14	20	2000	10	\$2,245.57
304-00	311.2	2 ladder gates for	SL	20.0	\$1,511.10	40	2001	9	\$340.00
304-00	311.2	Flow meter	SL	20.0	\$3,292.96	20	2001	9	\$1,481.83
304-00	311.2	6 laddergates	SL	20.0	\$3,697.02	40	2001	9	\$831.83
304-00	311.2	High service pum	SL	20.0	\$9,319.85	25	2003	7	\$2,609.56
304-00	311.2	New motor for pu	SL	20.0	\$9,769.89	25	2003	7	\$2,735.57
304-00	311.2	New motor for pu	SL	20.0	\$4,267.00	25	2003	7	\$1,194.76
304-00	311.2	157 booster pum	SL	20.0	\$3,551.42	25	2003	7	\$994.40
304-00	311.2	157 booster pum	SL	20.0	\$2,333.75	25	2003	7	\$653.45
304-00	311.2	Pump platform	SL	20.0	\$7,700.00	25	2003	7	\$2,156.00
304-00	311.2	Pump baseplate	SL	20.0	\$12,400.00	25	2003	7	\$3,472.00
304-00	320.3	Equipment	SL	20.0	\$221,151.51	20	1988	22	\$221,151.51
320-	320.3	Laboratory Equip	SL	5.0	\$4,338.82	20	1998	12	\$2,603.29
320-	320.3	Ladder	SL	5.0	\$665.20	40	1999	11	\$182.93
320-	320.3	Chlorine Detector	SL	5.0	\$1,380.00	20	1999	11	\$759.00
320-	320.3	New panel for tr	SL	7.0	\$6,310.69	20	2003	7	\$2,208.74
320-	320.3	Air conditioner for	SL	10.0	\$1,076.00	15	2003	7	\$502.13
320-	320.3	Filter unit control	SL	7.0	\$1,550.70	15	2003	7	\$723.66
320-	320.3	Chlorine regulator	SL	5.0	\$4,458.16	15	2003	7	\$2,080.47
320-	320.3	Pump platform	SL	10.0	\$14,562.67	25	2004	6	\$3,495.04
320-	320.3	Chlorine Detector	SL	5.0	\$1,308.35	15	2004	6	\$523.34
320-	320.3	Refrigerator	SL	7.0	\$379.00	15	2004	6	\$151.60
320-	320.3	Pumps (2)	SL	10.0	\$13,491.75	25	2005	5	\$2,698.35
320-	320.3	Pump base	SL	10.0	\$12,000.00	25	2005	5	\$2,400.00
320-	320.3	Chlorine Process Analyzer	SL	5.0	\$2,754.50	15	2006	4	\$734.53
304-00	330.4	Reservoirs & sta	SL	33.0	\$107,139.82	60	1974	36	\$64,283.89
304-00	330.4	Reservoirs & sta	SL	40.0	\$77,492.00	60	1974	36	\$46,495.20
304-00	330.4	2004 System Upgrade	SL	40.0	\$238,526.28	75	2004	6	\$19,082.10
304-00	331.4	Transmissions & d	SL	60.0	\$305,757.38	75	1974	36	\$146,763.54
304-00	331.4	Transmission & d	SL	60.0	\$2,037,295.08	75	1975	35	\$950,737.70
304-00	331.4	Trans & dist main	SL	33.0	\$154,510.41	75	1983	27	\$55,623.75
304-00	331.4	1986 extensions	SL	33.0	\$41,850.65	75	1986	24	\$13,392.21
304-00	331.4	Schaug Line	SL	33.0	\$3,136.00	75	1987	23	\$961.71
304-00	331.4	Stalker Line	SL	33.0	\$13,483.92	75	1987	23	\$4,135.07
304-00	331.4	Flood Cropper lin	SL	33.0	\$12,652.80	75	1987	23	\$3,880.19
304-00	331.4	Banta Fork extens	SL	33.0	\$3,491.89	75	1987	23	\$1,070.85
304-00	331.4	Bethlehem/Franklin	SL	33.0	\$12,150.00	75	1988	22	\$3,564.00
304-00	331.4	Brown Lane	SL	33.0	\$3,400.00	75	1988	22	\$997.33
304-00	331.4	Hillsboro Rd.	SL	33.0	\$7,128.00	75	1988	22	\$2,090.88
304-00	331.4	Hill Sping Rd.	SL	33.0	\$2,100.00	75	1988	22	\$616.00
304-00	331.4	Fallen Timber Rd	SL	33.0	\$17,740.00	75	1988	22	\$5,203.73
304-00	331.4	Scobee Lane	SL	33.0	\$11,283.90	75	1988	22	\$3,309.94
304-00	331.4	Highway 421	SL	33.0	\$15,208.20	75	1988	22	\$4,461.07
304-00	331.4	Providence Rd.	SL	33.0	\$19,800.00	75	1988	22	\$5,808.00
304-00	331.4	Carpenter Lane	SL	33.0	\$3,160.00	75	1989	21	\$884.80
304-00	331.4	Franklinton	SL	33.0	\$83,139.00	75	1989	21	\$23,278.92
304-00	331.4	Point Pleasant	SL	33.0	\$27,480.50	75	1989	21	\$7,694.54
304-00	331.4	Richmond Road	SL	33.0	\$6,016.50	75	1989	21	\$1,684.62
304-00	331.4	Camron Road	SL	33.0	\$13,296.05	75	1989	21	\$3,722.89
304-00	331.4	New Castle loop	SL	33.0	\$39,217.09	75	1989	21	\$10,980.79
304-00	331.4	Patton Creek	SL	33.0	\$10,515.40	75	1989	21	\$2,944.31

HENRY COUNTY WATER DISTRICT # 2

EXHIBIT 9 - APPENDIX A

NET EQUITY VALUATION

12/31/2008

G/L Code	PSC Code	Description	Method	Life	Cost or Other Basis	NARUC Life	Year in Service	2010 Age	NARUC Depreciation
304-00	331.4	Maddox & 389	SL	33.0	\$12,464.85	75	1989	21	\$3,490.16
304-00	331.4	Crabb farm sub.	SL	33.0	\$4,207.33	75	1989	21	\$1,178.05
304-00	331.4	Smith farm sub.	SL	33.0	\$13,530.50	75	1989	21	\$3,788.54
304-00	331.4	Hillsboro	SL	33.0	\$1,498.65	75	1989	21	\$419.62
304-00	331.4	Drennon	SL	33.0	\$30,940.94	75	1989	21	\$8,663.46
304-00	331.4	Marcus Burgan R	SL	33.0	\$2,855.20	75	1990	20	\$761.39
304-00	331.4	Blakemore	SL	33.0	\$2,172.40	75	1990	20	\$579.31
304-00	331.4	Orig. Hwy. 202	SL	33.0	\$3,645.83	75	1990	20	\$972.22
304-00	331.4	Kidwell Pike	SL	33.0	\$6,193.53	75	1990	20	\$1,651.61
304-00	331.4	Hwy. 22 East	SL	33.0	\$35,944.15	75	1990	20	\$9,585.11
304-00	331.4	Pollitte Farm	SL	33.0	\$11,630.00	75	1990	20	\$3,101.33
304-00	331.4	Wilson Farm	SL	33.0	\$9,237.00	75	1990	20	\$2,463.20
304-00	331.4	Bunk Ellis Rd.	SL	33.0	\$12,178.80	75	1990	20	\$3,247.68
304-00	331.4	Fences around to	SL	33.0	\$9,587.00	75	1990	20	\$2,556.53
304-00	331.4	Union church	SL	33.0	\$11,593.40	75	1990	20	\$3,091.57
304-00	331.4	Hwy 421 ext. to 6	SL	33.0	\$5,598.30	75	1990	20	\$1,492.88
304-00	331.4	Hillsboro Exit	SL	33.0	\$3,245.01	75	1990	20	\$865.34
304-00	331.4	Clifford Lane	SL	33.0	\$4,158.00	75	1990	20	\$1,108.80
304-00	331.4	Loudin Road	SL	33.0	\$22,396.76	75	1991	19	\$5,673.85
304-00	331.4	Lockport	SL	33.0	\$15,487.31	75	1991	19	\$3,923.45
304-00	331.4	Cavinall	SL	33.0	\$3,259.59	75	1991	19	\$825.76
304-00	331.4	Whiteagle	SL	33.0	\$2,577.32	75	1991	19	\$652.92
304-00	331.4	22 + 389	SL	33.0	\$24,380.02	75	1991	19	\$6,176.27
304-00	331.4	Carpenter Lane	SL	33.0	\$4,956.65	75	1991	19	\$1,255.68
304-00	331.4	Garrell Road	SL	33.0	\$1,570.27	75	1991	19	\$397.80
304-00	331.4	Hunt 389	SL	33.0	\$2,218.15	75	1991	19	\$561.93
304-00	331.4	Gest	SL	33.0	\$122,945.54	75	1992	18	\$29,506.93
304-00	331.4	Hwy 22 Walls	SL	33.0	\$7,466.10	75	1992	18	\$1,791.86
304-00	331.4	Pendleton/Mt. O	SL	33.0	\$7,992.70	75	1992	18	\$1,918.25
304-00	331.4	Deerfield	SL	33.0	\$1,003.20	75	1992	18	\$240.77
304-00	331.4	202/389	SL	33.0	\$16,769.66	75	1992	18	\$4,024.72
304-00	331.4	P. Pleasant-Robin	SL	33.0	\$898.10	75	1992	18	\$215.54
304-00	331.4	Banta Fork	SL	33.0	\$5,069.87	75	1992	18	\$1,216.77
304-00	331.4	Bohannon Lane	SL	33.0	\$1,802.97	75	1992	18	\$432.71
304-00	331.4	Wright-Mr. Olivet	SL	33.0	\$1,337.97	75	1993	17	\$303.27
304-00	331.4	Hwy 1606-Chilton	SL	33.0	\$1,223.76	75	1993	17	\$277.39
304-00	331.4	Carmon Road	SL	33.0	\$11,874.34	75	1993	17	\$2,691.52
304-00	331.4	Balts Lane Loop	SL	33.0	\$4,003.53	75	1993	17	\$907.47
304-00	331.4	Harpers Ferry	SL	33.0	\$32,632.44	75	1993	17	\$7,396.69
304-00	331.4	T. Nelson	SL	33.0	\$1,000.50	75	1993	17	\$226.78
304-00	331.4	Russell Road	SL	33.0	\$4,680.21	75	1993	17	\$1,060.85
304-00	331.4	Mill Creek	SL	33.0	\$2,746.39	75	1993	17	\$622.52
304-00	331.4	Long Branch	SL	33.0	\$18,476.81	75	1993	17	\$4,188.08
304-00	331.4	Hwy 421-Parrish	SL	33.0	\$1,612.12	75	1993	17	\$365.41
304-00	331.4	Watkins/bush	SL	33.0	\$5,108.36	75	1993	17	\$1,157.89
304-00	331.4	Organ Creek	SL	33.0	\$2,806.31	75	1993	17	\$636.10
304-00	331.4	Magruder/Shipma	SL	33.0	\$2,877.42	75	1993	17	\$652.22
304-00	331.4	Martini Acres	SL	33.0	\$864.44	75	1994	16	\$184.41
304-00	331.4	Corley Road	SL	33.0	\$926.66	75	1994	16	\$197.69
304-00	331.4	Webb Lane	SL	33.0	\$816.24	75	1994	16	\$174.13
304-00	331.4	421 to Six Mile	SL	33.0	\$2,999.55	75	1994	16	\$639.90
304-00	331.4	Deerfield/Fantu	SL	33.0	\$2,637.27	75	1994	16	\$562.62
304-00	331.4	Kidwell Pike	SL	33.0	\$7,274.70	75	1994	16	\$1,551.94
304-00	331.4	Hwy 1606-Gaines	SL	33.0	\$6,914.59	75	1994	16	\$1,475.11
304-00	331.4	Turners Sta.-Conr	SL	33.0	\$576.09	75	1994	16	\$122.90
304-00	331.4	Dawkins Lane	SL	33.0	\$1,467.34	75	1994	16	\$313.03
304-00	331.4	Pendleton Height	SL	33.0	\$295.56	75	1994	16	\$63.05
304-00	331.4	Organ Creek	SL	33.0	\$2,135.22	75	1994	16	\$455.51
304-00	331.4	Watkins	SL	33.0	\$2,355.12	75	1994	16	\$502.43
304-00	331.4	Hwy 202	SL	33.0	\$19,659.35	75	1994	16	\$4,193.99
304-00	331.4	Salt Creek	SL	33.0	\$3,755.66	75	1994	16	\$801.21
304-00	331.4	Hillsboro/Harp	SL	33.0	\$10,007.03	75	1994	16	\$2,134.83

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G/L Code	PSC Code	Description	Method	Life	Cost or Other Basis	NARUC Life	Year in Service	2010 Age	NARUC Depreciation
304-00	331.4	Silvers	SL	33.0	\$4,005.58	75	1994	16	\$854.52
304-00	331.4	Saw Mill	SL	33.0	\$2,233.36	75	1994	16	\$476.45
304-00	331.4	Hwy 389	SL	33.0	\$3,064.84	75	1994	16	\$653.83
304-00	331.4	Ditto Lane	SL	33.0	\$3,373.87	75	1994	16	\$719.76
304-00	331.4	Deerfield	SL	33.0	\$3,416.70	75	1994	16	\$728.90
304-00	331.4	Guthrie	SL	33.0	\$1,755.86	75	1994	16	\$374.58
304-00	331.4	Barton Lane	SL	33.0	\$921.07	75	1995	15	\$184.21
304-00	331.4	1606 & Wolf Pen	SL	33.0	\$5,144.13	75	1995	15	\$1,028.83
304-00	331.4	Davidson/Organ C	SL	33.0	\$52,505.42	75	1995	15	\$10,501.08
304-00	331.4	New Castle loop	SL	33.0	\$1,790,803.53	75	1998	12	\$286,528.56
304-00	331.4	Hwy 22 Extension	SL	33.0	\$4,795.00	75	1999	11	\$703.27
304-00	331.4	Hwy 1606 Exten	SL	33.0	\$2,608.96	75	1999	11	\$382.65
304-00	331.4	I-71 Extension	SL	33.0	\$593,999.83	75	1999	11	\$87,119.98
304-00	331.4	Clements Bottom	SL	33.0	\$136,006.54	75	1999	11	\$19,947.63
304-00	331.4	Rowlett Gap Exte	SL	33.0	\$5,610.50	75	1999	11	\$822.87
304-00	331.4	Brown Lane (892'	SL	33.0	\$6,320.66	75	2000	10	\$842.75
304-00	331.4	Deerfield (1500' -	SL	33.0	\$6,246.69	75	2000	10	\$832.89
304-00	331.4	Gullion Br. (2370'	SL	33.0	\$9,221.03	75	2000	10	\$1,229.47
304-00	331.4	Kavanaugh (1060'	SL	33.0	\$5,523.09	75	2000	10	\$736.41
304-00	331.4	Long Branch (81	SL	33.0	\$9,277.62	75	2000	10	\$1,237.02
304-00	331.4	Morton Ridge (71	SL	33.0	\$4,173.02	75	2000	10	\$556.40
304-00	331.4	Mt Olivet (500' - 3	SL	33.0	\$4,453.87	75	2000	10	\$593.85
304-00	331.4	Raisor Lane (1140	SL	33.0	\$8,724.75	75	2000	10	\$1,163.30
304-00	331.4	Russell Branch (	SL	33.0	\$5,234.90	75	2000	10	\$697.99
304-00	331.4	Stucker Lane (10	SL	33.0	\$3,771.77	75	2000	10	\$502.90
304-00	331.4	Cropper School (	SL	33.0	\$129,670.98	75	2000	10	\$17,289.46
304-00	331.4	Brocius Lane (3	SL	33.0	\$10,758.66	75	2001	9	\$1,291.04
304-00	331.4	Galbraith Rd (4"	SL	33.0	\$22,881.94	75	2001	9	\$2,745.83
304-00	331.4	Giltner Rd (4"-1100	SL	33.0	\$2,546.78	75	2001	9	\$305.61
304-00	331.4	Hieatt Ln (6"-4180	SL	33.0	\$24,550.83	75	2001	9	\$2,946.10
304-00	331.4	Sweeney Lane P	SL	33.0	\$59,214.74	75	2001	9	\$7,105.77
304-00	331.4	Wooded Hills (4	SL	33.0	\$23,585.00	75	2001	9	\$2,830.20
304-00	331.4	Carmon Creek - (	SL	33.0	\$13,567.23	75	2002	8	\$1,447.17
304-00	331.4	Happy Ridge Upg	SL	33.0	\$51,191.78	75	2002	8	\$5,460.46
304-00	331.4	Pendleton Height	SL	33.0	\$1,683.50	75	2002	8	\$179.57
304-00	331.4	Hieatt Lane II - (6"	SL	33.0	\$23,917.89	75	2002	8	\$2,551.24
304-00	331.4	Hwy 395 Elmburg	SL	33.0	\$8,330.69	75	2002	8	\$888.61
304-00	331.4	Joe's Branch Roa	SL	33.0	\$30,023.74	75	2002	8	\$3,202.53
304-00	331.4	Radcliff/Hickory C	SL	33.0	\$7,884.92	75	2002	8	\$841.06
304-00	331.4	Eminence Line H	SL	33.0	\$170,979.85	75	2002	8	\$18,237.85
304-00	331.4	Regional - lines	SL	25.0	\$2,461,285.76	75	2003	7	\$229,720.00
304-00	331.4	Eminence II	SL	33.0	\$24,293.61	75	2003	7	\$2,267.40
304-00	331.4	Elm Lane (Pendle	SL	33.0	\$1,413.49	75	2003	7	\$131.93
304-00	331.4	Sweeney II	SL	33.0	\$29,888.27	75	2003	7	\$2,789.57
304-00	331.4	Heron Creek	SL	33.0	\$2,619.34	75	2003	7	\$244.47
304-00	331.4	Organ Creek	SL	33.0	\$2,372.04	75	2003	7	\$221.39
304-00	331.4	Morton Ridge	SL	33.0	\$1,846.85	75	2003	7	\$172.37
304-00	331.4	Ballardsville Rd	SL	33.0	\$5,243.64	75	2003	7	\$489.41
304-00	331.4	Fox Creek Rd	SL	33.0	\$4,194.01	75	2004	6	\$335.52
304-00	331.4	Longbranch Ext.	SL	33.0	\$2,663.80	75	2004	6	\$213.10
304-00	331.4	Bush Ext	SL	33.0	\$20,408.40	75	2004	6	\$1,632.67
304-00	331.4	Valley View Dr	SL	33.0	\$5,377.15	75	2004	6	\$430.17
304-00	331.4	New Cut Rd	SL	33.0	\$5,558.22	75	2004	6	\$444.66
304-00	331.4	Union church	SL	33.0	\$24,654.75	75	2005	5	\$1,643.65
304-00	331.4	Happy Ridge	SL	33.0	\$14,694.94	75	2005	5	\$979.66
304-00	331.4	Jackson Rd & Hwy 22	SL	33.0	\$65,724.69	75	2005	5	\$4,381.65
304-00	331.4	Hawkins Lane	SL	33.0	\$1,752.21	75	2005	5	\$116.81
304-00	331.4	St Estes Lane	SL	33.0	\$8,875.50	75	2005	5	\$591.70
304-00	331.4	Hwy 55 Project	SL	33.0	\$214,382.69	75	2005	5	\$14,292.18
304-00	331.4	Union church	SL	33.0	\$22,273.34	75	2005	5	\$1,484.89
304-00	331.4	Pleasureville	SL	33.0	\$17,768.35	75	2005	5	\$1,184.56
304-00	331.4	Happy Ridge	SL	33.0	\$803.25	75	2005	5	\$53.55

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G/L Code	PSC Code	Description	Method	Life	Cost or Other Basis	NARUC Life	Year in Service	2010 Age	NARUC Depreciation
304-00	331.4	Jackson Rd & Hwy 22	SL	33.0	\$635.00	75	2005	5	\$42.33
304-00	331.4	Deerfield - Fox Run Rd	SL	33.0	\$3,692.24	75	2006	4	\$196.92
304-00	331.4	Deerfield - Arnold Ln	SL	33.0	\$2,262.74	75	2006	4	\$120.68
304-00	331.4	Lake Sherwood Norrell Rd	SL	33.0	\$2,258.59	75	2006	4	\$120.46
304-00	331.4	Herron Creek Rd	SL	33.0	\$2,419.31	75	2006	4	\$129.03
304-00	331.4	System Betterment Ph I	SL	33.0	\$755,660.78	75	2007	3	\$30,226.43
304-00	331.4	Bullit Hill	SL	33.0	\$26,960.66	75	2007	3	\$1,078.43
304-00	331.4	Organ Creek	SL	33.0	\$56,345.36	75	2007	3	\$2,253.81
304-00	331.4	Henry Co. Business Park	SL	33.0	\$4,944.06	75	2007	3	\$197.76
304-00	331.4	Chestnut Hill	SL	33.0	\$6,150.35	75	2007	3	\$246.01
304-00	331.4	Various Lines	SL	33.0	\$10,885.07	75	2008	2	\$290.27
304-00	331.4	Henry Co. Recreational	SL	33.0	\$5,845.26	75	2008	2	\$155.87
304-00	331.4	Scobie Lane	SL	33.0	\$8,670.97	75	2008	2	\$231.23
304-00	331.4	Carpenter Lane	SL	33.0	\$4,193.55	75	2008	2	\$111.83
304-00	331.4	Lower Pattons Creek Rd	SL	33.0	\$14,164.48	75	2008	2	\$377.72
304-00	331.4	McCarty Lane	SL	33.0	\$41,607.56	75	2008	2	\$1,109.53
340-00	340.5	Various	SL	25.0	\$7,474.98	25	1979	31	\$7,474.98
340-00	340.5	Various	SL	20.0	\$18,633.02	20	1980	30	\$18,633.02
340-00	340.5	File cabinet	SL	7.0	\$50.00	25	1987	23	\$46.00
340-00	340.5	Computer	SL	7.0	\$15,850.00	10	1987	23	\$15,850.00
340-00	340.5	Misc office furnit	SL	7.0	\$241.57	25	1988	22	\$212.58
340-00	340.5	Microwave oven	SL	7.0	\$119.62	15	1988	22	\$119.62
340-00	340.5	Sweeper	SL	7.0	\$285.98	15	1988	22	\$285.98
340-00	340.5	Regrigerator	SL	7.0	\$272.97	15	1988	22	\$272.97
340-00	340.5	Desks, tables, et	SL	7.0	\$1,610.73	25	1988	22	\$1,417.44
340-00	340.5	Typewriter	SL	7.0	\$584.00	25	1988	22	\$513.92
340-00	340.5	Window shades	SL	7.0	\$194.75	25	1988	22	\$171.38
340-00	340.5	Word processing	SL	7.0	\$575.00	10	1990	20	\$575.00
340-00	340.5	Terminal	SL	7.0	\$525.00	10	1990	20	\$525.00
340-00	340.5	Portable radios (	SL	7.0	\$1,000.00	10	1991	19	\$1,000.00
340-00	340.5	CPU	SL	7.0	\$5,295.00	10	1992	18	\$5,295.00
340-00	340.5	Printer	SL	7.0	\$2,590.00	10	1992	18	\$2,590.00
340-00	340.5	Stand	SL	7.0	\$125.00	10	1992	18	\$125.00
340-00	340.5	Compaq Prlinea	SL	7.0	\$1,269.00	10	1994	16	\$1,269.00
340-00	340.5	Wyse 325 Color	SL	7.0	\$695.00	10	1995	15	\$695.00
340-00	340.5	Telephone syste	SL	7.0	\$9,135.68	10	1995	15	\$9,135.68
340-00	340.5	Panels & worksta	SL	7.0	\$9,969.12	10	1995	15	\$9,969.12
340-00	340.5	Alpine XL 15 Clea	SL	7.0	\$595.00	10	1995	15	\$595.00
340-00	340.5	Compaq 7452 HJ	SL	7.0	\$2,246.00	10	1995	15	\$2,246.00
340-00	340.5	XL 120 Micro rea	SL	7.0	\$229.00	10	1995	15	\$229.00
340-00	340.5	6 Viewers	SL	7.0	\$471.00	10	1995	15	\$471.00
340-00	340.5	PWP-365 Word P	SL	7.0	\$479.00	10	1995	15	\$479.00
340-00	340.5	Motorola Radio	SL	7.0	\$1,134.50	10	1996	14	\$1,134.50
340-00	340.5	Company 1024	SL	7.0	\$276.30	10	1996	14	\$276.30
340-00	340.5	Kenwood TK-705	SL	7.0	\$424.15	10	1996	14	\$424.15
340-00	340.5	Upright Vacuum	SL	7.0	\$199.00	15	1997	13	\$172.47
340-00	340.5	Xerox 5624TA	SL	7.0	\$4,095.00	15	1997	13	\$3,549.00
340-00	340.5	Color TV	SL	5.0	\$161.54	15	1998	12	\$129.23
340-00	340.5	Altos 900	SL	5.0	\$6,490.00	10	1998	12	\$6,490.00
340-00	340.5	Okidata laser	SL	5.0	\$1,490.00	10	1998	12	\$1,490.00
340-00	340.5	HP officejet laser	SL	5.0	\$379.68	10	1998	12	\$379.68
340-00	340.5	2 Pentium 233's	SL	5.0	\$3,934.00	10	1998	12	\$3,934.00
340-00	340.5	Chairs & tables	SL	7.0	\$1,172.95	10	1998	12	\$1,172.95
340-00	340.5	Chair	SL	7.0	\$212.40	25	1999	11	\$93.46
340-00	340.5	Portable Radio S	SL	7.0	\$361.50	10	1999	11	\$361.50
340-00	340.5	C530 Mobile Rad	SL	7.0	\$445.00	10	1999	11	\$445.00
340-00	340.5	Desks (2)	SL	7.0	\$1,437.78	25	1999	11	\$632.62
340-00	340.5	Meter readers - C	SL	7.0	\$5,590.00	15	1999	11	\$4,099.33
340-00	340.5	Telephone	SL	7.0	\$335.00	10	1999	11	\$335.00
340-00	340.5	Chairs (2)	SL	7.0	\$407.25	25	1999	11	\$179.19
340-00	340.5	Mobile Radio SN	SL	7.0	\$438.75	10	1999	11	\$438.75
340-00	340.5	Plant computer	SL	7.0	\$1,197.76	10	1999	11	\$1,197.76

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G/L Code	PSC Code	Description	Method	Life	Cost or Other Basis	NARUC Life	Year in Service	2010 Age	NARUC Depreciation
340-00	340.5	Blinds	SL	7.0	\$504.00	25	1999	11	\$221.76
340-00	340.5	Portable Radio S	SL	7.0	\$355.50	10	1999	11	\$355.50
340-00	340.5	Telephone	SL	7.0	\$574.63	10	1999	11	\$574.63
340-00	340.5	Portable Radio S	SL	7.0	\$404.50	10	1999	11	\$404.50
340-00	340.5	Expand Telephon	SL	7.0	\$5,080.13	10	1999	11	\$5,080.13
340-00	340.5	Epson 8500 prin	SL	5.0	\$2,220.00	10	2001	9	\$1,998.00
340-00	340.5	Software-Comput	SL	5.0	\$1,195.00	10	2001	9	\$1,075.50
340-00	340.5	Software-Comput	SL	5.0	\$1,295.00	10	2002	8	\$1,036.00
340-00	340.5	Office telephon/a	SL	7.0	\$4,265.58	10	2002	8	\$3,412.46
340-00	340.5	Telephone box sy	SL	7.0	\$1,041.00	10	2002	8	\$832.80
340-00	340.5	ACER computers	SL	3.0	\$2,580.00	10	2002	8	\$2,064.00
340-00	340.5	Printer-serial	SL	3.0	\$1,818.27	10	2002	8	\$1,454.62
340-00	340.5	Digital Xerox Cop	SL	7.0	\$4,210.00	10	2003	7	\$2,947.00
340-00	340.5	(3) Dimension 240	SL	3.0	\$3,209.70	10	2003	7	\$2,246.79
340-00	340.5	(2) Office XP Softw	SL	3.0	\$784.29	10	2003	7	\$549.00
340-00	340.5	Office Equipment	SL	7.0	\$2,003.90	10	2003	7	\$1,402.73
340-00	340.5	2 Workabouts	SL	7.0	\$2,200.00	10	2005	5	\$1,100.00
340-00	340.5	5 Computer Stations	SL	3.0	\$5,539.60	10	2006	4	\$2,215.84
340-00	340.5	Billing Software	SL	5.0	\$13,550.00	10	2006	4	\$5,420.00
340-00	340.5	GPS Equipment	SL	5.0	\$14,104.00	20	2006	4	\$2,820.80
340-00	340.5	Credit Card Machine	SL	5.0	\$895.00	10	2006	4	\$358.00
340-00	340.5	Phone System	SL	5.0	\$5,377.00	10	2006	4	\$2,150.80
340-00	340.5	Computers (2) & Scanner	SL	3.0	\$2,822.76	10	2008	2	\$564.55
340-00	340.5	Safe	SL	10.0	\$1,799.00	20	2008	2	\$179.90
347-00	340.5	Handhelds	SL	7.0	\$8,300.00	10	2008	2	\$1,660.00
343-00	343.5	Leak detector & c	SL	7.0	\$2,000.00	15	1988	22	\$2,000.00
343-00	343.5	Lawnmower & wh	SL	7.0	\$174.95	15	1988	22	\$174.95
343-00	343.5	Air compressor	SL	7.0	\$620.00	15	1988	22	\$620.00
343-00	343.5	Trailer & tank	SL	7.0	\$775.00	7	1989	21	\$775.00
343-00	343.5	Floorjack	SL	7.0	\$585.00	20	1989	21	\$585.00
343-00	343.5	Makita skill saw	SL	7.0	\$130.00	15	1990	20	\$130.00
343-00	343.5	Jackhammer & A	SL	7.0	\$400.00	15	1990	20	\$400.00
343-00	343.5	Water pump	SL	7.0	\$346.75	15	1990	20	\$346.75
343-00	343.5	Battery charger	SL	7.0	\$159.00	15	1990	20	\$159.00
343-00	343.5	Arc welder	SL	7.0	\$299.00	15	1990	20	\$299.00
343-00	343.5	Tool box & tools	SL	7.0	\$425.43	20	1991	19	\$404.16
343-00	343.5	Chemical feeder &	SL	7.0	\$3,039.23	20	1991	19	\$2,887.27
343-00	343.5	Press and band s	SL	7.0	\$550.00	15	1992	18	\$550.00
343-00	343.5	2 mobile radios	SL	7.0	\$858.80	10	1994	16	\$858.80
343-00	343.5	Radio equipment	SL	7.0	\$1,335.50	10	1997	13	\$1,335.50
343-00	343.5	225 R Weedeater	SL	7.0	\$340.00	15	1997	13	\$340.00
343-00	343.5	Pipe saw	SL	7.0	\$775.00	15	1997	13	\$775.00
343-00	343.5	Radio (12) and in	SL	7.0	\$9,546.65	10	1997	13	\$9,546.65
343-00	343.5	Pipe rack	SL	7.0	\$176.40	15	1997	13	\$176.40
343-00	343.5	Tool box	SL	7.0	\$299.00	15	1997	13	\$299.00
343-00	343.5	Kenwood radio	SL	7.0	\$416.75	10	1998	12	\$416.75
343-00	343.5	Radio TK-762H	SL	7.0	\$790.43	10	1998	12	\$790.43
343-00	343.5	3" Trash Pump (2)	SL	7.0	\$1,410.92	15	1999	11	\$1,034.67
343-00	343.5	Weedeater	SL	7.0	\$322.72	15	1999	11	\$236.66
343-00	343.5	Ladders (2)	SL	7.0	\$900.00	20	1999	11	\$495.00
343-00	343.5	Safety Equipment	SL	7.0	\$889.31	15	1999	11	\$652.16
343-00	343.5	Weedeater	SL	7.0	\$384.73	15	1999	11	\$282.14
343-00	343.5	TS350 Skill Saw &	SL	7.0	\$957.70	15	1999	11	\$702.31
343-00	343.5	(2) line locators	SL	7.0	\$1,813.00	15	2003	7	\$846.07
347-00	343.5	Toolboxes for ne	SL	7.0	\$2,377.92	20	2003	7	\$832.27
343-00	343.5	Water pump	SL	7.0	\$1,344.24	15	2004	6	\$537.70
343-00	343.5	Pressure Loggers	SL	7.0	\$1,041.00	15	2004	6	\$416.40
343-00	343.5	Asphalt Saw	SL	7.0	\$899.95	15	2005	5	\$299.98
345-00	345.5	New Trencher	SL	10.0	\$30,690.00	15	1990	20	\$30,690.00
345-00	345.5	Truck 78 Ford 030	SL	10.0	\$6,000.00	7	1990	20	\$6,000.00
347-00	345.5	Trailer 85 0038	SL	10.0	\$500.00	7	1990	20	\$500.00
345-00	345.5	Backhoe bucket	SL	10.0	\$100.00	15	1990	20	\$100.00

HENRY COUNTY WATER DISTRICT # 2
EXHIBIT 9 - APPENDIX A
NET EQUITY VALUATION

12/31/2008

G/L Code	PSC Code	Description	Method	Life	Cost or Other Basis	NARUC Life	Year in Service	2010 Age	NARUC Depreciation
345-00	345.5	Case 580K JJG01	SL	10.0	\$39,900.00	15	1995	15	\$39,900.00
345-00	345.5	89 Ford F600 A30	SL	10.0	\$9,800.00	7	1996	14	\$9,800.00
347-00	345.5	Case 580L Backh	SL	10.0	\$50,600.00	15	1999	11	\$37,106.67
345-00	345.5	Truck Motor (198	SL	10.0	\$2,250.00	7	1999	11	\$2,250.00
345-00	345.5	Backhoe	SL	10.0	\$55,819.00	15	2001	9	\$33,491.40
347-00	345.5	Dump bed for tr	SL	5.0	\$6,000.00	7	2002	8	\$6,000.00
347-00	345.5	(2) 2003 GMC truc	SL	10.0	\$77,746.00	7	2003	7	\$77,746.00
347-00	345.5	(2) truck beds	SL	10.0	\$1,800.00	7	2003	7	\$1,800.00
347-00	345.5	2005 Ford Dump Truck	SL	10.0	\$38,622.22	15	2005	5	\$12,874.07
345-00	345.5	Hoe Ram	SL	7.0	\$16,990.00	15	2005	5	\$5,663.33
347-00	345.5	Case 560 Backhoe	SL	10.0	\$61,837.00	15	2006	4	\$16,489.87
347-00	345.5	2004 Chevy 1500	SL	5.0	\$9,450.00	7	2007	3	\$4,050.00
347-00	345.5	2007 Chevy w/ Bed	SL	5.0	\$25,734.88	7	2008	2	\$7,352.82
345-00	345.5	Case 560 Super M	SL	10.0	\$62,800.00	15	2008	2	\$8,373.33
345-00	345.5	Case 550 Dozer	SL	10.0	\$42,107.00	15	2008	2	\$5,614.27
345-00	345.5	Case 580K Backh	SL	10.0	\$24,220.00				
345-00	345.5	Used Case 450H	SL	10.0	\$14,000.00				
345-00	345.5	Case 580	SL	10.0	\$27,492.00				
347-00	346.5	Communications	SL	20.0	\$7,049.38	10	1987	23	\$7,049.38
347-00	347.5	Various equipment	SL	25.0	\$9,135.66	10	1976	34	\$9,135.66
347-00	347.5	Cable loader	SL	7.0	\$1,575.00	15	1977	33	\$1,575.00
347-00	347.5	Power operated e	SL	20.0	\$4,756.84	15	1979	31	\$4,756.84
347-00	347.5	Meter test bench	SL	7.0	\$4,419.49	20	1987	23	\$4,419.49
347-00	347.5	Pipe loader	SL	7.0	\$450.00	15	1988	22	\$450.00
347-00	347.5	Double axle trailer	SL	7.0	\$800.00	15	1991	19	\$800.00
347-00	347.5	Service equipment	SL	20.0	\$10,045.00	20	1991	19	\$10,045.00
347-00	347.5	18' Trailer S1825	SL	7.0	\$750.00	15	1994	16	\$750.00
347-00	347.5	Push mower 050	SL	3.0	\$140.00	15	1995	15	\$140.00
320-	347.5	2100 Lab burner	SL	5.0	\$1,642.50	20	1996	14	\$1,149.75
347-00	347.5	10 T trailer 7806	SL	7.0	\$7,100.00	15	1998	12	\$5,680.00
347-00	347.5	98 25' trailer 7074	SL	7.0	\$4,000.00	15	1998	12	\$3,200.00
347-00	347.5	Hydraulic Ramhoe	SL	10.0	\$17,308.00	15	2000	10	\$11,538.67
347-00	347.5	Trailer	SL	7.0	\$755.00	15	2000	10	\$503.33
347-00	347.5	Pipe Wagon	SL	7.0	\$1,159.80	15	2000	10	\$773.20
347-00	347.5	Loading forks-Hun	SL	5.0	\$1,160.00	15	2002	8	\$618.67
347-00	347.5	Stigers Trailer-12 Ton	SL	7.0	\$7,300.00	15	2004	6	\$2,920.00
347-00	347.5	Dozer Trailer	SL	7.0	\$4,100.00	15	2005	5	\$1,366.67
Fixed assets ¹ cost subtotal before dispositions					\$23,465,483.24				\$7,399,113.61
Less dispositions and exchanges:					\$65,712.00				
Fixed assets cost total					\$23,399,771.24				
Less depreciation on basis of NARUC maximum useful life					\$7,399,113.61				
					\$16,000,657.63				
Less grants ²					\$3,155,000.00				
Net fixed asset equity					\$12,845,657.63				
Plus cash & investments ³					\$2,883,534.00				
					\$15,729,191.63				
Less outstanding debt ⁴					\$9,531,553.00				
Net System Equity					\$6,197,638.63				

¹excludes all meters, hydrants, services, developer-contributed lines, and customer-contributed portions of line costs

²CDBG Regional Project \$1,680,000 + KIA Regional Project \$1,175,000 + KIA Systemwide Project Phase I =\$300,000= \$3,155,000
 (note: \$350,000 Systemwide Phase II grant not included here because its funded improvements will not be added to asset listing until 2009 Annual Report)

³ pg 16/64 of HCWD 2008 Annual PSC Report: (126) \$1,549,693 + (131) \$729,547 + (133) \$420,336 + (135) \$183,958 = \$2,883,534

⁴ pg 40/64 Long Term Debt \$217,808 + \$9,556,000 Bonds Outstanding pg 42/64 = \$9,773,808 - Unamortized Bond Discount (\$242,255)= \$9,551,553