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PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE APPLICATION OF THE LEDBETTER)
WATER DISTRICT FOR APPROVAL OF) CASE NO. 2008-00498
INCREASED RATES FOR WATER SERVICE)

STATEMENT AND NOTICE

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

1. Ledbetter is a non-profit water district that has been engaged in the distribution and sale of water. It currently provides water service to approximately 1,237 customers in Livingston County in Kentucky. Ledbetter is organized under KRS Chapter 74. Ledbetter's principal office, place of business, and mailing address is 1483 U.S. 60 West, P.O. Box 123, Ledbetter, Kentucky 42058.

2. The proposed increase in the rates and charges is necessary for Ledbetter to meet its operating expenses, to maintain financial viability, and to continue to provide adequate service.

3. As authorized by KRS 278.192 (1), and for the purpose of justifying the reasonableness of the proposed general increase in rates, Ledbetter has utilized an historical test period consisting of the twelve (12) consecutive calendar months ending December 31, 2006.

4. Ledbetter's annual reports are on file with the Public Service Commission as required by 807 KAR 5:006, Section 3(1).

5. Ledbetter hereby gives notice to the Public Service Commission of the adjustment of its rates to those rates set forth in Exhibit No. 1 in the filing requirements. The proposed rates will result in increased annual revenues of \$71,024 which is an increase of 18.5 percent over normalized revenues from water sales of \$383,920.

6. The proposed tariffs (Exhibit No. 1) are shown in comparative form on the same sheets, side by side, and those comparative sheets are identified as Exhibit No. 2 in the filing requirements.

7. Ledbetter has complied with 807 KAR 5:011, Section 8, (2) (b) and 807 KAR 5:001, Section 10, (3) and (4), by publishing, in a newsletter going to all customers, a copy of the Notice identified as Exhibit No. 8 in the filing requirements, said publication having been mailed on November 26, 2008.

8. A copy of this filing has been mailed to the Utility Intervention and Rate Division of the Attorney General's office of the Commonwealth of Kentucky.

9. As required by 807 KAR 5:001, Section 10, (4), (f), Ledbetter will post a copy of its Customer Notice (Exhibit No. 8) at its place of business on November 26, 2008, and it will remain posted until the Public Service Commission has determined Ledbetter's rates.

10. The list of the documents filed in support of Ledbetter's application for approval of the proposed adjustment of rates or the explanation for their absence is contained in the Filing Requirement Index.

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

Dated at Ledbetter, Kentucky this November 25, 2008.

LEDBETTER WATER DISTRICT

By Phillip Dae
Chairman

LAW FIRM OR ATTORNEY

By Billy N. Riley
Billy N. Riley, Attorney
Courthouse
P.O. Box 97
Smithland, Kentucky 42081
(270) 928-2880

Exhibit Index

<u>Exhibit Title</u>	<u>Number</u>
Proposed Tariff	1
Comparison of Proposed & Current Tariff	2
Pro Forma Financial Statements	3
Pro Forma Adjustment Descriptions/Revenue Requirements Determination	4
Billing Analysis	5
Analysis of Depreciation	6
Analysis of Average Bill Changes	7
Customer Notification	8
2006 CPA Audit Report	9

Ledbetter Water District

Proposed Tariff

FOR: Ledbetter & Western Livingston County
Community, Town or City

P S C KY. NO. _____

SHEET NO. _____

CANCELLING P S C KY. NO. _____

SHEET NO. _____

Ledbetter Water District

(Name of Utility)

RATES

Monthly Rates

CUSTOMER CHARGE

First 25,000 gallons

Over 25,000 gallons

\$6.59 Monthly Rate

\$5.42 Minimum bill

3.59 per 1,000 gallons

DATE OF ISSUE _____

Month / Date / Year

DATE EFFECTIVE _____

Month / Date / Year

ISSUED BY _____

(Signature of Officer)

TITLE _____

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE
COMMISSION

IN CASE NO. _____ DATED _____

FOR: Ledbetter & Western Livingston County
Community, Town or City

P S C. KY. NO. _____

SHEET NO. _____

CANCELLING P S.C. KY NO. _____

SHEET NO. _____

Ledbetter Water District

(Name of Utility)

RATES

F. LEAK ADJUSTMENT RATE:

The rate for a leak adjustment shall be the last volumetric rate step in the declining block rate design of the current rate structure.

See Leak Adjustment Policy in Rules and Regulations. The customer will pay his/her average bill for the previous 6 months and all usage over the average is billed at the Leak Adjustment Rate.

G. WHOLESALE WATER RATES:

Not Applicable

H. FIRE SPRINKLER/SYSTEM RATES:

Not Applicable

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: Ledbetter & Western Livingston County
Community, Town or City

P.S.C. KY. NO. _____

SHEET NO. _____

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

SHEET NO. _____

Ledbetter Water District

(Name of Utility)

RATES

D. SPECIAL NON-RECURRING CHARGES

Connection/Turn-on Charge	25.00
Connection/Turn-on Charge (After Hours)	40.00*
Field Collection Charge	25.00
Late Payment Penalty	10%
Meter Relocation Charge	Actual Cost
Meter Re-read Charge	25.00
Meter Test Charge	25.00
Re-connection Charge	50.00
Re-connection Charge (After Hours)	65.00*
Returned Check Charge	35.00
Service Call/Investigation	25.00
Service Call/Investigation (After Hours)	40.00*

*NOTE-Regular working hours for the utility's Maintenance Staff is 7:30 am to 3:30 pm Monday through Friday, excluding holidays. Upon customer request, and subject to availability of Maintenance Staff, services may be performed outside regular working hours at the after hours rate.

DATE OF ISSUE _____
Month / Date / Year

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BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE
COMMISSION

IN CASE NO. _____ DATED _____

Ledbetter Water District

Strike-Through Tariff

FOR: Ledbetter & Western Livingston County
Community, Town or City

P. S. C. KY. NO. _____

_____ SHEET NO. _____

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

_____ SHEET NO. _____

Ledbetter Water District

(Name of Utility)

RATES

Monthly Rates

CUSTOMER CHARGE	\$5.42 Monthly Rate	\$6.59 Monthly Rate
First 25,000 gallons	\$4.42 Minimum bill	\$5.42 Minimum bill
Over 25,000 gallons	2.98 per 1,000 gallons	3.59 per 1,000 gallons

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COMMISSION

IN CASE NO. _____ DATED _____

FOR: Ledbetter & Western Livingston County
Community, Town or City

P S C. KY. NO. _____

SHEET NO. _____

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

SHEET NO. _____

Ledbetter Water District

(Name of Utility)

RATES

F. LEAK ADJUSTMENT RATE: ~~\$2.20~~ per 1,000 gallons

The rate for a leak adjustment shall be the last volumetric rate step in the declining block rate design of the current rate structure.

See Leak Adjustment Policy in Rules and Regulations. The customer will pay his/her average bill for the previous 6 months and all usage over the average is billed at the Leak Adjustment Rate.

G. WHOLESALE WATER RATES:

Not Applicable

H. FIRE SPRINKLER/SYSTEM RATES:

Not Applicable.

DATE OF ISSUE _____
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COMMISSION

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FOR: Ledbetter & Western Livingston County
Community, Town or City

P.S.C. KY NO. _____

SHEET NO. _____

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

SHEET NO. _____

Ledbetter Water District

(Name of Utility)

RATES

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Meter Test Charge	25.00	
Re-connection Charge	50.00	
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Returned Check Charge	25.00	35.00
Service Call/Investigation	25.00	
Service Call/Investigation (After Hours)	40.00*	

*NOTE-Regular working hours for the utility's Maintenance Staff is 7:30 am to 3:30 pm Monday through Friday, excluding holidays. Upon customer request, and subject to availability of Maintenance Staff, services may be performed outside regular working hours at the after hours rate.

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ISSUED BY _____
(Signature of Officer)

TITLE _____

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE
COMMISSION

IN CASE NO. _____ DATED _____

LEDBETTER WATER DISTRICT
 STATEMENTS OF NET ASSETS
 As of December 31, 2006

ASSETS

CURRENT ASSETS

Unrestricted cash	\$ 52,811
Restricted cash and cash equivalents	43,280
Accounts receivable	26,261
Other current assets	4,403
	<u>126,755</u>

CAPITAL ASSETS

Utility plant in service	1,937,100
Less accumulated depreciation	<u>(930,190)</u>
	<u>1,006,910</u>

Total assets	<u>\$ 1,133,665</u>
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LIABILITIES

CURRENT LIABILITIES

Bonds and notes payable	\$ 23,000
Accounts payable, trade	12,318
Other accrued expenses and current liabilities	69,682
	<u>105,000</u>

NON CURRENT LIABILITIES

Water district (revenue bonds)	<u>215,000</u>
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Total liabilities	<u>\$ 320,000</u>
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NET ASSETS

Invested in capital assets, net of related debt	\$ 734,773
Restricted for debt service	43,280
Unrestricted	35,612
	<u>813,665</u>

Total net assets	<u>\$ 813,665</u>
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Ledbetter Water District

COST OF SERVICE STUDY

Allocation of Plant Value				
	Total	Commodity	Demand	Customer
Land & Land Rights	\$4,430		\$4,430	
Structures and Improvements	725,780		725,780	
Pumping Equipment	49,612		49,612	
Water Treatment Equipment	61,994		61,994	
Distribution Reservoirs & Standpipes	159,069		159,069	
Supply Mains	18,000		18,000	
Transmission & Distribution Mains	507,660		507,660	
Services	69,393			\$69,393
Meters & Meter Installations	155,191			155,191
Hydrants	27,940			27,940
Subtotal	\$1,779,069		\$1,526,545	\$252,524
Other Plant & Equipment	\$43,587		\$37,398	\$6,189
Office Furniture & Equipment	44,226		37,946	6,280
Transportation Equipment	47,014		40,338	6,676
Tools, Shop & Garage Equipment	23,204		19,909	3,295
Total	\$1,937,100		\$1,662,136	\$274,964
Allocation Percentages	100%		85.8%	14.2%

Source: PSC Annual Report 2006

Allocation of Depreciation				
	Total	Commodity	Demand	Customer
Structures and Improvements	\$373,416		\$373,416	
Pumping Equipment	40,144		40,144	
Water Treatment Equipment	42,514		42,514	
Dist Reservoirs & Standpipes	56,152		56,152	
Transmission & Distribution Mains	182,708		182,708	
Services	29,208			29,208
Meters	67,881			67,881
Hydrants	9,165			9,165
Subtotal	\$801,188		\$694,934	\$106,254
Other Plant & Misc Equipment	\$19,959		17,304	2,655
Office Furniture & Equipment	42,370		36,735	5,635
Transportation Equipment	43,969		38,121	5,848
Tools, Shop & Garage Equip.	22,704		19,684	3,020
Total	\$930,190		\$806,778	\$123,412
Allocation Percentages	100%		86.7%	13.3%

Source: PSC Annual Report 2006

Allocation of Operation & Maintenance Expense				
	Total	Commodity	Demand	Customer
Salaries - Employees	\$120,787		\$71,651	\$49,136
Employee Penisons & Benefits	44,274		32,366	11,908
Purchased Water	86,000	86,000		
Purchase Power	18,157	13,073		5,084
Chemicals	19,412	19,412		
Contract Services - Water Testing	2,360	2,360		
Materials & Supplies	22,457		16,374	6,083
Contract Services-ENG	5,046		5,046	
Insurance - Workers Comp	3,292		2,502	790
Misc Expense	1,901			1,901
Subtotal	\$323,686	\$120,845	\$127,939	\$74,902
Less Commodity	(\$120,845)			
Total	\$202,841		\$127,939	\$74,902
Allocation Percentages	100%		63.1%	36.9%
Salaries - Employees	\$6,518		4,113	2,405
Salaries - Officers	3,060		1,931	1,129
Employee Penisons & Benefits	1,525		962	563
Contractual Services - Acct	1,550		978	572
Transportation Expense	3,371		2,127	1,244
Insurance - Vehicle	625		394	231
Insurance - General Liability	4,576		2,887	1,689
Insurance - Other	2,638		1,665	973
Materials & Supplies	2,890		1,824	1,066
Interest Expense	8,925		5,632	3,293
Taxes Other than Income	9,973		6,293	3,680
Amoritzation Expense	8,517		5,374	3,143
Subtotal	\$54,168		\$34,180	\$19,988
Total Operating Expenses	\$377,854	\$120,845	\$162,119	\$94,890

Source: Field Review 2007 & 2008

Allocation of Cost of Service				
	Total	Commodity	Demand	Customer
Operation & Maintenance	\$377,854	\$120,845	\$162,119	\$94,890
Debt Service ¹	40,710		34,929	5,781
Depreciation ²	46,360		40,194	6,166
General Water Service Cost	464,924	\$120,845	237,242	106,837
<i>Less:</i>				
Interest Income	(1,055)			(1,055)
Other Operating Revenue	(21,556)		(13,602)	(7,954)
Revenue Required from Rates	\$442,313	\$120,845	\$223,640	\$97,828

NOTES:

¹Debt Service has been allocated on a percentage from the Plant Value Allocation Sheet.

²Depreciation has been allocated on a percentage from the Depreciation Allocation Sheet.

Calculation of Water Rates				
	Total	Customer Charge	First 25,000 gallons	Over 25,000 gallons
Actual Water Sales:				
Thousand Gallons	66,676,275		57,787,525	8,888,750
Percent	100%		86.7%	13.3%
Weighted Sales for Demand:				
			2	1
Thousand Gallons	124,463,800		115,575,050	8,888,750
Percent	100%		92.9%	7.1%
Allocation of Volumetric Costs:				
Commodity	\$120,845		\$104,773	\$16,072
Demand	223,640		207,762	15,878
Customer	97,828	97,828		
Total	\$ 442,313	\$97,828	\$312,535	\$31,950
Number of Bills				
	14,844			
COSS Rates				
		\$6.59	\$5.42	\$3.59

Verification of Rates				
	Bills	Gallons	Rate	Revenue
Customer Charge	14,844		\$6.59	\$97,822
First 25,000 gallons		57,787,525	5.42	313,208
Over 25,000 gallons		8,888,750	3.59	31,911
Total Revenue from Rates				\$442,941
Other Income:				
Other Operating Income				21,556
Interest Income				1,055
Total Operating Revenue	14,844	66,676,275		\$465,552

Ledbetter WD Exhibit 3	Revised 2006	Adjustments	Ref.	Adjusted
Water Sales-1,237 cust	\$354,828	\$7,536 \$71,024		\$433,388
Other Op. Rev.	\$42,760	(\$21,204)		\$21,556
Total Revenues	\$397,588	\$57,356	A	\$454,944
Employee Salaries	\$143,684	(\$16,379)	B	\$127,305
Officer Salaries	\$3,900	(\$840)	C	\$3,060
Employee Benefits	\$39,722	\$6,077	D	\$45,799
Purchased Water	\$85,320	\$680	E	\$86,000
Purchased Power	\$17,456	\$701	F	\$18,157
Chemicals	\$18,662	\$750	G	\$19,412
Materials/Supplies	\$34,459	(\$9,112)	H	\$25,347
Contractual Serv.-Eng.	\$5,396	(\$350)	I	\$5,046
Contractual Serv. – Acct.	\$1,200	\$350	J	\$1,550
Contractual Serv. – Other	\$10,812	(\$10,812)	K	0
Contract. Serv. - Testing	\$2,360	0		\$2,360
Transportation Expense	\$3,371	0		\$3,371
Insurance-Vehicle	\$625	0		\$625
Insurance-Gen. Liability	\$4,576	0		\$4,576
Insurance-Workers Comp.	\$3,292	0		\$3,292
Insurance-Vehicle - Other	\$2,638	0		\$2,638
Bad Debt	0	0		0
Miscellaneous Exp.	\$1,901	0		\$1,901
<i>Util. Op. Exp.</i>	<i>\$379,374</i>	<i>(\$28,935)</i>		<i>\$350,439</i>
Depreciation Expense	\$45,920	\$440	L	\$46,360
Amortization Expense	0	\$667 \$7,850	M	\$8,517
Taxes Other Than Inc.	0	\$9,973	N	\$9,973
Total Operating Exp.	\$425,294	(\$10,005)		\$415,289
Net Operating Income	(\$27,706)	\$67,361		\$39,655
Interest Income	\$1,055	0		\$1,055
Interest Expense	(\$11,990)	\$2,065	O	(\$8,925)
Net Income	(\$38,551)			\$31,785

Calculation of Revenue Requirement and Increase:

\$ 415,289 – Adjusted Operating Expenses
 \$ 40,710 – 1.2 x DSC of \$33,925
 \$ 455,999 – Revenue Requirement
 (\$ 383,920) – Less Adjusted Revenue
 (\$ 1,055) – Less Unrestricted Interest Income
 \$ 71,024 – Required Increase (18.5% increase)

Explanatory Notes:

A. Normalized Revenues as determined by Commission Staff's billing analysis, including the proposed increase of \$71,024.

B. Employee Salaries were adjusted to reflect proforma salaries allocated 60% to water operations and 40% to sewer operations, calculated as follows:

Employee	Total 2006	½ of 2008	Annualized 2008 (2x)	Proforma
Field				
Field Tech		\$19,028.37	\$38,056.74	\$38,056.74
Assistant Distrib. Mgr.		\$18,316.97	\$36,633.94	\$36,633.94
Field Tech (gone)		\$3,729.08	0	0
Field Tech (hired 4/08)		\$5,493.00		\$30,160.00
Distribution Manager		\$21,725.46	\$43,450.92	\$43,450.92
<i>Total Field</i>	<i>\$150,995.30</i>	<i>\$68,292.88</i>		<i>\$148,301.60</i>
Office				
Office Manager		\$17,283.40		
Office Clerk		\$14,653.06		
<i>Total Office</i>	<i>\$54,932.46</i>	<i>\$31,936.46</i>	<i>\$63,872.92</i>	<i>\$63,872.92</i>
Total	\$205,927.76	\$100,229.34	\$200,458.68	\$212,174.52
			Water at 60%	\$127,305
			Sewer at 40%	\$84,869

C. Officers' Salaries were adjusted to allocate \$5,100 of proforma expense 60% to water operations (or \$3,060) and 40% to sewer operations.

D. Employee Benefits Expenses were adjusted to reflect a proforma expense level of \$76,331.64 at September 2008, which when allocated 60% to water operations equals \$45,799.

E. Purchased Water Expense was adjusted to reflect normalized purchases of 39,090,838 gallons at the current purchased water rate of \$2.20 per thousand gallons.

F. Purchased Power Expense was adjusted to reflect increased expense based upon increased proforma volumes of water produced based upon normalized sales, at a factor of 1.0401674.

G. Chemicals Expense was adjusted to reflect increased expense based upon increased proforma volumes of water produced based upon normalized sales, at a factor of 1.0401674.

H. Materials and Supplies Expense was adjusted to remove four nonrecurring or capital items totaling \$9,112 from expenses. Recovery of these expenditures has been allowed over a multi-year period in amortization or depreciation expense, as follows:

Vendor	Date	Amount	Est. Life (yrs.)	Amortization	Depreciation
McKeel Equip.	1/5/2006	\$4,259.20	50		\$85.18
G&C Supply	4/21/2006	\$905.00	5		\$181.00
Midwest Meter	10/9/2006	\$1,948.00	10		\$194.80
Yates Tank	11/10/2006	\$2,000.00	3	\$666.67	
Total		\$9,112.20		\$666.67	\$460.98

I. Contractual Services Engineering Expense was adjusted to reclassify \$350 of expense from this account to Contractual Services Accounting Expense.

J. Contractual Services Accounting Expense was adjusted to reclassify \$350 of expense to Contractual Services Accounting Expense from Contractual Services Engineering Expense.

K. Contractual Services Other Expense was adjusted to remove contractual meter reading expense payments of \$10,812, with that work now being absorbed by district employees.

L. Depreciation Expense was adjusted for two items totaling \$440. First, this expense was reduced by \$21 to reflect normalized expense based on plant at the end of 2006. Second, expense recovery of \$461 was allowed over a multi-year period for three expenditures removed from Materials and Supplies Expense.

M. Amortization Expense was adjusted by two items. The first was a three-year amortization of \$667 to allow recovery for the \$2,000 tank inspection expenditure removed from Materials and Supplies Expense over a three-year period. The second was a 10-year amortization of \$7,850 to allow recovery of an estimated expenditure to do interior painting of two water storage tanks, which are in need of immediate attention.

N. Taxes Other Than Income Expense was adjusted to reflect FICA tax of 7.65% on the employees' and officers' salaries allocated to water operations of \$130,365.

O. Interest Expense was adjusted to reflect proforma expense due in 2009.

Ledbetter WD Exhibit 4	Revised 2006	Adjustments	Ref.	Adjusted
Water Sales-1,237 cust.	\$354,828	\$7,536		\$362,364
Other Op. Rev.	\$42,760	(\$21,204)		\$21,556
Total Revenues	\$397,588	(\$13,668)	A	\$383,920
Employee Salaries	\$143,684	(\$16,379)	B	\$127,305
Officer Salaries	\$3,900	(\$840)	C	\$3,060
Employee Benefits	\$39,722	\$6,077	D	\$45,799
Purchased Water	\$85,320	\$680	E	\$86,000
Purchased Power	\$17,456	\$701	F	\$18,157
Chemicals	\$18,662	\$750	G	\$19,412
Materials/Supplies	\$34,459	(\$9,112)	H	\$25,347
Contractual Serv.-Eng.	\$5,396	(\$350)	I	\$5,046
Contractual Serv. – Acct.	\$1,200	\$350	J	\$1,550
Contractual Serv. – Other	\$10,812	(\$10,812)	K	0
Contract. Serv. - Testing	\$2,360	0		\$2,360
Transportation Expense	\$3,371	0		\$3,371
Insurance-Vehicle	\$625	0		\$625
Insurance-Gen. Liability	\$4,576	0		\$4,576
Insurance-Workers Comp.	\$3,292	0		\$3,292
Insurance-Vehicle - Other	\$2,638	0		\$2,638
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Depreciation Expense	\$45,920	\$440	L	\$46,360
Amortization Expense	0	\$667	M	\$8,517
		\$7,850		
Taxes Other Than Inc.	0	\$9,973	N	\$9,973
Total Operating Exp.	\$425,294	(\$10,005)		\$415,289
Net Operating Income	(\$27,706)	(\$3,663)		(\$31,369)
Interest Income	\$1,055	0		\$1,055
Interest Expense	(\$11,990)	\$2,065	O	(\$8,925)
Net Income	(\$38,551)			(\$39,239)

Calculation of Revenue Requirement and Increase:

\$ 415,289 – Adjusted Operating Expenses
 \$ 40,710 – 1.2 x DSC of \$33,925
 \$ 455,999 – Revenue Requirement
 (\$ 383,920) – Less Adjusted Revenue
 (\$ 1,055) – Less Unrestricted Interest Income
\$ 71,024 – Required Increase (18.5% increase)

Explanatory Notes:

A. Normalized Revenues as determined by Commission Staff's billing analysis.

B. Employee Salaries were adjusted to reflect proforma salaries allocated 60% to water operations and 40% to sewer operations, calculated as follows:

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Field Tech (gone)		\$3,729.08	0	0
Field Tech (hired 4/08)		\$5,493.00		\$30,160.00
Distribution Manager		\$21,725.46	\$43,450.92	\$43,450.92
<i>Total Field</i>	<i>\$150,995.30</i>	<i>\$68,292.88</i>		<i>\$148,301.60</i>
Office				
Office Manager		\$17,283.40		
Office Clerk		\$14,653.06		
<i>Total Office</i>	<i>\$54,932.46</i>	<i>\$31,936.46</i>	<i>\$63,872.92</i>	<i>\$63,872.92</i>
Total	\$205,927.76	\$100,229.34	\$200,458.68	\$212,174.52
			Water at 60%	\$127,305
			Sewer at 40%	\$84,869

C. Officers' Salaries were adjusted to allocate \$5,100 of proforma expense 60% to water operations (or \$3,060) and 40% to sewer operations.

D. Employee Benefits Expenses were adjusted to reflect a proforma expense level of \$76,331.64 at September 2008, which when allocated 60% to water operations equals \$45,799

E. Purchased Water Expense was adjusted to reflect normalized purchases of 39,090,838 gallons at the current purchased water rate of \$2.20 per thousand gallons.

F. Purchased Power Expense was adjusted to reflect increased expense based upon increased proforma volumes of water produced based upon normalized sales, at a factor of 1.0401674.

G. Chemicals Expense was adjusted to reflect increased expense based upon increased proforma volumes of water produced based upon normalized sales, at a factor of 1.0401674.

H. Materials and Supplies Expense was adjusted to remove four nonrecurring or capital items totaling \$9,112 from expenses. Recovery of these expenditures has been allowed over a multi-year period in amortization or depreciation expense, as follows:

Vendor	Date	Amount	Est. Life (yrs.)	Amortization	Depreciation
McKeel Equip.	1/5/2006	\$4,259.20	50		\$85.18
G&C Supply	4/21/2006	\$905.00	5		\$181.00
Midwest Meter	10/9/2006	\$1,948.00	10		\$194.80
Yates Tank	11/10/2006	\$2,000.00	3	\$666.67	
Total		\$9,112.20		\$666.67	\$460.98

I. Contractual Services Engineering Expense was adjusted to reclassify \$350 of expense from this account to Contractual Services Accounting Expense.

J. Contractual Services Accounting Expense was adjusted to reclassify \$350 of expense to Contractual Services Accounting Expense from Contractual Services Engineering Expense.

K. Contractual Services Other Expense was adjusted to remove contractual meter reading expense payments of \$10,812, with that work now being absorbed by district employees.

L. Depreciation Expense was adjusted for two items totaling \$440. First, this expense was reduced by \$21 to reflect normalized expense based on plant at the end of 2006. Second, expense recovery of \$461 was allowed over a multi-year period for three expenditures removed from Materials and Supplies Expense.

M. Amortization Expense was adjusted by two items. The first was a three-year amortization of \$667 to allow recovery for the \$2,000 tank inspection expenditure removed from Materials and Supplies Expense over a three-year period. The second was a 10-year amortization of \$7,850 to allow recovery of an estimated expenditure to do interior painting of two water storage tanks, which are in need of immediate attention.

N. Taxes Other Than Income Expense was adjusted to reflect FICA tax of 7.65% on the employees' and officers' salaries allocated to water operations of \$130,365.

O. Interest Expense was adjusted to reflect proforma expense due in 2009.

Tax Asset Detail 1/01/06 - 12/31/06

FYE: 12/31/2006

Asset *	Property Description	Date In Service	Tax Cost	Sec 179 Exp Current = c	Tax Bonus Amt	Tax Prior Depreciation	Tax Current Depreciation	Tax End Depr	Tax Net Book Value	Tax Method	Tax Period
Group: ELECTRIC PUMP EQUIPMENT											
5	MOTOR	7/12/90	110.00	0.00	0.00	110.00	0.00	110.00	0.00	S/L	10.0
6	PUMP	7/16/90	1,759.49	0.00	0.00	1,759.49	0.00	1,759.49	0.00	S/L	10.0
7	INSTALLATION PUMP	8/08/90	260.21	0.00	0.00	260.21	0.00	260.21	0.00	S/L	10.0
8	PUMP	4/11/90	645.80	0.00	0.00	645.80	0.00	645.80	0.00	S/L	10.0
9	PUMP	6/13/89	1,430.00	0.00	0.00	557.70	143.00	700.70	729.30	S/L	10.0
10	PUMP	10/09/89	389.00	0.00	0.00	151.71	38.90	190.61	198.39	S/L	10.0
11	MOTOR	5/16/90	256.46	0.00	0.00	256.46	0.00	256.46	0.00	S/L	10.0
12	230 V 3HP PUMP	2/18/91	1,615.00	0.00	0.00	1,615.00	0.00	1,615.00	0.00	S/L	10.0
13	15 HP MOTOR	3/01/91	810.00	0.00	0.00	810.00	0.00	810.00	0.00	S/L	10.0
14	THERMOSTAT	5/21/92	196.00	0.00	0.00	196.00	0.00	196.00	0.00	S/L	10.0
15	PUMP	3/20/92	354.40	0.00	0.00	354.40	0.00	354.40	0.00	S/L	10.0
16	PUMP FEEDER	7/07/92	555.98	0.00	0.00	555.98	0.00	555.98	0.00	S/L	10.0
17	BACKWASH	9/23/92	142.50	0.00	0.00	142.50	0.00	142.50	0.00	S/L	10.0
18	TIMER	9/23/92	243.00	0.00	0.00	243.00	0.00	243.00	0.00	S/L	10.0
19	PUMP EQUIPMENT	1/01/93	3,021.00	0.00	0.00	3,021.00	0.00	3,021.00	0.00	S/L	10.0
20	BOOSTER PUMP	1/01/03	1,930.50	0.00	0.00	1,930.50	0.00	1,930.50	0.00	S/L	10.0
21	PUMPS	1/01/94	7,628.26	0.00	0.00	7,628.26	0.00	7,628.26	0.00	S/L	10.0
22	PUMP	1/01/97	2,317.25	0.00	0.00	2,201.41	115.84	2,317.25	0.00	S/L	10.0
23	PUMP	1/01/97	3,757.03	0.00	0.00	3,193.47	375.70	3,569.17	187.86	S/L	10.0
24	PUMPS W/ SAFETY SWITCH IN:	1/01/99	2,806.63	0.00	0.00	1,824.30	280.66	2,104.96	701.67	S/L	10.0
25	PUMP	1/01/00	13,686.09	0.00	0.00	7,527.35	1,368.61	8,895.96	4,790.13	S/L	10.0
26	PUMP	1/01/01	1,689.80	0.00	0.00	760.41	168.98	929.39	760.41	S/L	10.0
27	PUMP & TANK	1/01/01	1,047.09	0.00	0.00	471.19	104.71	575.90	471.19	S/L	10.0
28	SAFETY EQUIPMENT	4/25/02	2,960.00	0.00	0.00	1,036.00	296.00	1,332.00	1,628.00	S/L	10.0
	ELECTRIC PUMP EQUIPMENT		49,611.49	0.00c	0.00	37,252.14	2,892.40	40,144.54	9,466.95		
Group: GENERAL PLANT											
239	MISCELLANEOUS	1/01/93	1,356.00	0.00	0.00	1,356.00	0.00	1,356.00	0.00	S/L	10.0
241	OFFICE BUILDING	1/01/74	7,131.87	0.00	0.00	4,687.07	142.64	4,829.71	2,302.16	S/L	50.0
243	FENCE	2/07/90	1,978.10	0.00	0.00	876.05	56.52	932.57	1,045.53	S/L	35.0
244	12 VALVES	4/12/91	1,116.00	0.00	0.00	1,116.00	0.00	1,116.00	0.00	S/L	10.0
247	FLAG & POLE	7/27/92	150.03	0.00	0.00	150.03	0.00	150.03	0.00	S/L	10.0
248	CARPETING	9/23/92	592.75	0.00	0.00	592.75	0.00	592.75	0.00	S/L	10.0
249	GUTTERS	1/01/95	253.75	0.00	0.00	253.75	0.00	253.75	0.00	S/L	10.0
251	NEW ROOF	7/01/94	2,619.43	0.00	0.00	549.89	52.39	602.28	2,017.15	S/L	50.0
252	DOOR	7/01/95	484.94	0.00	0.00	92.14	9.70	101.84	383.10	S/L	50.0
253	OFFICE REMODELING	1/01/99	13,086.17	0.00	0.00	1,701.20	261.72	1,962.92	11,123.25	S/L	50.0
254	FENCE	7/24/02	4,086.00	0.00	0.00	408.60	116.74	525.34	3,560.66	S/L	35.0
255	MIDDLE BLDG REMODELED	4/15/03	1,903.29	0.00	0.00	380.66	126.89	507.55	1,395.74	S/L	15.0
256	MIDDLE BLDG REMODELED	8/15/04	9,258.24	0.00	0.00	925.83	617.22	1,543.05	7,715.19	S/L	15.0
261	BUILDING ADDITION	5/18/05	1,580.00	0.00	0.00	26.33	45.14	71.47	1,508.53	S/L	35.0
	GENERAL PLANT		45,596.57	0.00c	0.00	13,116.30	1,428.96	14,545.26	31,051.31		
Group: HYDRANTS											
145	HYDRANTS	7/01/80	4,176.30	0.00	0.00	2,136.68	83.53	2,220.21	1,956.09	S/L	50.0

Tax Asset Detail 1/01/06 - 12/31/06

FYE: 12/31/2006

Asset *	Property Description	Date In Service	Tax Cost	Sec 179 Exp Current = c	Tax Bonus Amt	Tax Prior Depreciation	Tax Current Depreciation	Tax End Depr	Tax Net Book Value	Tax Method	Tax Period
Group: HYDRANTS (continued)											
146	HYDRANTS	7/01/84	303.00	0.00	0.00	130.29	6.06	136.35	166.65	S/L	50.0
147	HYDRANTS	7/01/86	1,166.57	0.00	0.00	454.95	23.33	478.28	688.29	S/L	50.0
148	HYDRANTS	9/30/87	1,442.26	0.00	0.00	526.49	28.85	555.34	886.92	S/L	50.0
149	HYDRANTS	7/01/88	309.75	0.00	0.00	108.48	6.20	114.68	195.07	S/L	50.0
150	HYDRANTS	12/07/90	925.00	0.00	0.00	286.75	18.50	305.25	619.75	S/L	50.0
151	HYDRANTS	10/15/90	450.00	0.00	0.00	139.50	9.00	148.50	301.50	S/L	50.0
152	HYDRANTS	9/08/89	200.00	0.00	0.00	66.00	4.00	70.00	130.00	S/L	50.0
153	HYDRANTS	6/13/89	341.19	0.00	0.00	112.55	6.82	119.37	221.82	S/L	50.0
154	HYDRANTS	6/13/89	330.00	0.00	0.00	108.90	6.60	115.50	214.50	S/L	50.0
155	HYDRANTS	7/01/89	1,948.66	0.00	0.00	643.03	38.97	682.00	1,266.66	S/L	50.0
156	HYDRANTS	1/01/91	2,580.00	0.00	0.00	1,068.82	73.71	1,142.53	1,437.47	S/L	35.0
157	HYDRANTS	1/01/92	2,135.00	0.00	0.00	823.50	61.00	884.50	1,250.50	S/L	35.0
158	HYDRANTS	7/01/92	2,552.61	0.00	0.00	638.14	51.05	689.19	1,863.42	S/L	50.0
159	HYDRANTS	7/01/93	1,629.95	0.00	0.00	374.90	32.60	407.50	1,222.45	S/L	50.0
160	HYDRANTS	7/01/96	363.50	0.00	0.00	61.80	7.27	69.07	294.43	S/L	50.0
161	HYDRANTS	7/01/97	1,919.00	0.00	0.00	287.85	38.38	326.23	1,592.77	S/L	50.0
162	HYDRANTS	1/01/99	2,741.24	0.00	0.00	356.36	54.82	411.18	2,330.06	S/L	50.0
163	HYDRANTS	1/01/00	1,110.00	0.00	0.00	122.10	22.20	144.30	965.70	S/L	50.0
164	HYDRANTS	1/01/01	1,315.73	0.00	0.00	118.41	26.31	144.72	1,171.01	S/L	50.0
	HYDRANTS		27,939.76	0.00c	0.00	8,565.50	599.20	9,164.70	18,775.06		
Group: INTANGIBLES											
3	INTANGIBLE	7/01/71	949.76	0.00	0.00	0.00	0.00	0.00	949.76	Memo	0.0
	INTANGIBLES		949.76	0.00c	0.00	0.00	0.00	0.00	949.76		
Group: LAND											
1	LAND	7/01/71	2,700.00	0.00	0.00	0.00	0.00	0.00	2,700.00	Land	0.0
2	LAND IMPROVEMENT	11/13/92	780.00	0.00	0.00	0.00	0.00	0.00	780.00	Land	0.0
4	ASPHALT	1/01/93	4,000.00	0.00	0.00	1,000.00	80.00	1,080.00	2,920.00	S/L	50.0
	LAND		7,480.00	0.00c	0.00	1,000.00	80.00	1,080.00	6,400.00		
Group: MAINS											
49	MAINS	7/01/73	2,187.46	0.00	0.00	1,414.57	43.75	1,458.32	729.14	S/L	50.0
50	MAINS	7/01/74	1,928.18	0.00	0.00	1,233.94	38.56	1,272.50	655.68	S/L	50.0
51	MAINS	7/01/75	6,020.11	0.00	0.00	3,732.41	120.40	3,852.81	2,167.30	S/L	50.0
52	MAINS	7/01/76	5,131.96	0.00	0.00	3,079.20	102.64	3,181.84	1,950.12	S/L	50.0
53	MAINS	7/01/77	8,301.91	0.00	0.00	4,649.11	166.04	4,815.15	3,486.76	S/L	50.0
54	MAINS	7/01/78	3,254.71	0.00	0.00	1,822.57	65.09	1,887.66	1,367.05	S/L	50.0
55	MAINS	7/01/79	11,902.94	0.00	0.00	6,308.58	238.06	6,546.64	5,356.30	S/L	50.0
56	MAINS	7/01/80	167,902.75	0.00	0.00	85,886.01	3,358.06	89,244.07	78,658.68	S/L	50.0
57	MAINS	7/01/81	19,880.43	0.00	0.00	9,741.42	397.61	10,139.03	9,741.40	S/L	50.0
58	MAINS	7/01/82	11,380.65	0.00	0.00	5,348.86	227.61	5,576.47	5,804.18	S/L	50.0
59	MAINS	7/01/83	10,680.73	0.00	0.00	4,913.05	213.61	5,126.66	5,554.07	S/L	50.0
60	MAINS	7/01/84	909.30	0.00	0.00	391.07	18.19	409.26	500.04	S/L	50.0

Tax Asset Detail 1/01/06 - 12/31/06

FYE: 12/31/2006

Asset *	Property Description	Date In Service	Tax Cost	Sec 179 Exp Current = c	Tax Bonus Amt	Tax Depreciation	Tax Current Depreciation	Tax End Depr	Tax Net Book Value	Tax Method	Tax Period
Group: MAINS (continued)											
61	MAINS	7/01/85	352.36	0.00	0.00	144.51	7.05	151.56	200.80	S/L	50.0
62	MAINS	7/01/86	3,361.86	0.00	0.00	1,311.17	67.24	1,378.41	1,983.45	S/L	50.0
63	MAINS	11/15/87	20,200.63	0.00	0.00	7,339.53	404.01	7,743.54	12,457.09	S/L	50.0
64	BARRELL	4/11/90	585.86	0.00	0.00	585.86	0.00	585.86	0.00	S/L	10.0
65	PVC LINES	11/01/90	2,244.95	0.00	0.00	695.95	44.90	740.85	1,504.10	S/L	50.0
66	MAINS	7/01/89	34,123.42	0.00	0.00	11,260.74	682.47	11,943.21	22,180.21	S/L	50.0
67	HYDRANTS	5/01/89	156.61	0.00	0.00	51.66	3.13	54.79	101.82	S/L	50.0
68	MAINS	7/01/89	544.20	0.00	0.00	179.54	10.88	190.42	353.78	S/L	50.0
69	MAINS	6/01/90	1,004.32	0.00	0.00	311.37	20.09	331.46	672.86	S/L	50.0
70	PVC LINES	9/26/90	2,029.48	0.00	0.00	629.14	40.59	669.73	1,359.75	S/L	50.0
71	MAINS	1/01/91	19,097.86	0.00	0.00	7,911.95	545.65	8,457.60	10,640.26	S/L	35.0
72	CHART RECORDER	6/09/92	350.00	0.00	0.00	135.00	10.00	145.00	205.00	S/L	35.0
73	PVC LINES	1/01/92	3,682.18	0.00	0.00	1,420.31	105.21	1,525.52	2,156.66	S/L	35.0
74	MAINS	1/01/93	7,981.96	0.00	0.00	1,995.50	159.64	2,155.14	5,826.82	S/L	50.0
75	MAINS	1/01/94	17,669.69	0.00	0.00	4,064.01	353.39	4,417.40	13,252.29	S/L	50.0
76	MAINS	1/01/94	10,062.04	0.00	0.00	2,113.02	201.24	2,314.26	7,747.78	S/L	50.0
77	MAINS	1/01/96	9,931.92	0.00	0.00	1,887.07	198.64	2,085.71	7,846.21	S/L	50.0
78	PIPE	1/01/97	4,458.27	0.00	0.00	757.92	89.17	847.09	3,611.18	S/L	50.0
79	MAINS	1/01/98	1,358.00	0.00	0.00	203.70	27.16	230.86	1,127.14	S/L	50.0
80	MAINS	1/01/99	1,015.06	0.00	0.00	131.96	20.30	152.26	862.80	S/L	50.0
81	MAINS	1/01/00	1,791.60	0.00	0.00	197.08	35.83	232.91	1,558.69	S/L	50.0
82	DISTRIBUTION EQUIPMENT	5/30/02	2,244.14	0.00	0.00	157.09	44.88	201.97	2,042.17	S/L	50.0
83	DISTRIBUTION EQUIPMENT	7/08/02	904.76	0.00	0.00	63.34	18.10	81.44	823.32	S/L	50.0
84	MAIN EXT-TERRIE SMITH	1/14/03	2,786.48	0.00	0.00	167.19	55.73	222.92	2,563.56	S/L	50.0
85	VALVES	11/11/03	2,207.03	0.00	0.00	132.42	44.14	176.56	2,030.47	S/L	50.0
262	WATERLINE EXTENSION	12/31/05	108,033.70	0.00	0.00	0.00	2,160.67	2,160.67	105,873.03	S/L	50.0
263	CONTRA RD EXTENSION	12/29/06	18,000.00	0.00c	0.00	0.00	0.00	0.00	18,000.00	S/L	50.0
	MAINS		525,659.51	0.00c	0.00	172,367.82	10,339.73	182,707.55	342,951.96		
Group: METER INSTALLATIONS											
117	METER INSTALLATION	7/01/80	3,128.72	0.00	0.00	1,600.66	62.57	1,663.23	1,465.49	S/L	50.0
118	METER INSTALLATION	7/01/84	1,565.17	0.00	0.00	672.97	31.30	704.27	860.90	S/L	50.0
119	METER INSTALLATION	7/01/85	506.16	0.00	0.00	207.48	10.12	217.60	288.56	S/L	50.0
120	METER INSTALLATION	7/01/86	2,754.50	0.00	0.00	1,369.38	55.09	1,424.47	1,330.03	S/L	50.0
121	METER INSTALLATION	7/01/87	1,675.46	0.00	0.00	785.08	33.51	818.59	856.87	S/L	50.0
122	METER INSTALLATION	7/01/88	3,810.13	0.00	0.00	1,676.44	76.20	1,752.64	2,057.49	S/L	50.0
124	METER INSTALLATION	3/07/90	90.00	0.00	0.00	39.85	2.57	42.42	47.58	S/L	35.0
	METER INSTALLATIONS		13,530.14	0.00c	0.00	6,351.86	271.36	6,623.22	6,906.92		
Group: METERS											
101	METERS	7/01/73	1,566.32	0.00	0.00	729.36	31.33	760.69	805.63	S/L	50.0
102	METERS	7/01/74	5,685.59	0.00	0.00	3,248.73	113.71	3,362.44	2,323.15	S/L	50.0
103	METERS	7/01/75	6,025.59	0.00	0.00	3,735.82	120.51	3,856.33	2,169.26	S/L	50.0
104	METERS	7/01/76	6,249.69	0.00	0.00	3,749.72	124.99	3,874.71	2,374.98	S/L	50.0
105	METERS	7/01/77	5,180.31	0.00	0.00	2,901.06	103.61	3,004.67	2,175.64	S/L	50.0
106	METERS	7/01/78	14,714.57	0.00	0.00	8,240.17	294.29	8,534.46	6,180.11	S/L	50.0

Tax Asset Detail 1/01/06 - 12/31/06

FYE: 12/31/2006

Asset *	Property Description	Date In Service	Tax Cost	Sec 179 Exp Current = c	Tax Bonus Amt	Tax Prior Depreciation	Tax Current Depreciation	Tax End Depr	Tax Net Book Value	Tax Method	Tax Period
Group: METERS (continued)											
107	METERS	7/01/79	7,254.01	0.00	0.00	3,846.62	145.08	3,991.70	3,262.31	S/L	50.0
108	METERS	7/01/80	8,431.81	0.00	0.00	4,300.30	168.64	4,468.94	3,962.87	S/L	50.0
109	METERS	7/01/81	4,553.47	0.00	0.00	2,231.20	91.07	2,322.27	2,231.20	S/L	50.0
110	METERS	7/01/82	3,982.36	0.00	0.00	1,869.06	79.65	1,948.71	2,033.65	S/L	50.0
111	METERS	7/01/83	7,427.48	0.00	0.00	3,416.65	148.55	3,565.20	3,862.28	S/L	50.0
112	METERS	7/01/84	465.98	0.00	0.00	200.38	9.32	209.70	256.28	S/L	50.0
113	METERS	7/01/85	1,443.38	0.00	0.00	591.82	28.87	620.69	822.69	S/L	50.0
114	METERS	7/01/86	641.00	0.00	0.00	357.07	18.31	375.38	265.62	S/L	35.0
115	METERS	7/01/87	958.68	0.00	0.00	506.72	27.39	534.11	424.57	S/L	35.0
116	METERS	7/01/88	986.16	0.00	0.00	493.13	28.18	521.31	464.85	S/L	35.0
123	METER BOXES	12/07/90	144.00	0.00	0.00	63.74	4.11	67.85	76.15	S/L	35.0
125	METERS	4/11/90	349.80	0.00	0.00	154.88	9.99	164.87	184.93	S/L	35.0
126	METERS	6/01/90	4,494.36	0.00	0.00	1,990.52	128.41	2,118.93	2,375.43	S/L	35.0
127	METER BOXES	7/01/89	208.00	0.00	0.00	98.02	5.94	103.96	104.04	S/L	35.0
128	METER ASSEMBLY	11/10/89	225.00	0.00	0.00	106.08	6.43	112.51	112.49	S/L	35.0
129	METER INSTALLATION	7/01/89	565.00	0.00	0.00	266.32	16.14	282.46	282.54	S/L	35.0
130	METERS	7/01/89	3,017.16	0.00	0.00	995.63	60.34	1,055.97	1,961.19	S/L	50.0
131	METERS	1/01/91	12,776.94	0.00	0.00	5,293.38	365.06	5,658.44	7,118.50	S/L	35.0
132	METERS	1/01/92	7,708.90	0.00	0.00	2,973.40	220.25	3,193.65	4,515.25	S/L	35.0
133	METER BOXES	10/21/92	335.00	0.00	0.00	129.21	9.57	138.78	196.22	S/L	35.0
134	METER PIT DOOR	11/13/92	865.00	0.00	0.00	333.62	24.71	358.33	506.67	S/L	35.0
135	METERS	7/01/92	1,459.50	0.00	0.00	364.88	29.19	394.07	1,065.43	S/L	50.0
136	METERS	7/01/93	6,813.78	0.00	0.00	1,567.19	136.28	1,703.47	5,110.31	S/L	50.0
137	METERS	7/01/94	5,103.46	0.00	0.00	1,071.73	102.07	1,173.80	3,929.66	S/L	50.0
138	METERS	7/01/96	3,192.87	0.00	0.00	542.80	63.86	606.66	2,586.21	S/L	50.0
139	METERS	7/01/97	1,983.66	0.00	0.00	297.54	39.67	337.21	1,646.45	S/L	50.0
140	METERS	1/01/99	2,159.50	0.00	0.00	313.87	43.19	357.06	1,802.44	S/L	50.0
141	METERS	1/01/00	5,473.21	0.00	0.00	568.92	109.46	678.38	4,794.83	S/L	50.0
142	METERS	1/01/01	2,713.20	0.00	0.00	244.19	54.26	298.45	2,414.75	S/L	50.0
143	METERS	10/09/02	2,322.00	0.00	0.00	162.54	46.44	208.98	2,113.02	S/L	50.0
144	METERS	7/14/03	1,289.85	0.00	0.00	110.56	36.85	147.41	1,142.44	S/L	35.0
257	(12) METERS	3/15/05	954.10	0.00	0.00	22.72	27.26	49.98	904.12	S/L	35.0
259	WATER METERS	4/15/05	1,049.74	0.00	0.00	22.49	29.99	52.48	997.26	S/L	35.0
260	METERS	5/12/05	890.08	0.00	0.00	16.95	25.43	42.38	847.70	S/L	35.0
	METERS		141,660.51	0.00c	0.00	58,128.99	3,128.40	61,257.39	80,403.12		
Group: OFFICE FURNITURE											
168	MISC OFFICE FURNITURE	1/01/81	9,499.38	0.00	0.00	9,499.38	0.00	9,499.38	0.00	S/L	10.0
169	TYPEWRITER	7/01/85	649.00	0.00	0.00	649.00	0.00	649.00	0.00	S/L	10.0
170	MINOLTA 350	3/10/86	1,445.00	0.00	0.00	1,445.00	0.00	1,445.00	0.00	S/L	10.0
171	SHARP CALCULATOR	9/01/86	134.55	0.00	0.00	134.55	0.00	134.55	0.00	S/L	10.0
172	SECRETARY CHAIR	1/09/90	62.95	0.00	0.00	62.95	0.00	62.95	0.00	S/L	7.0
173	SHELVES/BLINDS	5/01/90	90.39	0.00	0.00	90.39	0.00	90.39	0.00	S/L	7.0
174	AIR CONDITIONER	6/26/90	257.00	0.00	0.00	257.00	0.00	257.00	0.00	S/L	7.0
175	TELEPHONE	8/20/90	85.89	0.00	0.00	85.89	0.00	85.89	0.00	S/L	7.0
176	OFFICE LIGHTS	4/11/89	249.91	0.00	0.00	249.91	0.00	249.91	0.00	S/L	10.0
177	FILING CABINET	12/01/90	175.00	0.00	0.00	175.00	0.00	175.00	0.00	S/L	7.0

Tax Asset Detail 1/01/06 - 12/31/06

FYE: 12/31/2006

Asset *	Property Description	Date In Service	Tax Cost	Sec 179 Exp Current = c	Tax Bonus Amt	Tax Prior Depreciation	Tax Current Depreciation	Tax End Depr	Tax Net Book Value	Tax Method	Tax Period
Group: OFFICE FURNITURE (continued)											
178	TIME CLOCK	4/06/90	230.00	0.00	0.00	230.00	0.00	230.00	0.00	S/L	7.0
179	WORD PERFECT	4/12/91	271.95	0.00	0.00	271.95	0.00	271.95	0.00	S/L	5.0
180	COPIER	7/26/91	1,796.70	0.00	0.00	1,796.70	0.00	1,796.70	0.00	S/L	7.0
181	DESK	9/17/92	750.00	0.00	0.00	750.00	0.00	750.00	0.00	S/L	10.0
182	CHAIRS	10/12/92	62.00	0.00	0.00	62.00	0.00	62.00	0.00	S/L	10.0
183	FILING CABINET	10/21/92	398.76	0.00	0.00	398.76	0.00	398.76	0.00	S/L	10.0
184	COUNTER TOP	1/01/93	135.00	0.00	0.00	135.00	0.00	135.00	0.00	S/L	10.0
185	DESK CHAIRS, TIME CLOCK	1/01/94	768.07	0.00	0.00	768.07	0.00	768.07	0.00	S/L	10.0
186	AIR CONDITIONER	1/01/94	407.99	0.00	0.00	407.99	0.00	407.99	0.00	S/L	10.0
187	SOFTWARE	1/01/94	356.50	0.00	0.00	356.50	0.00	356.50	0.00	S/L	5.0
188	MONITOR	1/01/94	225.00	0.00	0.00	225.00	0.00	225.00	0.00	S/L	5.0
189	OFFICE FURN & EQUIP	7/01/94	907.93	0.00	0.00	907.93	0.00	907.93	0.00	S/L	10.0
190	FAX MACHINE	7/01/94	211.94	0.00	0.00	201.33	10.61	211.94	0.00	S/L	10.0
191	MICROWAVE	7/01/94	89.00	0.00	0.00	89.00	0.00	89.00	0.00	S/L	5.0
192	COMPUTER	1/01/94	1,790.00	0.00	0.00	1,790.00	0.00	1,790.00	0.00	S/L	5.0
193	SOFTWARE INSTALLATION	7/01/94	6,000.00	0.00	0.00	6,000.00	0.00	6,000.00	0.00	S/L	5.0
194	SOFTWARE DOWNPAYMETN	7/01/94	6,042.00	0.00	0.00	6,042.00	0.00	6,042.00	0.00	S/L	5.0
195	AIR PURIFIER	7/01/94	399.00	0.00	0.00	399.00	0.00	399.00	0.00	S/L	5.0
196	TAPE BACKUP SYSTEM	7/01/94	318.00	0.00	0.00	318.00	0.00	318.00	0.00	S/L	5.0
197	OFFICE FURNITURE	1/01/99	497.69	0.00	0.00	497.69	0.00	497.69	0.00	S/L	5.0
198	COMPUTER	1/01/01	990.00	0.00	0.00	891.00	99.00	990.00	0.00	S/L	5.0
199	HAND COMPUTER	1/01/01	2,285.00	0.00	0.00	2,056.50	228.50	2,285.00	0.00	S/L	5.0
200	COMPUTER	12/05/03	4,010.24	0.00	0.00	2,406.15	802.05	3,208.20	802.04	S/L	5.0
201	OFFICE FURNITURE	9/07/04	2,634.00	0.00	0.00	1,053.60	526.80	1,580.40	1,053.60	S/L	5.0
	OFFICE FURNITURE		44,225.84	0.00c	0.00	40,703.24	1,666.96	42,370.20	1,855.64		
Group: OTHER MISC EQUIPMENT											
165	METER READING EQUIP	7/01/94	10,679.00	0.00	0.00	10,679.00	0.00	10,679.00	0.00	S/L	10.0
166	TRENCHER	7/01/01	13,750.00	0.00	0.00	6,187.50	1,375.00	7,562.50	6,187.50	S/L	10.0
167	SAFETY EQUIPMENT	7/01/03	2,171.39	0.00	0.00	651.42	217.14	868.56	1,302.83	S/L	10.0
264	RUGGED HANDHELD	7/05/06	16,987.00	0.00c	0.00	0.00	849.35	849.35	16,137.65	S/L	10.0
	OTHER MISC EQUIPMENT		43,587.39	0.00c	0.00	17,517.92	2,441.49	19,959.41	23,627.98		
Group: SERVICES											
86	SERVICES	7/01/84	3,727.78	0.00	0.00	1,619.12	74.56	1,693.68	2,034.10	S/L	50.0
87	SERVICES	7/01/85	649.03	0.00	0.00	266.09	12.98	279.07	369.96	S/L	50.0
88	SERVICES	7/01/86	4,995.29	0.00	0.00	2,483.35	99.91	2,583.26	2,412.03	S/L	50.0
89	SERVICES	7/01/87	6,465.59	0.00	0.00	3,029.58	129.31	3,158.89	3,306.70	S/L	50.0
90	SERVICES	7/01/88	3,113.57	0.00	0.00	1,369.98	62.27	1,432.25	1,681.32	S/L	50.0
91	TAP ON	10/02/90	662.00	0.00	0.00	205.22	13.24	218.46	443.54	S/L	50.0
92	SERVICES MAIN	7/01/89	20,483.00	0.00	0.00	9,656.28	585.23	10,241.51	10,241.49	S/L	35.0
93	SERVICES MAIN	7/01/89	1,070.00	0.00	0.00	504.42	30.57	534.99	535.01	S/L	35.0
94	TAP ON	6/01/90	2,840.50	0.00	0.00	880.56	56.81	937.37	1,903.13	S/L	50.0
95	TAP ON	1/01/91	2,910.60	0.00	0.00	1,205.82	83.16	1,288.98	1,621.62	S/L	35.0
96	SERVICES	1/01/91	4,598.25	0.00	0.00	1,905.00	131.38	2,036.38	2,561.87	S/L	35.0
97	TAPS	1/01/92	5,338.93	0.00	0.00	1,441.52	106.78	1,548.30	3,790.63	S/L	50.0

Tax Asset Detail 1/01/06 - 12/31/06

FYE: 12/31/2006

Asset *	Property Description	Date In Service	Tax Cost	Sec 179 Exp Current = c	Tax Bonus Amt	Tax Prior Depreciation	Tax Current Depreciation	Tax End Depr	Tax Net Book Value	Tax Method	Tax Period
Group: SERVICES (continued)											
98	SERVICES	7/01/92	9,310.74	0.00	0.00	2,327.65	186.21	2,513.86	6,796.88	S/L	50.0
99	TAP ON	7/01/93	1,577.50	0.00	0.00	362.83	31.55	394.38	1,183.12	S/L	50.0
100	INSTALL SEWER LINE	7/01/95	1,650.00	0.00	0.00	313.50	33.00	346.50	1,303.50	S/L	50.0
	SERVICES		69,392.78	0.00c	0.00	27,570.92	1,636.96	29,207.88	40,184.90		
Group: TANKS											
40	STANDPIPES	7/01/79	58,687.12	0.00	0.00	29,934.63	1,173.74	31,108.37	27,578.75	S/L	50.0
41	STANDPIPES	7/01/86	2,991.57	0.00	0.00	1,166.70	59.83	1,226.53	1,765.04	S/L	50.0
42	SAFETY CLIMB	1/01/91	1,150.00	0.00	0.00	1,150.00	0.00	1,150.00	0.00	S/L	10.0
43	SANDBLAST CLARIFIED	12/10/92	1,330.40	0.00	0.00	359.22	26.61	385.83	944.57	S/L	50.0
44	PANT TANKS	1/01/93	36,150.00	0.00	0.00	9,037.50	723.00	9,760.50	26,389.50	S/L	50.0
45	GATE ON TANKS	1/01/93	1,700.00	0.00	0.00	391.00	34.00	425.00	1,275.00	S/L	50.0
46	TANKS	6/01/04	5,721.70	0.00	0.00	1,201.50	114.43	1,315.93	4,405.77	S/L	50.0
47	TANK GAGE	1/01/94	148.00	0.00	0.00	28.12	2.96	31.08	116.92	S/L	50.0
48	PAINTING TANK	7/01/95	51,190.00	0.00	0.00	9,726.10	1,023.80	10,749.90	40,440.10	S/L	50.0
	TANKS		159,068.79	0.00c	0.00	52,994.77	3,158.37	56,153.14	102,915.65		
Group: TOOLS & SHOP EQUIPMENT											
208	TOOLS	1/01/81	120.00	0.00	0.00	120.00	0.00	120.00	0.00	S/L	5.0
209	TOOLS	11/10/89	178.00	0.00	0.00	178.00	0.00	178.00	0.00	S/L	10.0
210	DRILL	4/11/90	89.95	0.00	0.00	89.95	0.00	89.95	0.00	S/L	7.0
211	WEEDEATER	10/15/90	199.99	0.00	0.00	199.99	0.00	199.99	0.00	S/L	7.0
212	SCALES	2/13/91	211.97	0.00	0.00	211.97	0.00	211.97	0.00	S/L	10.0
213	LADDER	9/21/92	187.00	0.00	0.00	187.00	0.00	187.00	0.00	S/L	10.0
214	MOWER RAMP	6/09/92	130.87	0.00	0.00	130.87	0.00	130.87	0.00	S/L	7.0
215	TRAILER	7/09/92	470.00	0.00	0.00	470.00	0.00	470.00	0.00	S/L	7.0
216	MOWER	1/01/93	5,456.10	0.00	0.00	5,456.10	0.00	5,456.10	0.00	S/L	10.0
217	ROTO WITCH	1/01/93	2,473.83	0.00	0.00	2,473.83	0.00	2,473.83	0.00	S/L	10.0
218	DRILL	1/01/95	181.77	0.00	0.00	181.77	0.00	181.77	0.00	S/L	10.0
219	GAS DETECTOR	1/01/95	785.00	0.00	0.00	785.00	0.00	785.00	0.00	S/L	10.0
220	CHAINSAWS	7/01/94	100.00	0.00	0.00	100.00	0.00	100.00	0.00	S/L	10.0
221	PVC CUTTERS	7/01/95	311.00	0.00	0.00	311.00	0.00	311.00	0.00	S/L	5.0
222	VACUUM	7/01/95	139.99	0.00	0.00	139.99	0.00	139.99	0.00	S/L	5.0
223	PRESSURE WASHER	7/01/95	239.00	0.00	0.00	239.00	0.00	239.00	0.00	S/L	5.0
224	AIR CONDITIONER	7/01/95	219.00	0.00	0.00	219.00	0.00	219.00	0.00	S/L	5.0
225	RADIOS	1/01/99	1,690.00	0.00	0.00	1,690.00	0.00	1,690.00	0.00	S/L	5.0
226	SCALES	1/01/99	1,122.02	0.00	0.00	1,122.02	0.00	1,122.02	0.00	S/L	5.0
227	TIME CLOCK	1/01/99	231.13	0.00	0.00	231.13	0.00	231.13	0.00	S/L	5.0
228	BUFFER	1/01/99	650.00	0.00	0.00	650.00	0.00	650.00	0.00	S/L	5.0
229	AIR PAK	1/01/99	1,796.93	0.00	0.00	1,796.93	0.00	1,796.93	0.00	S/L	5.0
230	TOOL BOX	1/01/99	89.99	0.00	0.00	89.99	0.00	89.99	0.00	S/L	5.0
231	DRILL	1/01/01	251.46	0.00	0.00	113.17	25.15	138.32	113.14	S/L	10.0
232	FLOURIDE TEST KIT	1/01/01	799.00	0.00	0.00	719.10	79.90	799.00	0.00	S/L	5.0
233	WEEDEATER	1/01/01	199.99	0.00	0.00	180.00	19.99	199.99	0.00	S/L	5.0
234	MISC EQUIPMENT	1/01/01	870.00	0.00	0.00	783.00	87.00	870.00	0.00	S/L	5.0
235	BLOWER	1/01/01	149.99	0.00	0.00	135.00	14.99	149.99	0.00	S/L	5.0

Tax Asset Detail 1/01/06 - 12/31/06

FYE: 12/31/2006

Asset *	Property Description	Date In Service	Tax Cost	Sec 179 Exp Current = c	Tax Bonus Amt	Tax Prior Depreciation	Tax Current Depreciation	Tax End Depr	Tax Net Book Value	Tax Method	Tax Period
Group: TOOLS & SHOP EQUIPMENT (continued)											
236	TRACTOR-LAWN MOWER	2/27/02	3,489.50	0.00	0.00	2,442.65	697.90	3,140.55	348.95	S/L	5.0
237	RADIOS	9/06/00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.0
238	RADIOS	9/06/02	370.00	0.00	0.00	259.00	74.00	333.00	37.00	S/L	5.0
TOOLS & SHOP EQUIPMENT			23,203.48	0.00c	0.00	21,705.46	998.93	22,704.39	499.09		
Group: VEHICLES & TRANS EQUIP											
202	VEHICLE MAJOR REPAIR	1/01/02	1,344.00	0.00	0.00	1,344.00	0.00	1,344.00	0.00	S/L	5.0
203	SERVICE TRUCK	1/01/94	15,381.00	0.00	0.00	15,381.00	0.00	15,381.00	0.00	S/L	5.0
204	UTILITY TRAILER	7/01/94	794.50	0.00	0.00	794.50	0.00	794.50	0.00	S/L	10.0
205	TRUCK	1/01/94	13,900.00	0.00	0.00	13,900.00	0.00	13,900.00	0.00	S/L	5.0
206	TRUCK SIGNS	6/04/92	370.00	0.00	0.00	370.00	0.00	370.00	0.00	S/L	5.0
207	2003 CHEVY 1500 PU	3/04/03	15,225.00	0.00	0.00	9,135.00	3,045.00	12,180.00	3,045.00	S/L	5.0
VEHICLES & TRANS EQUIP			47,014.50	0.00c	0.00	40,924.50	3,045.00	43,969.50	3,045.00		
Group: WATER TREATMENT EQUIPMENT											
29	WATER TREATMENT EQUIP	7/01/86	2,386.27	0.00	0.00	930.71	47.73	978.44	1,407.83	S/L	50.0
30	TIMER	10/15/90	176.00	0.00	0.00	176.00	0.00	176.00	0.00	S/L	10.0
31	VALVES	7/19/90	464.35	0.00	0.00	464.35	0.00	464.35	0.00	S/L	10.0
32	CHLORINATOR	9/01/89	1,350.00	0.00	0.00	445.50	27.00	472.50	877.50	S/L	50.0
33	VAC REGULATOR	4/02/92	730.88	0.00	0.00	197.36	14.62	211.98	518.90	S/L	50.0
34	CHLORINATOR	10/21/92	986.93	0.00	0.00	266.48	19.74	286.22	700.71	S/L	50.0
35	EQUIPMENT	1/01/93	21,377.63	0.00	0.00	6,523.43	427.55	6,950.98	14,426.65	S/L	50.0
36	DITCH WITCH	1/01/94	23,581.00	0.00	0.00	23,581.00	0.00	23,581.00	0.00	S/L	10.0
37	TREATMENT EQUIPMENT	1/01/94	4,790.03	0.00	0.00	4,790.03	0.00	4,790.03	0.00	S/L	10.0
38	WATER TREATMENT EQUIPME	1/01/96	3,973.33	0.00	0.00	3,973.33	0.00	3,973.33	0.00	S/L	10.0
39	FAN	1/01/99	319.25	0.00	0.00	319.26	0.00	319.26	-0.01	S/L	5.0
258	CHLORINATOR (50 ppd)	4/28/05	1,857.97	0.00	0.00	123.86	185.80	309.66	1,548.31	S/L	10.0
WATER TREATMENT EQUIPMENT			61,993.64	0.00c	0.00	41,791.31	722.44	42,513.75	19,479.89		
Group: WATER TREATMENT STRUCTURE											
240	WATER TREATMENT PLANT	7/01/97	664,672.20	0.00	0.00	341,092.81	13,293.44	354,386.25	310,285.95	S/L	50.0
242	SEPTIC SYSTEM	2/01/89	1,670.79	0.00	0.00	551.41	33.42	584.83	1,085.96	S/L	50.0
245	107 ph METER	2/04/91	444.54	0.00	0.00	444.54	0.00	444.54	0.00	S/L	10.0
246	LADDERGUARD	1/01/92	275.00	0.00	0.00	275.00	0.00	275.00	0.00	S/L	10.0
250	WATER TREATMENT STRUCTU	1/01/95	9,123.61	0.00	0.00	1,916.12	182.47	2,098.59	7,025.02	S/L	50.0
WATER TREATMENT STRUCTURE			676,186.14	0.00c	0.00	344,279.88	13,509.33	357,789.21	318,396.93		
Grand Total			1,937,100.30	0.00c	0.00	884,270.61	45,919.53	930,190.14	1,006,910.16		

Ledbetter Water District

Billing Analysis

Current Rates

Billing Analysis for: Ledbetter Water District
Meter Size: 5/8 inch
Test Period From: January through December 2006

	USAGE	BILLS	GALLONS	FIRST 25,000	NEXT 25,000
FIRST	25,000	14762	55,737,525	55,737,525	
OVER	25,000	82	10,938,750	2,050,000	8,888,750
		14844	66,676,275	57,787,525	8,888,750

**REVENUE BY RATE
 INCREMENT**

	USAGE	BILLS	GALLONS	RATE	REVENUE
FIRST	25,000		57,787,525	\$4.42	\$255,421
NEXT	25,000		8,888,750	2.98	26,488
Customer Charge	0	14844	0	5.42	80,454
TOTAL		14844	66,676,275		\$362,364

Ledbetter Water District

Billing Analysis

Proposed Rates

Billing Analysis for: Ledbetter Water District
Meter Size: 5/8 inch
Test Period From: January through December 2006

	USAGE	BILLS	GALLONS	FIRST 25,000	NEXT 25,000
FIRST	25,000	14762	55,737,525	55,737,525	
OVER	25,000	82	10,938,750	2,050,000	8,888,750
		14844	66,676,275	57,787,525	8,888,750

REVENUE BY RATE INCREMENT

		BILLS	GALLONS	RATE	REVENUE
FIRST	25,000		57,787,525	\$5.42	\$313,208
OVER	25,000		8,888,750	3.59	31,911
Customer Charge		14844		6.59	97,822
TOTAL		14844	66,676,275		\$442,941

Comparison of Rates				
Ledbetter Water District				
Gallon Usage	Current Rates	Cost of Service Rates	Increase	Percentage
0	\$5.42	\$6.59	\$1.17	21.6%
2,000	14.26	17.43	3.17	22.2%
3,000	18.68	22.85	4.17	22.3%
4,000	23.10	28.27	5.17	22.4%
5,000	27.52	33.69	6.17	22.4%
6,000	31.94	39.11	7.17	22.4%
7,000	36.36	44.53	8.17	22.5%
8,000	40.78	49.95	9.17	22.5%
9,000	44.20	54.20	10.00	22.6%
10,000	49.62	60.79	11.17	22.5%
15,000	71.72	87.89	16.17	22.5%
20,000	93.82	114.99	21.17	22.6%
25,000	115.92	142.09	26.17	22.6%
30,000	130.82	160.04	29.22	22.3%
40,000	160.62	195.94	35.32	22.0%
50,000	190.42	231.84	41.42	21.8%
100,000	339.42	411.34	71.92	21.2%
250,000	786.42	949.84	163.42	20.8%
500,000	1,531.42	1,847.34	315.92	20.6%
750,000	2,276.42	2,744.84	468.42	20.6%

Comparison of Rates		
Block Usage	Current Rates	Cost of Service Rates
Customer Charge	\$5.42	\$6.59
First 25,000 gallons	4.42	5.42
Over 25,000 gallons	2.98	3.59

Effect on Customer Average Bill - 5,000 Gallons Usage			
Current Rates	Proposed Rates	Amount Increase	% Increase
\$27.52	\$33.69	\$6.17	22.40%

Ledbetter Water District

Non-Recurring Charges

NONRECURRING CHARGE COST JUSTIFICATION

Type of Charge: RETURNED CHECK CHARGE

1. Field Expense:

A. Materials (Itemize)

_____	\$ <u>0.00</u>
_____	_____
_____	_____

B. Labor (Time and Wage)

_____	_____
-------	-------

Total Field Expense **\$ 0.00**

2. Clerical and Office Expense

A. Supplies	\$ <u>5.00</u>
-------------	----------------

B. Labor	<u>20.00</u>
----------	--------------

Total Clerical and Office Expense **\$ 25.00**

3. Miscellaneous Expense

A. Transportation	\$ _____
-------------------	----------

B. Other (Itemize)

<u>BANK CHARGE</u>	<u>10.00</u>
--------------------	--------------

_____	_____
-------	-------

_____	_____
-------	-------

Total Miscellaneous Expense **\$ 10.00**

Total Nonrecurring Charge Expense **\$ 35.00**

Ledbetter Water District

Public Notice

NOTICE

Ledbetter Water District has filed an application with the Public Service Commission to increase its rates for water service. The proposed effective date of the change is January 1, 2009.

<u>Monthly Rates</u>	<u>Current</u>	<u>Proposed</u>	<u>% Increase</u>
Customer Charge	\$5.42	\$6.59 Monthly Rate	21.6%
First 25,000 gallons	4.42	5.42 Minimum bill	22.6%
Over 25,000 gallons	2.98	3.59 per 1,000 gallons	20.5%
Leak Adjustment Rate	2.20	3.59 per 1,000 gallons	63.2%*

(*Note: The Leak Adjustment rate shall be the last volumetric rate step in the declining block rate design of the current rate structure.)

The monthly bill for a customer using an average of 5,000 gallons per month will increase \$6.17 from \$27.52 to \$33.69 or 22.4%.

<u>Non-Recurring Charge</u>	<u>Current</u>	<u>Proposed</u>	<u>% Increase</u>
Returned Check Charge	\$25.00	\$35.00	40.0%

The rates contained in this notice are the rates proposed by Ledbetter Water District. However, the Public Service Commission may order rates to be charged that differ from these proposed rates. Such action may result in rates for customers other than the rates included in this notice.

Any corporation, association, body politic or person may request leave to intervene by motion within 30 days after notice of the proposed rate changes is given. The motion shall be submitted to the Public Service Commission, 211 Sower Boulevard, 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 and testimony by contacting Ledbetter Water District at 1483 US HWY 60 West, Ledbetter, KY 42058 or the Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40602, (502) 564-3940. A copy of the application and testimony shall be available for public inspection at the utility's offices.

Ledbetter Water District

NEWSLETTER

**Public Notice of Rate Increase
Copy mailed to every customer on 11/26/2008**

NOTICE

Ledbetter Water District has filed an application with the Public Service Commission to increase its rates for water service. The proposed effective date of the change is January 1, 2009.

<u>Monthly Rates</u>	<u>Current</u>	<u>Proposed</u>	<u>% Increase</u>
Customer Charge	\$5.42	\$6.59 Monthly Rate	21.6%
First 25,000 gallons	4.42	5.42 Minimum bill	22.6%
Over 25,000 gallons	2.98	3.59 per 1,000 gallons	20.5%
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Ledbetter Water District

**ANNUAL AUDIT
2006**

**Performed by
Walker and Associates, C.P.A.'S, PLLC.**

LEDBETTER WATER DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2006

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

CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Ledbetter Water District
Ledbetter, Kentucky

We have audited the financial statements of the Board of Commissioners of Ledbetter Water District as of December 31, 2006, and the related statements of revenues, expenses and changes in net assets and statement of cash flows for the year then ended. These financial statements are the responsibility of the water districts management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2008, on our consideration of the Ledbetter Water District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Walker Associates CPA's PLLC

September 9, 2008
Paducah, Kentucky

REQUIRED SUPPLEMENTAL INFORMATION

**LEDBETTER WATER DISTRICT
LEDBETTER, KENTUCKY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

This discussion and analysis of the Ledbetter Water District (the District) is offered by management as a narrative overview of the financial activities of the District for the year ended December 31, 2006. This information should be considered in conjunction with the District's financial statements that follow.

Financial Highlights

- Metered water sales dropped by \$10,603, and tap-on fees fell by \$9,200. The
- Operating expenses exclusive of depreciation decreased by \$15,410 or 5.8%. While salaries and benefits increased by 25,751, or 15.7%, this was offset by a decrease in expenses for materials, supplies and repairs of \$33,954, and a significant decrease in professional fees and outside services.

Using This Annual Report

This annual report consists of a series of financial statements: The Statement of Net Assets, The Statements of Revenues, Expenses and Changes in Net Assets and The Statement of Cash Flows. These statements provide information about the activities of the District and present a long-term view of the finances.

The Statement of Net Assets

The Statement of Net Assets includes all the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). The difference between assets and liabilities is reported as net assets. Over time increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets identifies revenues generated, expenses incurred and net assets changed during the period reported. This statement measures the success of the District's operations over the reporting period and can be used to determine if the District has successfully recovered all its cost through its water rates and other charges.

LEDBETTER WATER DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2006

The Statement of Cash Flows

The Statement of Cash Flows provides information relating to the District's cash receipts and cash disbursements during the fiscal year. The statement reports net changes in cash resulting from operations, investing, and financing activities and helps the user assess where cash came from, what cash was used for, and what changes occurred in cash balances during the reporting period.

A condensed version of the Statement of Net Assets at December 31, 2006, follows:

Net Assets at Year End

Assets:	
Receivable	26,261
Other current assets	4,403
Utility plant, less accumulated depreciation	<u>1,006,910</u>
Total assets	<u>\$ 1,133,665</u>
Liabilities:	
Accounts payable	\$ 12,318
Accrued expenses	69,682
Long term tebt	<u>238,000</u>
Total liabilities	<u>\$ 320,000</u>
Net Assets:	
Capital assets, net of related debt	\$ 734,773
Restricted for debt service	43,280
Unrestricted	<u>35,612</u>
Total net assets	<u>\$ 813,665</u>

**LEDBETTER WATER DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2006**

A condensed version of the Statement of Activities follows:

Operating Revenues:	\$ 390,210
Operating Expenses:	<u>417,915</u>
Operating Income	(27,705)
Nonoperating Revenue and Expense	(10,845)
Change in Net Assets	(38,550)
Beginning Net Assets	<u>852,215</u>
Net Assets, December 31, 2004	<u><u>\$ 813,665</u></u>

Capital Assets

At December 31, 2006, the District had \$1,006,910 invested in capital assets, including utility assets, buildings, furniture and equipment, and vehicles.

Capital Assets at Year End

Land	\$ 7,480
Utility assets	1,727,572
Furniture and equipment	155,033
Vehicles	<u>47,015</u>
	1,937,100
Less accumulated depreciation	<u>(930,190)</u>
	<u><u>\$ 1,006,910</u></u>

Budgetary Highlights

Salaries and benefits were higher than the amount budgeted. Total operating revenues and expenses (excluding depreciation) were lower than the amounts budgeted. Budgeted amounts were based on previous years, during which grant funds had resulted in higher revenues and expenses.

**LEDBETTER WATER DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2006**

Currently Known Facts, Decisions or Conditions

During 2006 the District continued to negotiate with the Kentucky Infrastructure Authority to finalize the terms under which the Water District will take over the Sanitation District. Renegotiating the debt is still the significant issue. Progress was made, this year, toward a final resolution of this matter. (Subsequent to year end the negotiations resulted in a new debt structure for the Sanitation District. See their report for December 31, 2006 for more detailed information.)

The District expended less money on system upgrades this year. The largest improvement project was the installation of over seven thousand feet of water main on Condra Road. The material had been purchased during 2005 using grant funds. This project improved the water supply to the north end of the District, and made service

Contacting the District's Financial Management

This Financial Report is designed to provide a general overview of the District's Finances, comply with finance-related laws and regulations, and demonstrate the District's commitment to public accountability. If you have any questions about the report or need additional information, contact the District Manager at the address below:

District Manager
Ledbetter Water District
1483 US Highway 60 West
Ledbetter, Kentucky 42058

LEDBETTER WATER DISTRICT
 STATEMENTS OF NET ASSETS
 As of December 31, 2006

ASSETS

CURRENT ASSETS

Unrestricted cash	\$ 52,811
Restricted cash and cash equivalents	43,280
Accounts receivable	26,261
Other current assets	4,403
	126,755

CAPITAL ASSETS

Invested in capital assets, net of related debt	1,006,910
Less accumulated depreciation	(930,190)
	1,006,910
Total assets	\$ 1,133,665

LIABILITIES

CURRENT LIABILITIES

Bonds and notes payable	\$ 23,000
Accounts payable, trade	12,318
Other accrued expenses and current liabilities	69,682
	105,000

NON CURRENT LIABILITIES

Water district (revenue bonds)	215,000
	215,000
Total liabilities	\$ 320,000

NET ASSETS

Invested in capital assets, net of related debt	\$ 734,773
Restricted for debt service	43,280
Unrestricted	35,612
	813,665
Total net assets	\$ 813,665

LEDBETTER WATER DISTRICT
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 For the Year Ended December 31, 2006

OPERATING REVENUES:	
Metered water sales	\$ 360,100
Miscellaneous revenues	<u>30,110</u>
Total operating revenues	\$ 390,210
OPERATING EXPENSES:	
Salaries and benefits	\$ 185,945
Chemicals	18,662
Utilities	1,156
Repairs, supplies and repairs	25,014
Transportation and training	3,371
Insurance	11,131
Professional fees and outside services	14,809
Office expense	4,486
Taxes and licenses	998
Commissioner's expense	3,900
Purchased water	85,320
Miscellaneous	903
Depreciation	<u>45,920</u>
Total operating expenses	<u>417,915</u>
OPERATING INCOME	(27,705)
NONOPERATING REVENUES (EXPENSES):	
Interest income	1,055
Interest expense	<u>(11,900)</u>
Net nonoperating expenses	<u>(10,845)</u>
CHANGE IN NET ASSETS	(38,550)
Net assets, beginning of year	<u>852,215</u>
Net assets, end of year	<u>\$ 813,665</u>

LEDBETTER WATER DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 388,349
Payments to suppliers	(156,301)
Payments to employees	<u>(185,770)</u>
Net cash provided by operating activities	46,278

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets	(34,987)
Principal paid on capital debt	(23,310)
Interest paid on capital debt and customer deposits	(11,900)
Customer deposits received, net of refunds	<u>2,226</u>
Net cash used by capital and related financing activities	(66,397)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	<u>1,055</u>
Net cash provided by investing activities	<u>1,055</u>

Net decrease in cash and cash equivalents	(19,064)
Cash and cash equivalents, beginning of year	<u>115,155</u>
Cash and cash equivalents, end of year	<u>\$ 96,091</u>

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED
BY OPERATING ACTIVITIES:

Operating loss	\$ (27,705)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	45,920
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(1,861)
(Increase) decrease in other current assets	1,018
Increase (decrease) in accounts payable trade	(6,568)
Increase (decrease) in payable to sanitation	38,176
Increase (decrease) in accrued expenses	<u>(2,702)</u>
Net cash provided by operating activities	<u>\$ 46,278</u>

LEDBETTER WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006

Note A – Entity

The Ledbetter Water District was organized as a special district in accordance with KRS 65.005 on January 7, 1964. The governing body of the district is made up of four commissioners and a secretary-treasurer.

Note B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method

The Ledbetter Water District maintains its books and these financial statements are presented on the accrual basis of accounting. The significant accounting policies, as summarized below, are in conformity with generally accepted accounting principles as applicable to governmental units as prescribed by the Governmental Accounting Standards Board (GASB) unless those principles are modified by GASB pronouncements; in which case, GASB prevails.

Basis of Presentation

The Ledbetter Water District implemented GASB Statement No. 34, “Basic Financial Statements and Management’s Discussion and Analysis – for state and local Governments” in 2004, which establishes a new financial reporting model for state and local governments.

Accounts Receivable

Customer accounts receivable represent gross receivables due from customers. No allowance for doubtful accounts has been provided since it is believed that the balance in accounts receivable is collectible. The effect of using this method rather than the allowance method is immaterial.

Capital Assets

Capital Assets consist of property, plant and equipment necessary for administration and operation of a drinking water distribution system. Capital assets are recorded at cost and depreciation is calculated using the straight-line method over the estimated useful lives of the various classes of assets as follows:

	<u>Years</u>
Utility plant	35-50
Office furnishings and equipment	5-10

LEDBETTER WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Contributions

Contributions in aid of construction are derived from two main sources: 1) developers, when they construct and pay for sewer lines and then donate these additions to the District; and 2) other government, in the form of grant contributions for property, plan or equipment. Developer contributions are recorded at the developer's cost and are depreciated over their estimated useful lives using the straight-line-method.

Use of Estimates

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

NOTE C – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 7,480	\$ -	\$ -	\$ 7,480
Total capital assets not being depreciated	<u>7,480</u>	<u>-</u>	<u>-</u>	<u>7,480</u>
Other Capital Assets				
Utility assets (pipes, pumps, plants, structures)	1,709,572	18,000	-	1,727,572
General and office equipment	138,046	16,987	-	155,033
Vehicles	<u>47,015</u>	<u>-</u>	<u>-</u>	<u>47,015</u>
Total other capital assets at historical cost	1,894,633	34,987	-	1,929,620
Less accumulated depreciation	<u>(884,271)</u>	<u>(45,920)</u>	<u>-</u>	<u>(930,191)</u>
Other capital assets, net	<u>1,010,362</u>	<u>(10,933)</u>	<u>-</u>	<u>999,429</u>
Total capital assets, net	<u>\$ 1,017,842</u>	<u>\$ (10,933)</u>	<u>\$ -</u>	<u>\$ 1,006,909</u>

NOTE D – BONDS AND NOTES PAYABLE

The District acquires debt to provide funds for the acquisition and construction of utility capital assets. Changes in bonds and notes payable for the year ended December 31, 2006, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Bonds	\$ 260,000	\$ -	\$ (22,000)	\$ 238,000
Notes	<u>1,310</u>	<u>-</u>	<u>(1,310)</u>	<u>-</u>
Total	<u>\$ 261,310</u>	<u>\$ -</u>	<u>\$ (23,310)</u>	<u>\$ 238,000</u>

LEDBETTER WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006

NOTE E – REVENUE BONDS

A detail of the Ledbetter Water District's revenue bonds is as follows:

	Series of	
	1970	1978
Amount of original issue (purchased by Farmers Home Administration)	\$ 230,000	\$ 359,000
Purpose of Issue	Original System Construction	Additions
Serial principal maturities (all January 1)	1973 - 2010	1981 - 2018

The following is a schedule of principal and interest requirements.

Year Ended	Principal Due January 1		Interest Requirements		Total Requirements
	Series of 1978	Series of 1970	January 1	July 1	
2007	12,000	11,000	5,950	5,375	34,325
2008	12,000	12,000	5,375	4,775	34,150
2009	13,000	12,000	4,775	4,150	33,925
2010	14,000	13,000	4,150	3,475	34,625
2011	15,000	-	3,475	3,100	21,575
2012	15,000	-	3,100	2,725	20,825
2013	16,000	-	2,725	2,325	21,050
2014	17,000	-	2,325	1,900	21,225
2015	18,000	-	1,900	1,450	21,350
2016	19,000	-	1,450	975	21,425
2017	19,000	-	975	500	20,475
2018	20,000	-	500	-	20,500
	\$ 190,000	\$ 48,000	\$ 36,700	\$ 30,750	\$ 305,450

Both bond issues are secured and payable from an exclusive pledge of a fixed portion of gross revenues of the District's system as now or hereafter constituted, and additionally secured by a statutory lien on the District's system.

LEDBETTER WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006

NOTE F -- RETIREMENT PLAN

The district's employees began participation in the County Employees retirement Systems (CERS). CERS is a cost sharing, multi-employer public employee retirement system, that provides retirement, disability, and death benefits to members of the plan. Benefits and contribution rates are established by state statute. Kentucky Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for CERS. Requests for a copy of the report should be made in writing and submitted to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Louisville, Kentucky 40601.

The Board of Trustees of the Kentucky Retirement System has established contribution rates for the District. The employees contribute 5%, and the employer contributes 13.19% in 2006 of the employee's gross earnings. All employees, either full or part-time, who work and

Total contributions were \$32,230, of which \$22,767, was paid by the District and \$9,463, was paid by the employees, for the year ended December 31, 2006.

NOTE G -- RISK MANAGEMENT

The District is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To handle the risk of loss, the District purchases necessary insurance from commercial insurance carriers.

NOTE H -- SANITATION DISTRICT -- RELATED PARTY

During the year ended December 31, 1998, the District was asked and voted to take over the operations of the Ledbetter Sanitation District. These financial statements do not include the records of the Sanitation District. A separate report will be issued for the Sanitation District.

The District shares costs with the Ledbetter Sanitation District. The largest portion of this is the payroll costs of the District's employees. The District receives reimbursement from the Sanitation District for the time employees spend on Sanitation District issues. This includes reimbursement for salary, taxes, retirement benefits and other costs incurred by the District. The accounting is tracked using individual employee time sheets. Settlement is made at the conclusion of each pay period. For 2006 the total reimbursements for payroll related costs received from the Sanitation District is \$85,422.

As of the date of this report, Ledbetter Sanitation District and Ledbetter Water District were in the process of merging the two systems. The agreement will include a restructuring of the debt owed by the Ledbetter Sanitation District to the Kentucky Infrastructure Authority.

LEDBETTER WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006

NOTE I – CASH DEPOSITS

The District deposits its cash with financial institutions that are insured by the FDIC. As of December 31, 2006, all of the Districts deposits were covered by FDIC insurance.

	<u>Book Balance</u>
Demand deposits	\$ 71,747
Certificate of deposit	<u>24,344</u>
	<u>\$ 96,091</u>

Cash and Cash Equivalents

For purposes of the Statement of Cash Flow, cash and cash equivalents consist of bank deposits and certificates of deposit having original matures of twelve months or less.

NOTE K – BOND COVENANT COMPLIANCE

The District, as of December 31, 2006, did not have the balances required by their bond agreements in the Bond Sinking Fund accounts, the Depreciation Reserve account, or the Operation and Maintenance account. Sufficient cash and cash equivalents were available to meet all of the districts obligations to the funds, but the cash deposits were not segregated as required by the district's bond covenants.

REQUIRED SUPPLEMENTAL INFORMATION

LEDBETTER WATER DISTRICT
BUDGET COMPARISON
Years Ended December 31, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
OPERATING REVENUES:			
Metered water sales	\$ 374,255	\$ 360,100	\$ (14,155)
Miscellaneous revenues	<u>61,603</u>	<u>30,110</u>	<u>(31,493)</u>
Total operating revenues	435,858	390,210	(45,648)
OPERATING EXPENSES:			
Chemicals	20,490	18,662	1,828
Utilities	14,956	17,456	(2,500)
Materials, supplies and repairs	44,208	25,014	19,194
Transportation and training	10,967	3,371	7,596
Insurance	11,294	11,131	163
Professional fees and outside services	23,382	14,809	8,573
Office expense	30,713	4,486	26,227
Taxes and licenses	10,914	998	9,916
Commissioner's expense	3,675	3,900	(225)
Purchased water	90,249	85,320	4,929
Miscellaneous	12,617	903	11,714
Depreciation	<u>-</u>	<u>45,920</u>	<u>(45,920)</u>
Total operating expenses	<u>409,409</u>	<u>417,915</u>	<u>(8,506)</u>
OPERATING INCOME	26,449	(27,705)	(54,154)
NONOPERATING REVENUES (EXPENSES):			
Interest income	119	1,055	936
Interest (expense)	<u>(21,026)</u>	<u>(11,900)</u>	<u>9,126</u>
Net nonoperating income (expenses)	<u>(20,907)</u>	<u>(10,845)</u>	<u>10,062</u>
CHANGE IN NET ASSETS	<u>\$ 5,542</u>	<u>(38,550)</u>	<u>\$ (44,092)</u>
Net assets, beginning of year		<u>852,215</u>	
Net assests, end of year		<u>\$ 813,665</u>	

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

Board of Commissioners
LEDBETTER WATER DISTRICT
Ledbetter, Kentucky

We have audited the financial statements of the Ledbetter Water District for the period ended December 31, 2006, and have issued our report there on dated September 9, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether Ledbetter Water District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective our audit and, accordingly, we do not express such an opinion.

The results of the tests disclosed that at December 31, 2006, the District did not have the balances required by their bond agreements in the Bond Sinking Fund accounts, the Depreciation Reserve account, or the Operation and Maintenance account. Sufficient cash and cash equivalents were available to meet all of the districts obligations to the funds, but the cash deposits were not segregated as required by the district's bond covenants.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of the District is responsible for establishing and maintaining effective internal control. In planning and performing our audit, we considered Ledbetter Water District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

We noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment,

could adversely affect the Project's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements or to comply with applicable laws and regulations.

- There is a lack of separation of duties between employees that collect receipts, prepare disbursements, and reconcile the checking account. Internal controls are considered to be weak when one person handles receipts and disbursements, records activity and reconciles balances.
- The District is not in compliance with the covenants required by their bond issue agreements as regards deposits in the Bond Sinking Funds and the Depreciation Reserve Fund.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited or that noncompliance with laws and regulations that could be material, noncompliance and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters of internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we do not believe the reportable conditions described above are material weaknesses.

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

Walker & Associates CPAs PLLC

September 9, 2008
Paducah, Kentucky

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

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SUPPLEMENTAL LETTER OF COMMENTS

Board of Commissioners
LEDBETTER WATER DISTRICT
Ledbetter, Kentucky

We have audited the financial statements of Ledbetter water District for the year ended December 31, 2006, and have issued our report thereon dated September 9, 2008.

In connection with that audit, we have prepared the following comments, as required by the USDA Rural Development, formerly the Farmers Home Administration:

- a) We conducted our audit in accordance with auditing standards generally accepted in the United States of America;
- b) We evaluated the District's system of internal control and have reported on the system in a separate letter, included as a part of this report on page 18;
- c) The accounting records were adequate with recommendations for improvement during 2005 partially implemented during 2006;
- d) Adequate controls are maintained over physical assets;
- e) Except as reported in Note K to the financial statements (regarding the maintenance of separate cash accounts as required by their loan covenants), the District complied with all loan agreements;
- f) All differences found during the audit of the accounting records have been adjusted for in the records;
- g) Kinds and amounts of insurance are as follows:
 - a. Property insurance: \$2,288,558 per occurrence
 - b. Liability insurance \$2,000,000 each occurrence
 - c. Worker's compensation: As required by law
 - d. Public employee dishonesty: \$100,000
- h) There were two reportable conditions that were noted for the year. They were:
 - a. There is a lack of separation of duties between employees that collect receipts, prepare disbursements, and reconcile the checking account.

b. The District is not in compliance with the covenants required by their bond issue agreements as regards deposits in the Bond Sinking Funds and the Depreciation Reserve Fund. (As mentioned in e, above).

i) Accounts receivables are all current as of December 31, 2006, \$26,261.

Our audit was conducted for the purpose of forming an opinion on the financial statements of Ledbetter Water District taken as a whole. The supplemental information listed in this letter is not considered necessary for a fair presentation of Ledbetter Water District's financial position, results of operations, or cash flows in conformity with accounting principles generally accepted in the United States of America. This information, however, was subjected to the same auditing procedures applied in our audit of the financial statements and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

W. W. W. & Associates CPA's PLLC

September 9, 2008
Paducah, Kentucky