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DEC 22 2008

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE NORTH MARSHALL)
WATER DISTRICT FOR APPROVAL OF)
CONSTRUCTION AND ISSUANCE OF)
A CERTIFICATE OF CONVENIENCE)
AND NECESSITY FOR THE PURCHASE)
AND INSTALLATION OF AUTOMATED)
METER READING EQUIPMENT)

CASE NO. 2008 - 2008-551

APPLICATION

North Marshall Water District (NMWD), by counsel, petitions for an order approving the acquisition and installation of automated meter reading equipment pursuant to KRS 278.020.

In support of the application, the following information is provided:

1. NMWD's office address is 56 Frankfort Drive, Benton, KY 42025 (P.O. Box 850). Its principal officers are listed in its current annual report, which is filed with the Commission as are its prior years Reports and attached hereto as Exhibit E.

2. NMWD is a non-profit water district organized under Chapter 74 and has no separate articles of incorporation;

3. A description of NMWD water system and its property stated in at original cost is contained in 2008 Annual Report, which is incorporated by reference and attached hereto as Exhibit E.

4. NMWD serves retail customers in Marshall County.

5. It proposes to acquire and install meter reading equipment as described in Exhibit A.. The facilities include approximately 5,200 transmitters and antenna as well as related equipment and software. Because no construction is involved Plans, and

Drawings for the facilities are not applicable. Specifications and bid documents are provided in Exhibit D. The district is financing the estimated \$838,000. The district has applied for the loan.

6. The construction is in the public interest and is required to allow NMWD to continue to provide adequate service to the customers. The project will provide enhanced meter reading, and customer service options. The project, its cost, need, and other details are contained in Exhibit A and D.

7. The total project costs is approximately \$838,995.

8. Easements and rights of way are not required.

9. The service will not compete with any other utility in the area.

10. The proposed project, identified in Exhibit A, is scheduled to begin construction upon PSC approval, and be completed within one year. Board approval of the project was given on the 19th day of June, 2008, attached as Exhibit F.

11. No new franchises are required. No new DOW permit is required.

12. Facts relied on to justify the public need are included in the project descriptions provided in Exhibit A.

13. Maps of the area showing location of the proposed facilities are in Exhibit B.

14. The construction costs will be fund through loans as set out in Exhibit C.

15. Estimated operating costs for operation and maintenance depreciation and debt service after construction are shown in Exhibits A, B, and D.

16. A description of the facilities and operation of the system are in Exhibits A and D.

17. A full description of the route, location of the project, description of construction and related information is in Exhibit B.

18. The start date for construction; proposed in-service date; and total estimated cost of construction at completion are included in Exhibits A and D.

19. The salvage values are approximately \$15,000.00.

20. No rate adjustment is being proposed.

21. The following information is provided in response to 807 KAR 5:001(8):

a. Articles of Incorporation – None. NMWD is a statutorily created water district under KRS Chapter 74.

22. The following information is supplied pursuant to 807 KAR 5:001(9):

a. Facts relied upon to show that the application is in the public interest: See Exhibit A.

23. The following information is provided as required by 807 KAR 5:001(11):

a. A general description of the property is contained in the Annual Report, Exhibit E.

b. No stock is to be issued; No bonds are to be issued in this case;

c. There is no refunding or refinancing;

d. The proceeds of the financing are to construct the property described in Exhibit C.

e. The par value, expenses, use of proceeds, interest rates and other information is not applicable because no bonds are being issued at this time.

24. Following exhibits are provided pursuant to 807 KAR 5:001 (11)(2):

a. There are no trust deeds. All Notes, indebtedness, and mortgages are included in Exhibit G.

b. Property is to be constructed as described in Exhibits B and D.

25. The following information is provided pursuant to 807 KAR 5:001 (6):

a. No stock is authorized.

b. No stock is issued.

c. There are no stock preferences.

d. Mortgages are listed in Exhibit G.

e. Bonds are listed in Exhibit G.

f. Notes are listed in Exhibit G.

g. Other indebtedness is listed in Exhibit G.

h. No dividends have been paid.

i. Current balance sheet; income statement and debt schedule are attached as Exhibit E.

j. The facilities being constructed will be reflected in D.

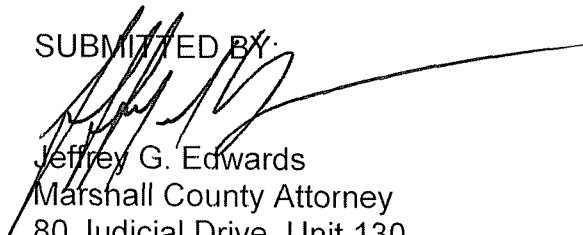
807 KAR 5:001:

Section 8 (1)	Full name and post office address of applicant and a reference to the particular provision of law requiring Commission approval.	Applicator
Section 8 (2)	The original and 10 copies of the application with an additional copy of any party named therein as an interested party.	Yes
Section 8 (3)	If applicant is a corporation, a certified copy of the Articles of Incorporation and all amendments thereto or if the articles were filed with the PSC in a prior proceeding, a reference to the style and case number of the prior proceeding.	Not a Corporatio

Section 9 (2)	(a) The facts relied upon to show that the proposed new construction is or will be required by public convenience or necessity.	Ex. A
	(b) Copies of franchises or permits, if any, from the proper public authority for the proposed new construction or extension, if not previously filed with the commission.	Not Applicable
	(c) A full description of the proposed location, route, or routes of the new construction or extension, including a description of the manner in which same will be constructed, and also the names of all public utilities, corporations, or persons with whom proposed new construction or extension is likely to compete.	Ex. B – Not likely to compete with anyone
	(d) Three (3) maps to suitable scale (preferably not more than two (2) miles per inch) showing the location or route of the proposed new construction or extension, as well as the location to scale of any like facilities owned by others located anywhere within the map area with adequate identification as to the ownership of such other facilities.	Ex. B
	(e) The manner, in detail, in which it is proposed to finance the new construction or extension.	Application and Ex. C
	(f) An estimated cost of operation after the proposed facilities are completed.	Ex. D
KRS 322.340	Engineering plans, specifications, plats and report for the proposed construction. The engineering documents prepared by a registered engineer, requires that they be signed, sealed, and dated by an engineer registered in Kentucky.	Not Applicable

For the reasons, the District requests authorization to construct the facilities and any other order or authorization that may be necessary to obtain Commission approval for construction.

SUBMITTED BY:



Jeffrey G. Edwards
Marshall County Attorney
80 Judicial Drive, Unit 130
Benton, KY 42025

Attorney for North
Marshall Water District

MONEY: Presently North Marshall Water District is reading all water meters, Approximately 5,300, on a bimonthly basis. This takes 7 ½ to 8 days with 4 people reading and 1 office person manually key punching all readings. The total cost per comprehensive reading is \$11,575.00. With radio read meters, 1 person will read and 1 office person will transfer the readings and assemble data for billing. The total time for readings will be 4 to 5 days at a cost of \$2,076.00. This allows the meters to pay for themselves in 12 years.

PRODUCTIVITY: By 3 people not reading meters they will be free to achieve many other duties, which are currently put upon the “back burner” until meters are read. Presently, leak repairs, flushing, meter testing, meter taps are all set aside for 8 or 9 weeks per year for reading time; radio reads will totally change this.

ACCURACY: As we all know, even the best meter readers can and do make mistakes when visually reading meters. Manual reads are hindered by inclement weather, cars being parked over boxes, leaves covering boxes, etc.; a radio read system will not be affected by such adverse conditions. The elimination of such problems will improve customer relations by providing detailed print outs as to when leaks occurred or also when large usages occurred. Tampering with meters will also lessen as an alert will notify district personnel, thus only small amounts of water would be used illegally.

SAFETY: With 250 plus miles of main in a rural setting, our personnel is driving a large number of miles, starting and stopping along high traffic areas, which increases the danger of traffic accidents. Physical injuries are always a concern when reading meters as meter locations are not always easily accessible. Radio read meters will greatly lessen the potential for such damages.

COST OF METER READING

NAME	RATE PER HOUR	PAY RATE WITH BENEFITS	HOURS WORKED	TOTAL DOLLARS PER EMPLOYEE	GALLONS GAS USED	4.00 PER GALLON	MEDICAL INS PER MONTH	MEDICAL PER HR	DENTAL PER MONTH	DENTAL PER HR	LIFE INS PER MONTH	LIFE PER HR	DISABILITY PER MONTH	DISABILITY PER HR
COTHRAN	\$15.96	\$19.61	72	\$1,411.92	0	\$0.00	\$484.24	\$3.03	\$37.32	\$0.24	\$28.95	\$0.18	\$31.55	\$0.20
DARNALL	\$18.62	\$22.52	72	\$1,621.44	100	\$400.00	\$484.24	\$3.03	\$37.32	\$0.24	\$26.75	\$0.17	\$72.80	\$0.46
DOSSETT	\$20.22	\$28.56	72	\$2,056.32	100	\$400.00	\$1,137.18	\$7.11	\$37.32	\$0.24	\$75.89	\$0.48	\$81.07	\$0.51
HOWELL	\$17.43	\$22.30	72	\$1,461.60	100	\$400.00	\$742.74	\$4.65	\$19.39	\$0.13	\$12.98	\$0.09	\$0.00	\$0.00
MUSGRAVE	\$13.83	\$21.78	72	\$1,568.16	50	\$200.00	\$1,137.18	\$7.11	\$37.32	\$0.24	\$43.58	\$0.28	\$51.03	\$0.32
NOLES	\$17.43	\$21.02	72	\$1,513.44	100	\$400.00	\$484.24	\$3.03	\$19.39	\$0.13	\$23.92	\$0.15	\$43.53	\$0.28
TOTALS	\$103.49	\$135.79	432	\$9,632.88	450	\$1,800.00	\$4,469.82	\$27.96	\$188.06	\$1.22	\$212.07	\$1.35	\$279.98	\$1.77

TOTAL EXPENDITURE FOR METER READING PER MONTH \$11,432.88 AND \$68,597.28 PER YEAR

MASTER METER BID IS \$840,000 FOR AUTOMATED METER READING

APPROXIMATE PAYMENTS FOR \$840,000 @ 4.37% INTEREST

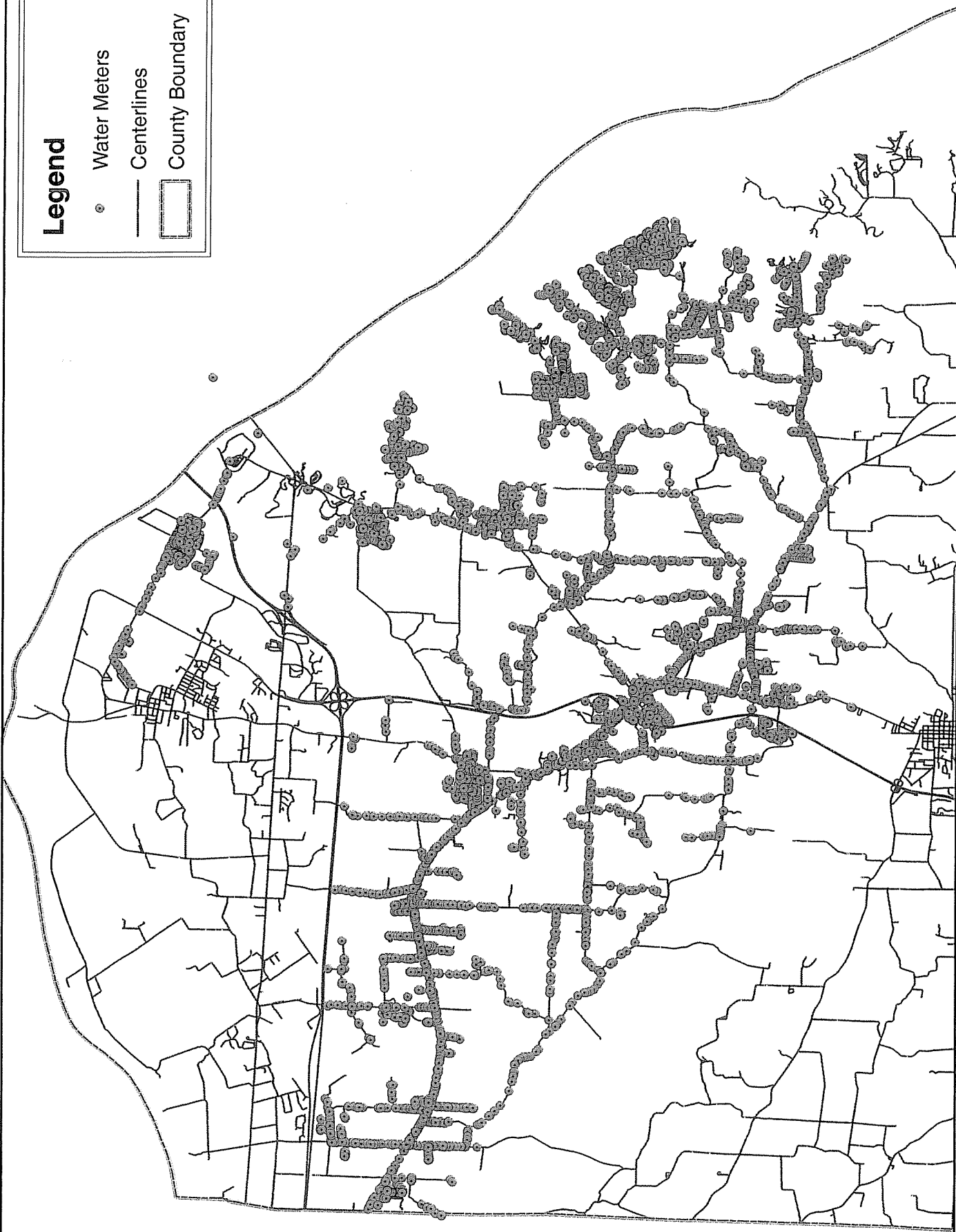
PER MONTH	PER YEAR
5 YR \$15,634.00	\$187,608.00
10 YR \$8,678.00	\$104,136.00
15 YR \$6,396.00	\$76,752.00

Legend

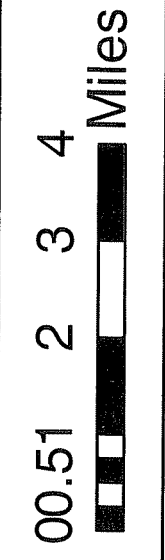
• Water Meters

— Centerlines

□ County Boundary



North Marshall Water District
Total 5442 Water Meters





Kentucky Rural Water Finance Corporation

Helping utilities finance infrastructure improvements

September 16, 2008

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SEP 18 2008

Mr. Brad Anderson
North Marshall Water District
PO Box 850
Benton, KY 42025

Dear Mr. Anderson:

The purpose of this letter is to acknowledge receipt of your application for funds through the Kentucky Rural Water Finance Corporation (KRWFC). Once eligibility is determined, Morgan Keegan & Company, financial advisor to KRWFC, will be contacting you to coordinate the sale and closing of your loan through the program.

Thank you for your willingness to participate in the KRWFC Flexible Term Finance Program. Should you have any questions, please feel free to contact me.

Sincerely,

Gary Larimore
Secretary/Treasurer

GL:bs

pc: Bob Pennington, Morgan Keegan & Company
Jeff Edwards, Attorney at Law
Kim Ham, Certified Public Accountant

KENTUCKY INFRASTRUCTURE AUTHORITY
SAMPLE AMORTIZATION SCHEDULE
FUND C LOAN #XX-XX
NORTH MARSHALL WATER DISTRICT
ESTIMATE FOR METER PURCHASE

3.0000% Rate
\$28,078.77 estimated P & I Calculation every 6 months

Payment Date	Principal Due	Interest Due	Interest Rate	Principal & Interest	Servicing Fee	Credit Due	Total Payment	Principal Balance
06/01/09	\$15,478.77	\$12,600.00	3.0000%	\$28,078.77	\$840.00	\$0.00	\$28,918.77	\$840,000.00
12/01/09	\$15,710.95	\$12,367.82	3.0000%	\$28,078.77	\$824.52	\$0.00	\$28,903.29	\$824,521.23
06/01/10	\$15,946.61	\$12,132.15	3.0000%	\$28,078.77	\$808.81	\$0.00	\$28,887.58	\$808,810.29
12/01/10	\$16,185.81	\$11,892.96	3.0000%	\$28,078.77	\$792.86	\$0.00	\$28,871.63	\$792,863.68
06/01/11	\$16,428.60	\$11,650.17	3.0000%	\$28,078.77	\$776.68	\$0.00	\$28,855.44	\$776,677.87
12/01/11	\$16,675.03	\$11,403.74	3.0000%	\$28,078.77	\$760.25	\$0.00	\$28,839.01	\$760,249.27
06/01/12	\$16,925.15	\$11,153.61	3.0000%	\$28,078.77	\$743.57	\$0.00	\$28,822.34	\$743,574.24
12/01/12	\$17,179.03	\$10,899.74	3.0000%	\$28,078.77	\$726.65	\$0.00	\$28,805.41	\$726,649.09
06/01/13	\$17,436.71	\$10,642.05	3.0000%	\$28,078.77	\$709.47	\$0.00	\$28,788.24	\$709,470.06
12/01/13	\$17,698.27	\$10,380.50	3.0000%	\$28,078.77	\$692.03	\$0.00	\$28,770.80	\$692,033.35
06/01/14	\$17,963.74	\$10,115.03	3.0000%	\$28,078.77	\$674.34	\$0.00	\$28,753.10	\$674,335.08
12/01/14	\$18,233.20	\$9,845.57	3.0000%	\$28,078.77	\$656.37	\$0.00	\$28,735.14	\$656,371.34
06/01/15	\$18,506.69	\$9,572.07	3.0000%	\$28,078.77	\$638.14	\$0.00	\$28,716.90	\$638,138.15
12/01/15	\$18,784.29	\$9,294.47	3.0000%	\$28,078.77	\$619.63	\$0.00	\$28,698.40	\$619,631.45
06/01/16	\$19,066.06	\$9,012.71	3.0000%	\$28,078.77	\$600.85	\$0.00	\$28,679.61	\$600,847.16
12/01/16	\$19,352.05	\$8,726.72	3.0000%	\$28,078.77	\$581.78	\$0.00	\$28,660.55	\$581,781.10
06/01/17	\$19,642.33	\$8,436.44	3.0000%	\$28,078.77	\$562.43	\$0.00	\$28,641.19	\$562,429.05
12/01/17	\$19,936.96	\$8,141.80	3.0000%	\$28,078.77	\$542.79	\$0.00	\$28,621.55	\$542,786.72
06/01/18	\$20,236.02	\$7,842.75	3.0000%	\$28,078.77	\$522.85	\$0.00	\$28,601.62	\$522,849.76
12/01/18	\$20,539.56	\$7,539.21	3.0000%	\$28,078.77	\$502.61	\$0.00	\$28,581.38	\$502,813.74
06/01/19	\$20,847.65	\$7,231.11	3.0000%	\$28,078.77	\$482.07	\$0.00	\$28,560.84	\$482,074.18
12/01/19	\$21,160.37	\$6,918.40	3.0000%	\$28,078.77	\$461.23	\$0.00	\$28,539.99	\$461,226.53
06/01/20	\$21,477.77	\$6,600.99	3.0000%	\$28,078.77	\$440.07	\$0.00	\$28,518.83	\$440,066.16
12/01/20	\$21,799.94	\$6,278.83	3.0000%	\$28,078.77	\$418.59	\$0.00	\$28,497.35	\$418,588.39
06/01/21	\$22,126.94	\$5,951.83	3.0000%	\$28,078.77	\$396.79	\$0.00	\$28,475.55	\$396,788.45
12/01/21	\$22,458.84	\$5,619.92	3.0000%	\$28,078.77	\$374.66	\$0.00	\$28,453.43	\$374,661.51
06/01/22	\$22,795.73	\$5,283.04	3.0000%	\$28,078.77	\$352.20	\$0.00	\$28,430.97	\$352,202.67
12/01/22	\$23,137.66	\$4,941.10	3.0000%	\$28,078.77	\$329.41	\$0.00	\$28,408.17	\$329,406.94
06/01/23	\$23,484.73	\$4,594.04	3.0000%	\$28,078.77	\$306.27	\$0.00	\$28,385.03	\$306,269.28
12/01/23	\$23,837.00	\$4,241.77	3.0000%	\$28,078.77	\$282.78	\$0.00	\$28,361.55	\$282,784.55
06/01/24	\$24,194.55	\$3,884.21	3.0000%	\$28,078.77	\$258.95	\$0.00	\$28,337.71	\$258,947.56
12/01/24	\$24,557.47	\$3,521.30	3.0000%	\$28,078.77	\$234.75	\$0.00	\$28,313.52	\$234,753.00
06/01/25	\$24,925.83	\$3,152.93	3.0000%	\$28,078.77	\$210.20	\$0.00	\$28,288.96	\$210,195.53
12/01/25	\$25,299.72	\$2,779.05	3.0000%	\$28,078.77	\$185.27	\$0.00	\$28,264.04	\$185,269.70
06/01/26	\$25,679.22	\$2,399.55	3.0000%	\$28,078.77	\$159.97	\$0.00	\$28,238.74	\$159,969.98
12/01/26	\$26,064.40	\$2,014.36	3.0000%	\$28,078.77	\$134.29	\$0.00	\$28,213.06	\$134,290.77
06/01/27	\$26,455.37	\$1,623.40	3.0000%	\$28,078.77	\$108.23	\$0.00	\$28,186.99	\$108,226.36
12/01/27	\$26,852.20	\$1,226.56	3.0000%	\$28,078.77	\$81.77	\$0.00	\$28,160.54	\$81,770.99
06/01/28	\$27,254.98	\$823.78	3.0000%	\$28,078.77	\$54.92	\$0.00	\$28,133.68	\$54,918.79
12/01/28	\$27,663.81	\$414.96	3.0000%	\$28,078.77	\$27.66	\$0.00	\$28,106.43	\$27,663.81
Totals	\$840,000.00	\$283,150.62		\$1,123,150.62	\$18,876.71	\$0.00	\$1,142,027.32	(\$0.00)

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NORTH MARSHALL WATER DISTRICT
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12/01/26	\$26,064.40	\$2,014.36	3.0000%	\$28,078.77	\$134.29	\$0.00	\$28,213.06	\$134,290.77
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12/01/27	\$26,852.20	\$1,226.56	3.0000%	\$28,078.77	\$81.77	\$0.00	\$28,160.54	\$81,770.99
06/01/28	\$27,254.98	\$823.78	3.0000%	\$28,078.77	\$54.92	\$0.00	\$28,133.68	\$54,918.79
12/01/28	\$27,663.81	\$414.96	3.0000%	\$28,078.77	\$27.66	\$0.00	\$28,106.43	\$27,663.81
Totals	\$840,000.00	\$283,150.62		\$1,123,150.62	\$18,876.71	\$0.00	\$1,142,027.32	(\$0.00)

KENTUCKY INFRASTRUCTURE AUTHORITY
SAMPLE AMORTIZATION SCHEDULE
FUND C LOAN #XX-XX
NORTH MARSHALL WATER DISTRICT
ESTIMATE FOR METER PURCHASE

3.0000% Rate
\$28,078.77 estimated P & I Calculation every 6 months

Payment Date	Principal Due	Interest Due	Interest Rate	Principal & Interest	Servicing Fee	Credit Due	Total Payment	Principal Balance
06/01/09	\$15,478.77	\$12,600.00	3.0000%	\$28,078.77	\$840.00	\$0.00	\$28,918.77	\$840,000.00
12/01/09	\$15,710.95	\$12,367.82	3.0000%	\$28,078.77	\$824.52	\$0.00	\$28,903.29	\$808,810.29
06/01/10	\$15,946.61	\$12,132.15	3.0000%	\$28,078.77	\$808.81	\$0.00	\$28,887.58	\$792,863.68
12/01/10	\$16,185.81	\$11,892.96	3.0000%	\$28,078.77	\$792.86	\$0.00	\$28,871.63	\$776,677.87
06/01/11	\$16,428.60	\$11,650.17	3.0000%	\$28,078.77	\$776.68	\$0.00	\$28,855.44	\$760,249.27
12/01/11	\$16,675.03	\$11,403.74	3.0000%	\$28,078.77	\$760.25	\$0.00	\$28,839.01	\$743,574.24
06/01/12	\$16,925.15	\$11,153.61	3.0000%	\$28,078.77	\$743.57	\$0.00	\$28,822.34	\$726,649.09
12/01/12	\$17,179.03	\$10,899.74	3.0000%	\$28,078.77	\$726.65	\$0.00	\$28,805.41	\$709,470.06
06/01/13	\$17,436.71	\$10,642.05	3.0000%	\$28,078.77	\$709.47	\$0.00	\$28,788.24	\$692,033.35
12/01/13	\$17,698.27	\$10,380.50	3.0000%	\$28,078.77	\$692.03	\$0.00	\$28,770.80	\$674,335.08
06/01/14	\$17,963.74	\$10,115.03	3.0000%	\$28,078.77	\$674.34	\$0.00	\$28,753.10	\$656,371.34
12/01/14	\$18,233.20	\$9,845.57	3.0000%	\$28,078.77	\$656.37	\$0.00	\$28,735.14	\$638,138.15
06/01/15	\$18,506.69	\$9,572.07	3.0000%	\$28,078.77	\$638.14	\$0.00	\$28,716.90	\$619,631.45
12/01/15	\$18,784.29	\$9,294.47	3.0000%	\$28,078.77	\$619.63	\$0.00	\$28,698.40	\$600,847.16
06/01/16	\$19,066.06	\$9,012.71	3.0000%	\$28,078.77	\$600.85	\$0.00	\$28,679.61	\$581,781.10
12/01/16	\$19,352.05	\$8,726.72	3.0000%	\$28,078.77	\$581.78	\$0.00	\$28,660.55	\$562,429.05
06/01/17	\$19,642.33	\$8,436.44	3.0000%	\$28,078.77	\$562.43	\$0.00	\$28,641.19	\$542,786.72
12/01/17	\$19,936.96	\$8,141.80	3.0000%	\$28,078.77	\$542.79	\$0.00	\$28,621.55	\$522,849.76
06/01/18	\$20,236.02	\$7,842.75	3.0000%	\$28,078.77	\$522.85	\$0.00	\$28,601.62	\$502,613.74
12/01/18	\$20,539.56	\$7,539.21	3.0000%	\$28,078.77	\$502.61	\$0.00	\$28,581.38	\$482,074.18
06/01/19	\$20,847.65	\$7,231.11	3.0000%	\$28,078.77	\$482.07	\$0.00	\$28,560.84	\$461,226.53
12/01/19	\$21,160.37	\$6,918.40	3.0000%	\$28,078.77	\$461.23	\$0.00	\$28,539.99	\$440,066.16
06/01/20	\$21,477.77	\$6,600.99	3.0000%	\$28,078.77	\$440.07	\$0.00	\$28,518.83	\$418,588.39
12/01/20	\$21,799.94	\$6,278.83	3.0000%	\$28,078.77	\$418.59	\$0.00	\$28,497.35	\$396,788.45
06/01/21	\$22,126.94	\$5,951.83	3.0000%	\$28,078.77	\$396.79	\$0.00	\$28,475.55	\$374,661.51
12/01/21	\$22,458.84	\$5,619.92	3.0000%	\$28,078.77	\$374.66	\$0.00	\$28,453.43	\$352,202.67
06/01/22	\$22,795.73	\$5,283.04	3.0000%	\$28,078.77	\$352.20	\$0.00	\$28,430.97	\$329,406.94
12/01/22	\$23,137.66	\$4,941.10	3.0000%	\$28,078.77	\$329.41	\$0.00	\$28,408.17	\$306,269.28
06/01/23	\$23,484.73	\$4,594.04	3.0000%	\$28,078.77	\$306.27	\$0.00	\$28,385.03	\$282,784.55
12/01/23	\$23,837.00	\$4,241.77	3.0000%	\$28,078.77	\$282.78	\$0.00	\$28,361.55	\$258,947.56
06/01/24	\$24,194.55	\$3,884.21	3.0000%	\$28,078.77	\$258.95	\$0.00	\$28,337.71	\$234,753.00
12/01/24	\$24,557.47	\$3,521.30	3.0000%	\$28,078.77	\$234.75	\$0.00	\$28,313.52	\$210,195.53
06/01/25	\$24,929.83	\$3,152.93	3.0000%	\$28,078.77	\$210.20	\$0.00	\$28,288.96	\$185,269.70
12/01/25	\$25,299.72	\$2,779.05	3.0000%	\$28,078.77	\$185.27	\$0.00	\$28,264.04	\$159,969.98
06/01/26	\$25,679.22	\$2,401.46	3.0000%	\$28,078.77	\$159.97	\$0.00	\$28,238.74	\$134,290.77
12/01/26	\$26,064.40	\$2,014.36	3.0000%	\$28,078.77	\$134.29	\$0.00	\$28,213.06	\$108,226.36
06/01/27	\$26,455.37	\$1,623.40	3.0000%	\$28,078.77	\$108.23	\$0.00	\$28,186.99	\$81,770.99
12/01/27	\$26,852.20	\$1,226.56	3.0000%	\$28,078.77	\$81.77	\$0.00	\$28,160.54	\$54,918.79
06/01/28	\$27,254.98	\$823.78	3.0000%	\$28,078.77	\$54.92	\$0.00	\$28,133.68	\$27,663.81
12/01/28	\$27,663.81	\$414.96	3.0000%	\$28,078.77	\$27.66	\$0.00	\$28,106.43	(\$0.00)
Totals	\$840,000.00	\$283,150.62		\$1,123,150.62	\$18,976.71	\$0.00	\$1,142,027.32	

KENTUCKY INFRASTRUCTURE AUTHORITY
SAMPLE AMORTIZATION SCHEDULE
FUND C LOAN #XX-XX
NORTH MARSHALL WATER DISTRICT
ESTIMATE FOR METER PURCHASE

3.0000% Rate
\$28,078.77 estimated P & I Calculation every 6 months

Payment Date	Principal Due	Interest Due	Interest Rate	Principal & Interest	Servicing Fee	Credit Due	Total Payment	Principal Balance
06/01/09	\$15,478.77	\$12,600.00	3.0000%	\$28,078.77	\$840.00	\$0.00	\$28,918.77	\$840,000.00
12/01/09	\$15,710.95	\$12,367.82	3.0000%	\$28,078.77	\$824.52	\$0.00	\$28,903.29	\$824,521.23
06/01/10	\$15,946.61	\$12,132.15	3.0000%	\$28,078.77	\$808.81	\$0.00	\$28,887.58	\$808,810.29
12/01/10	\$16,185.81	\$11,892.96	3.0000%	\$28,078.77	\$792.86	\$0.00	\$28,871.63	\$792,863.68
06/01/11	\$16,428.60	\$11,650.17	3.0000%	\$28,078.77	\$776.68	\$0.00	\$28,855.44	\$776,677.87
12/01/11	\$16,675.03	\$11,403.74	3.0000%	\$28,078.77	\$760.25	\$0.00	\$28,839.01	\$760,249.27
06/01/12	\$16,925.15	\$11,153.61	3.0000%	\$28,078.77	\$743.57	\$0.00	\$28,822.34	\$743,574.24
12/01/12	\$17,179.03	\$10,899.74	3.0000%	\$28,078.77	\$726.65	\$0.00	\$28,805.41	\$726,649.09
06/01/13	\$17,436.71	\$10,642.05	3.0000%	\$28,078.77	\$709.47	\$0.00	\$28,788.24	\$709,470.06
12/01/13	\$17,698.27	\$10,380.50	3.0000%	\$28,078.77	\$692.03	\$0.00	\$28,770.80	\$692,033.35
06/01/14	\$17,963.74	\$10,115.03	3.0000%	\$28,078.77	\$674.34	\$0.00	\$28,753.10	\$674,335.08
12/01/14	\$18,233.20	\$9,845.57	3.0000%	\$28,078.77	\$656.37	\$0.00	\$28,735.14	\$656,371.34
06/01/15	\$18,506.69	\$9,572.07	3.0000%	\$28,078.77	\$638.14	\$0.00	\$28,716.90	\$638,138.15
12/01/15	\$18,784.29	\$9,294.47	3.0000%	\$28,078.77	\$619.63	\$0.00	\$28,698.40	\$619,631.45
06/01/16	\$19,066.06	\$9,012.71	3.0000%	\$28,078.77	\$600.85	\$0.00	\$28,679.61	\$600,847.16
12/01/16	\$19,352.05	\$8,726.72	3.0000%	\$28,078.77	\$581.78	\$0.00	\$28,660.55	\$581,781.10
06/01/17	\$19,642.33	\$8,436.44	3.0000%	\$28,078.77	\$562.43	\$0.00	\$28,641.19	\$562,429.05
12/01/17	\$19,936.96	\$8,141.80	3.0000%	\$28,078.77	\$542.79	\$0.00	\$28,621.55	\$542,786.72
06/01/18	\$20,236.02	\$7,842.75	3.0000%	\$28,078.77	\$522.85	\$0.00	\$28,601.62	\$522,849.76
12/01/18	\$20,539.56	\$7,539.21	3.0000%	\$28,078.77	\$502.61	\$0.00	\$28,581.38	\$502,613.74
06/01/19	\$20,847.65	\$7,231.11	3.0000%	\$28,078.77	\$482.07	\$0.00	\$28,560.84	\$482,074.18
12/01/19	\$21,160.37	\$6,918.40	3.0000%	\$28,078.77	\$461.23	\$0.00	\$28,539.99	\$461,226.53
06/01/20	\$21,477.77	\$6,600.99	3.0000%	\$28,078.77	\$440.07	\$0.00	\$28,518.83	\$440,066.16
12/01/20	\$21,799.94	\$6,278.83	3.0000%	\$28,078.77	\$418.59	\$0.00	\$28,497.35	\$418,588.39
06/01/21	\$22,126.94	\$5,951.83	3.0000%	\$28,078.77	\$396.79	\$0.00	\$28,475.55	\$396,788.45
12/01/21	\$22,458.84	\$5,619.92	3.0000%	\$28,078.77	\$374.66	\$0.00	\$28,453.43	\$374,661.51
06/01/22	\$22,795.73	\$5,283.04	3.0000%	\$28,078.77	\$352.20	\$0.00	\$28,430.97	\$352,202.67
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06/01/23	\$23,484.73	\$4,594.04	3.0000%	\$28,078.77	\$306.27	\$0.00	\$28,385.03	\$306,269.28
12/01/23	\$23,837.00	\$4,241.77	3.0000%	\$28,078.77	\$282.78	\$0.00	\$28,361.55	\$282,784.55
06/01/24	\$24,194.55	\$3,884.21	3.0000%	\$28,078.77	\$258.95	\$0.00	\$28,337.71	\$258,947.56
12/01/24	\$24,557.47	\$3,521.30	3.0000%	\$28,078.77	\$234.75	\$0.00	\$28,313.52	\$234,753.00
06/01/25	\$24,925.83	\$3,152.93	3.0000%	\$28,078.77	\$210.20	\$0.00	\$28,288.96	\$210,195.53
12/01/25	\$25,299.72	\$2,779.05	3.0000%	\$28,078.77	\$185.27	\$0.00	\$28,264.04	\$185,269.70
06/01/26	\$25,679.22	\$2,399.55	3.0000%	\$28,078.77	\$159.97	\$0.00	\$28,238.74	\$159,969.98
12/01/26	\$26,064.40	\$2,014.36	3.0000%	\$28,078.77	\$134.29	\$0.00	\$28,213.06	\$134,290.77
06/01/27	\$26,455.37	\$1,623.40	3.0000%	\$28,078.77	\$108.23	\$0.00	\$28,186.99	\$108,226.36
12/01/27	\$26,852.20	\$1,226.56	3.0000%	\$28,078.77	\$81.77	\$0.00	\$28,160.54	\$81,770.99
06/01/28	\$27,254.98	\$823.78	3.0000%	\$28,078.77	\$54.92	\$0.00	\$28,133.68	\$54,918.79
12/01/28	\$27,663.81	\$414.96	3.0000%	\$28,078.77	\$27.66	\$0.00	\$28,106.43	\$27,663.81
Totals	\$840,000.00	\$283,150.62		\$1,123,150.62	\$18,876.71	\$0.00	\$1,142,027.32	(\$0.00)

KENTUCKY INFRASTRUCTURE AUTHORITY
SAMPLE AMORTIZATION SCHEDULE
FUND C LOAN #XX-XX
NORTH MARSHALL WATER DISTRICT
ESTIMATE FOR METER PURCHASE

3.0000% Rate
\$28,078.77 estimated P & I Calculation every 6 months

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06/01/10	\$15,946.61	\$12,132.15	3.0000%	\$28,078.77	\$808.81	\$0.00	\$28,887.58	\$808,810.29
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06/01/11	\$16,428.60	\$11,650.17	3.0000%	\$28,078.77	\$776.68	\$0.00	\$28,855.44	\$776,677.87
12/01/11	\$16,675.03	\$11,403.74	3.0000%	\$28,078.77	\$760.25	\$0.00	\$28,839.01	\$760,249.27
06/01/12	\$16,925.15	\$11,153.61	3.0000%	\$28,078.77	\$743.57	\$0.00	\$28,822.34	\$743,574.24
12/01/12	\$17,179.03	\$10,899.74	3.0000%	\$28,078.77	\$726.65	\$0.00	\$28,805.41	\$726,649.09
06/01/13	\$17,436.71	\$10,642.05	3.0000%	\$28,078.77	\$709.47	\$0.00	\$28,788.24	\$709,470.06
12/01/13	\$17,698.27	\$10,380.50	3.0000%	\$28,078.77	\$692.03	\$0.00	\$28,770.80	\$692,033.35
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12/01/14	\$18,233.20	\$9,845.57	3.0000%	\$28,078.77	\$656.37	\$0.00	\$28,735.14	\$656,371.34
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12/01/15	\$18,784.29	\$9,294.47	3.0000%	\$28,078.77	\$619.63	\$0.00	\$28,698.40	\$619,631.45
06/01/16	\$19,066.06	\$9,012.71	3.0000%	\$28,078.77	\$600.85	\$0.00	\$28,679.61	\$600,847.16
12/01/16	\$19,352.03	\$8,726.72	3.0000%	\$28,078.77	\$581.78	\$0.00	\$28,660.55	\$581,781.10
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12/01/28	\$27,663.81	\$414.96	3.0000%	\$28,078.77	\$0.00	\$0.00	\$28,106.43	(\$0.00)
Totals	\$840,000.00	\$283,150.62		\$1,123,150.62	\$18,876.71	\$0.00	\$1,142,027.32	

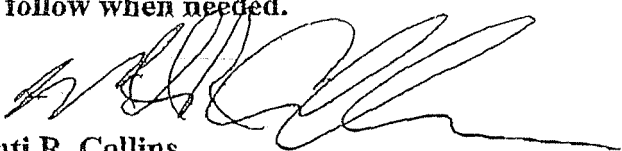
North Marshall Water
Bid

#1) \$840,000 Term Loan.

<u>Rate Term</u>	<u>Amortization</u>	<u>Rate</u>	<u>Approx. Pmt.</u>
10 yrs.	10 yrs.	4.84%	\$8,874
10 yrs.	15 yrs.	4.84%	\$6,602
10 yrs.	20 yrs.	4.84%	\$5,501
5 yrs.	5 yrs.	4.27%	\$15,595
5 yrs.	10 yrs.	4.27%	\$8,637
5 yrs.	15 yrs.	4.27%	\$6,353
5 yrs.	20 yrs.	4.27%	\$5,237
3 yrs.	5 yrs.	3.87%	\$15,441
3 yrs.	10 yrs.	3.87%	\$8,474
3 yrs.	15 yrs.	3.87%	\$6,181
3 yrs.	20 yrs.	3.87%	\$5,057

The interest rate will be fixed for the 3-10 year term and then fixed at New York Prime minus .50% thereafter and will adjust on an annual basis with a floor of 2.80%.

This bid proposal is a rate quote only based on a municipal rate. The commitment will follow when needed.



Monti R. Collins
Vice-President
First Kentucky Bank

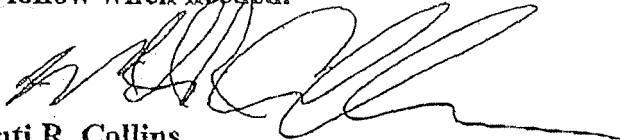
North Marshall Water
Bid

#1) \$840,000 Term Loan.

<u>Rate Term</u>	<u>Amortization</u>	<u>Rate</u>	<u>Approx. Pmt.</u>
10 yrs.	10 yrs.	4.84%	\$8,874
10 yrs.	15 yrs.	4.84%	\$6,602
10 yrs.	20 yrs.	4.84%	\$5,501
5 yrs.	5 yrs.	4.27%	\$15,595
5 yrs.	10 yrs.	4.27%	\$8,637
5 yrs.	15 yrs.	4.27%	\$6,353
5 yrs.	20 yrs.	4.27%	\$5,237
3 yrs.	5 yrs.	3.87%	\$15,441
3 yrs.	10 yrs.	3.87%	\$8,474
3 yrs.	15 yrs.	3.87%	\$6,181
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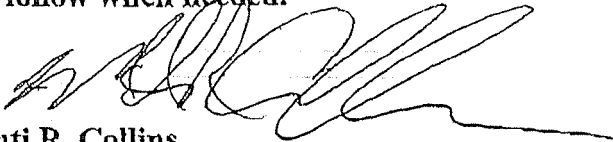
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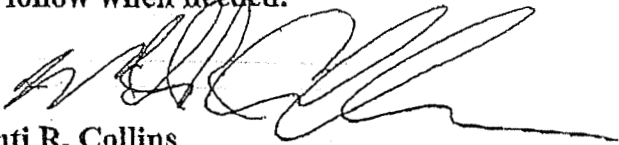
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 Vice-President
 First Kentucky Bank

INBOX.COM

Subject: North Marshall Water
Date: Monday, 11 August 2008 13:11
From: "Bruce Lyles" <bruce.lyles@bankwithheritage.com>
To: [REDACTED]

Paula,

The best we can do is to fix the rate for 10 yrs and amortize out on a 15 yr or 20 yr pymt. and then re-write the remaining balance at maturity.

The rate w/ deposits would be 7.48% fixed for 10 yrs,

The rate w/out deposits would be 7.80% fixed for 10 yrs.

If I can help w/ anything else let me know.

Wm. Bruce Lyles

Heritage Bank

P O Box 39

Calvert City, KY 42029

Office 270-395-0187

Fax 270-395-0783

bruce.lyles@bankwithheritage.com

This communication, along with any attachments is intended only for the addressee(s) named above and may contain information that is confidential, legally privileged or otherwise exempt from disclosure. If you are not the intended recipient or a person responsible for delivering it to the intended recipient, you are hereby notified that any disclosure, copying, printing, distribution, forwarding, or use of any information contained in or attached to this communication is strictly prohibited. If you have received this communication in error, please immediately notify us by telephone at 1.866.749.2265 and destroy the original communication and its attachments without reading or saving in any manner. Your cooperation is greatly appreciated.

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CONSTRUCTION SITE SERVICES

**552 S.R. 69 --- P. O. BOX 83
HARTFORD, KY 42347
Municipal Pipe & Meter Supply**

QUOTATION

Phone #	Date
270-298-4545	5/9/2008
Fax #	Quote #
270-298-4363	666
Terms	Net 30

Quotation to:
**North Marshall Water District
P. O. BOX 850
Benton, KY 42025**

Ship To:
**North Marshall Water District
56 Frankfort Road
Benton, KY 42025**

Qty	Description	Unit	Total
	KW REFAXING 8.14.08 to 270-527-3039 Fax to 270-527-3039 Brad. The following quotation is based upon a 100 per cent whole system changeout at one time. I have used 5,200 - 5/8x3/4 meters as the base quantity.		
5,200	MASTER METER, INC. #BL05-IMD-BAA-2 RADIO-READ WATER METER--DIALOG 3G AMR, 5/8 x 3/4, Bottom Load, U.S. Gallons, Plastic bottom, Plastic top, Code 39. (Please note there are two self-stick labels with each individual radio id # (RFID) to assist identification and documentation of your customers and they are attached to each water meter) (PLEASE NOTE: YOUR TEST RESULTS ARE UNDER THE METER REGISTER LID - 2 REUSABLE STICKERS)	157.50	819,000.00
1	Master Meter DIALOG 3-G AMR Panasonic Tough Notebook 5200 (latest version) Laptop, complete and ready for use, includes two (2) days of training, D-MMR Receiver (latest version), all vehicle reading software, one full year-software maint. agreement, and all hardware wiring for components	19,995.00	19,995.00

Refaxing 8-14-08
KW

Thanks for the opportunity to quote. Please let us know if we can help. The Paducah # is 270-443-1759 and fax is 1789 and physical 3209 Cook St. 42003, The Hartford # is 270-298 4545 and fax 4363 and physical 525 SR 69 42347. Please keep in mind that pipe prices are firm 10 days, copper & wire are firm daily only, other prices are firm for 30 days unless otherwise noted and are subject to raw materials availability. CSS is D.O.T. Certified DBE in KY, OH, IL, TN, & AL and HUDZone certified. KY Sales Tax will be added unless an exemption is provided. Again, we appreciate very much the opportunity to quote.

Subtotal	\$838,995.00
Sales Tax (0.0%)	\$0.00
Total	\$838,995.00

www.csspipe.com

Signature/CSS Rep

NORTH MARSHALL
WATER DISTRICT

AUDIT ENDING

DECEMBER 31, 2007

**NORTH MARSHALL
WATER DISTRICT
AUDIT REPORT**

December 31, 2007

2

AUDIT REPORT

of the

NORTH MARSHALL WATER DISTRICT

For the fiscal year ended

DECEMBER 31, 2007

KIM HAM

CERTIFIED PUBLIC ACCOUNTANT

TAXES ♦ BOOKKEEPING ♦ AUDITING ♦ PAYROLL ♦ CONSULTING

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75 Vine Street
Benton, KY 42025

(270) 527-3628
(270) 527-2261 fax

<kimhamcpa@hotmail.com>

KIM HAM
CERTIFIED PUBLIC ACCOUNTANT

TAXES ♦ BOOKKEEPING ♦ AUDITING ♦ PAYROLL ♦ CONSULTING

MEMBER,
*American Institute
of CPA's*
♦
MEMBER,
*Kentucky Society
of CPA's*

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
NORTH MARSHALL WATER DISTRICT
Benton, Kentucky

I have audited the accompanying financial statements of the North Marshall Water District, as of and for the years ended December 31, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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 basic 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. I believe that my audit provide a reasonable basis for my opinions.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the North Marshall Water District as of December 31, 2007 and 2006, 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*, I have also issued my report dated March 18, 2008, on my consideration of the North Marshall Water District's internal control over financial reporting and on my 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 my testing of internal controls 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 should be read in assessing the results of my audit.

The Management's Discussion and Analysis on pages 3 through 7 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I 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, I did not audit the information and express no opinion on it.

March 18, 2008

NORTH MARSHALL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2007

The management of North Marshall Water District (NMWD) provides readers of our financial statements this narrative that is an overview and analysis of the district's performance for the year ended December 31, 2007. It is to be read in conjunction with the financial statements which begin on page 7.

FINANCIAL HIGHLIGHTS

NMWD's net assets increased by \$251,752 (5.8%) as a result of this year's operations.

Operating revenues increased by \$101,208 (9.1%) primarily due to increased sales to both residential and commercial customers and fewer leak adjustments.

Operating expenses, excluding depreciation, increased by \$59,069 (6.8%).

Net income before capital contributions increased by \$209,327, which was primarily due to the gain on the disposition of capital assets of \$184,487.

HOW TO USE THE ANNUAL REPORT

This annual report is divided into sections. You will find an introduction section, a financial section and a section providing notes that will help you to better understand the financial statements.

THE STATEMENT OF NET ASSETS

The Statement of Net Assets includes all of NMWD'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. The statement of net assets is useful in evaluating the liquidity and financial position of the district.

THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The statement of Revenues, Expenses and Changes in Net Assets identifies the revenues generated and expenses incurred during the reporting year. This report identifies whether or not the district is covering its costs through its customer rate structure and non-recurring charges.

THE STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information relating to NMWD's cash receipts and cash expenditures during the reporting year. The statement reports cash receipts, cash payments and net changes in cash resulting from operations, investing and financing activities. It helps the reader of the annual report to determine where the cash came from, where the cash was used and what the change in the cash balance was during the year.

NORTH MARSHALL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2007

FINANCIAL INFORMATION

Condensed Statement of Net Assets

	CY 2007	CY2006	Dollar Change	Percent Change
Current Assets	\$ 957,750	\$ 599,061	\$ 358,689	59.9
Restricted Assets	33,415	28,572	4,843	17.0
Capital Assets	4,415,847	4,493,034	(77,187)	(1.7)
Deferred Debits	<u>10,768</u>	<u>12,425</u>	<u>(1,657)</u>	(13.3)
Total Assets	<u>\$5,417,780</u>	<u>\$5,133,092</u>	<u>\$ 284,688</u>	5.5
Current Liabilities	\$ 269,144	\$ 157,420	\$ 111,724	71.0
Long-term Liabilities	<u>539,181</u>	<u>617,969</u>	<u>(78,788)</u>	(12.7)
Total Liabilities	<u>\$ 808,325</u>	<u>\$ 775,389</u>	<u>\$ 32,936</u>	4.2
Invested in Capital Assets net of related debt	\$3,786,666	\$3,785,065	\$ 1,601	0.0
Restricted Assets, net	(452)	(397)	(55)	(13.9)
Unrestricted Assets	<u>823,241</u>	<u>573,035</u>	<u>250,206</u>	43.7
Net Assets	<u>\$4,609,455</u>	<u>\$4,357,703</u>	<u>\$ 251,752</u>	5.8

During the year, the district's net assets increased by 5.8%. This increase was mainly due to a large gain on the disposition of capital assets and from cash generated from customer contributions.

NORTH MARSHALL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2007

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	CY2007	CY2006	Dollar Change	Percent Change
Operating Revenue	\$1,215,938	\$1,114,730	\$101,208	9.1
Non-operating Revenue	<u>200,316</u>	<u>9,645</u>	<u>190,671</u>	1976.9
Total Revenue	<u>\$1,416,254</u>	<u>\$1,124,375</u>	<u>\$291,879</u>	26.0
Operating Expenses	\$1,170,462	\$1,081,349	\$ 89,113	8.2
Non-operating Expenses	<u>48,088</u>	<u>54,649</u>	<u>(6,561)</u>	(12.0)
Total Expenses	<u>\$1,218,550</u>	<u>\$1,135,998</u>	<u>\$ 82,552</u>	7.3
Contributions	<u>\$ 54,048</u>	<u>\$ 63,828</u>	<u>\$ (9,780)</u>	(15.3)
Change in Net Assets	\$ 251,752	\$ 52,205	\$199,547	382.2
Beginning Net Assets	<u>4,357,703</u>	<u>4,305,498</u>	<u>52,205</u>	1.2
Ending Net Assets	<u>\$4,609,455</u>	<u>\$4,357,703</u>	<u>\$251,752</u>	5.8

Income before capital contributions increased over the previous year due to a large gain on the disposition of capital assets. We experienced increased expenses in wages, pension benefits, purchased power and repair parts, while contractual services decreased from the prior year.

CAPITAL ASSETS AND LONG-TERM DEBT

NMWD's net investment in plant, lines and other facilities increased by \$1,601 in CY 2007, mainly due to larger amounts expended on mains, meters and other capital improvements. The District has a relatively small amount of long-term debt as compared to many water systems. The only outstanding loan is through the Kentucky Infrastructure Authority.

BUDGETARY CONTROLS

NMWD operates its general activities in accordance with a budget adopted by its Board of Commissioners.

NORTH MARSHALL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2007

Statement of Revenues, Expenses, and Changes in Net Assets to Budget
For the Twelve Months Ended December 31, 2007

	Actual	Budget	Increase/ (Decrease)	Percent Change
Operating Revenues:				
Charges for services	\$ 1,172,781	\$ 1,266,600	\$ (93,819)	(7.4)
Penalties, late charges, and other	43,157	46,300	(3,143)	(6.8)
Total Operating Revenues	<u>1,215,938</u>	<u>1,312,900</u>	<u>(96,962)</u>	<u>(7.4)</u>
Operating Expenses:				
Salaries	357,943	348,804	9,139	2.6
Employee pension and benefits	113,376	125,580	(12,204)	(9.7)
Fuel and power for pumping	111,977	99,800	12,177	12.2
Purification	42,961	53,300	(10,339)	(19.4)
Distribution	141,147	122,000	19,147	15.7
Meter department	28,999	28,800	199	0.7
Customer service	30,069	33,000	(2,931)	(8.9)
Administration and general	26,583	26,600	(17)	(0.1)
GIS support	4,000	4,000	0	0.0
Insurance	35,961	42,900	(6,939)	(16.2)
Payroll expense	26,305	28,000	(1,695)	(6.1)
Depreciation	244,944	273,000	(28,056)	(10.3)
Bad debt expense	5,597	1,316	4,281	325.3
Rent expense	600	600	0	0.0
Total operating expenses	<u>1,170,462</u>	<u>1,187,700</u>	<u>(17,238)</u>	<u>(1.5)</u>
Income from operations	<u>45,476</u>	<u>125,200</u>	<u>(79,724)</u>	<u>(63.7)</u>
Non-operating revenues (expenses):				
Interest income	15,829	12,000	3,829	31.9
Gain (loss) on disposition of assets	184,487	0	184,487	N/A
Interest and bond discount expense	(48,088)	(104,400)	56,312	(53.9)
Total non-operating revenues (expenses)	<u>152,228</u>	<u>(92,400)</u>	<u>244,628</u>	<u>(264.7)</u>
Net income (loss) before contributions	197,704	32,800	164,904	502.8
Contributions from property owners	<u>54,048</u>	<u>0</u>	<u>54,048</u>	<u>N/A</u>
Change in net assets	251,752	32,800	218,952	667.5
Net assets January 1, 2007	<u>4,357,703</u>	<u>4,357,703</u>	<u>0</u>	<u>0.0</u>
Net assets December 31, 2007	<u>\$ 4,609,455</u>	<u>\$ 4,390,503</u>	<u>\$ 218,952</u>	<u>5.0</u>

NORTH MARSHALL WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2007

OTHER SIGNIFICANT MATTERS

The growth rate for new customers is around 1% annually. Although the treatment plants are in good shape the distribution water mains are mostly old, many undersized and costly to maintain. The office building is old and needs replacing. More stringent regulations are being enacted on a regular basis to better insure the quality of water. With the district having reached a mature growth status, the customers can expect to continue paying more and more for water service.

NORTH MARSHALL WATER DISTRICT
COMPARATIVE STATEMENT OF NET ASSETS
December 31, 2007 and 2006

	2007	2006
ASSETS:		
Current Assets:		
Cash and cash equivalents	\$ 786,753	\$ 432,274
Customer accounts receivable, less allowance for doubtful accounts (\$7,500 for 2007, \$4,900 for 2006)	156,381	145,445
Prepaid expenses	14,616	21,342
Total Current Assets	957,750	599,061
Restricted Assets:		
Cash and cash equivalents	33,415	28,572
Total Restricted Assets	33,415	28,572
Noncurrent Assets:		
Capital assets	8,405,166	8,440,184
Less: Accumulated depreciation	(3,989,319)	(3,947,150)
Total Noncurrent Assets	4,415,847	4,493,034
Deferred Debits:		
Unamortized debt discount and expense	10,768	12,425
Total Deferred Debits	10,768	12,425
TOTAL ASSETS	\$ 5,417,780	\$ 5,133,092
LIABILITIES:		
Current Liabilities (payable from current assets):		
Accounts payable	\$ 127,623	\$ 22,471
Accrued liabilities	17,654	15,980
Current portion of long-term debt	90,000	90,000
Total Current Liabilities (payable from current assets)	235,277	128,451
Current Liabilities (payable from restricted assets):		
Customer deposits	33,867	28,969
Total Current Liabilities (payable from restricted assets)	33,867	28,969
Noncurrent Liabilities:		
Note payable, less current maturities	539,181	617,969
Total Noncurrent Liabilities	539,181	617,969
TOTAL LIABILITIES	\$ 808,325	\$ 775,389
NET ASSETS:		
Invested in capital assets, net of related debt	\$ 3,786,666	\$ 3,785,065
Restricted for:		
Customer deposits	(452)	(397)
Unrestricted		
Unreserved	823,241	573,035
TOTAL NET ASSETS	\$ 4,609,455	\$ 4,357,703

See Notes to Financial Statements

NORTH MARSHALL WATER DISTRICT
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Years Ended December 31, 2007 and 2006

	2007	2006
OPERATING REVENUES:		
Charges for services:		
Sales to residential customers	\$ 908,043	\$ 830,414
Sales to commercial customers	251,359	236,207
Sales to multiple family dwellings	19,122	19,192
Sales through bulk loading stations	805	1,805
Service charges, reconnect fees & miscellaneous	23,865	23,450
Gross charges for services	1,203,194	1,111,068
Less: leak adjustments	(6,548)	(17,578)
Net charges for services	\$ 1,196,646	1,093,490
Penalties and late charges	19,292	21,240
Total Operating Revenues	1,215,938	1,114,730
OPERATING EXPENSES:		
Operations:		
Salaries and wages	39,587	36,754
Purchased power	109,917	95,939
Chemicals	16,545	14,136
Materials and supplies	11,306	10,854
Contractual services	8,936	11,569
Rent	600	600
Total Operations	186,891	169,852
Maintenance:		
Salaries and wages	71,400	59,649
Materials and supplies	42,030	24,073
Contractual services	110,336	111,654
Total Maintenance	223,766	195,376
Customer Accounts Expense:		
Meter reading:		
Salaries and wages	18,965	19,099
Accounting and collection:		
Salaries and wages	30,771	29,027
Bad debt expense, net of recoveries	5,597	2,534
Total Customer Accounts Expense	55,333	50,660

See Notes to Financial Statements

NORTH MARSHALL WATER DISTRICT
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Years Ended December 31, 2007 and 2006

	2007	2006
Administration and General Expense:		
Salaries and wages - employees	167,520	156,669
Salaries and wages - commissioners	29,700	30,200
Employee pensions	48,882	36,789
Employee benefits	59,788	62,800
Educational and training	4,706	4,665
Purchased power	2,060	1,722
Materials and supplies - office	30,069	24,956
Contractual services - engineering	0	8,775
Contractual services - accounting	5,000	5,000
Contractual services - GIS fees	4,000	4,000
Contractual services - other	4,484	11,089
Transportation expense	23,954	25,282
Insurance expense	35,961	38,596
Advertising	1,855	226
Regulatory assessment fees	1,902	1,901
Maintenance of General Plant	450	0
Telephone	10,809	11,347
Paying agent fees	1,490	1,665
Safety supplies	293	308
Miscellaneous general expenses	300	0
Payroll taxes	26,305	24,571
Total Administration and General Expense	459,528	450,561
 Depreciation Expense	 244,944	 214,900
Total Operating Expenses	1,170,462	1,081,349
 Operating Income (Loss)	 45,476	 33,381
 NON-OPERATING REVENUES (EXPENSES):		
Interest income	15,829	9,645
Gain (loss) on disposition of assets	184,487	(3,602)
Amortization of debt discount and expense	(12,869)	(12,869)
Interest expense	(35,219)	(38,178)
Total Non-operating Revenues (Expenses)	152,228	(45,004)
 Net income (loss) before contributions	 197,704	 (11,623)
 Contributions from property owners	 54,048	 63,828
 Change in net assets	 251,752	 52,205
 Net Assets, January 1	 4,357,703	 4,305,498
 Net Assets, December 31	 \$ 4,609,455	 \$ 4,357,703

See Notes to Financial Statements

NORTH MARSHALL WATER DISTRICT
COMPARATIVE STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Years Ended December 31, 2007 and 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from:		
Customers	\$ 1,216,061	\$ 1,148,101
State funds for employee insurance	9,388	9,388
Cash paid for:		
Salaries and wages	(357,607)	(331,145)
Employee pension and benefits	(119,931)	(113,097)
Purchased power	(111,977)	(105,999)
Chemicals	(15,399)	(14,136)
Materials and supplies	(66,415)	(59,049)
Contractual services	(128,890)	(154,380)
Rent expense	(600)	(600)
Transportation expenses	(21,884)	(24,879)
Insurance	(29,235)	(41,400)
Advertising	(1,848)	(319)
Regulatory commission expense	(1,902)	(1,901)
Telephone	(11,226)	(11,422)
Paying agent fees	(1,490)	(1,665)
Payroll taxes	(26,305)	(21,517)
Net cash provided by (used in) operating activities	330,740	275,980
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(145,500)	(108,486)
Proceeds from disposition of capital assets	229,424	2,222
Principal paid on bonds and other long-term debt	(90,000)	(87,500)
Interest paid on bonds and other long-term debt	(35,219)	(38,178)
Capital contributed by property owners	54,048	63,828
Net cash provided by (used in) capital and related financing activities	12,753	(168,114)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest earnings	15,829	9,645
Net cash provided by (used in) investing activities	15,829	9,645
Net Increase (Decrease) in Cash and Cash Equivalents	359,322	117,511
Cash & Cash Equivalents - January 1	460,846	343,335
Cash & Cash Equivalents - December 31	\$ 820,168	\$ 460,846
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	\$ 45,476	\$ 33,381
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	244,944	214,900
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	(10,936)	35,344
Decrease (increase) in prepaid expenses	6,726	(3,286)
Increase (decrease) in trade accounts payable	37,958	(8,262)
Increase (decrease) in accrued liabilities	1,674	1,671
Increase (decrease) in customer deposits	4,898	2,232
Net cash provided by operating activities	\$ 330,740	\$ 275,980

See Notes to Financial Statements

NORTH MARSHALL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the North Marshall Water District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. With respect to proprietary activities, the North Marshall Water District has adopted GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting." The North Marshall Water District has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

These financial statements follow the provisions of GASB No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and related standards. These new standards adopted effective January 1, 2004 provided for changes in terminology; recognition of contributions in the Statement of Revenues, Expenses and Changes in Net Assets; including of a management discussion and analysis as supplementary information; and other changes. The more significant of North Marshall Water District's accounting policies are described hereinafter.

A. Reporting Entity

The North Marshall Water District is a Class B water district and was established on October 16, 1961 pursuant to Chapter 74 of the Kentucky Revised Statutes. The District provides potable water service to the residents of northern Marshall and Livingston counties in Kentucky. The District is governed by a Board which consists of five commissioners.

B. Basis of Accounting

The District is accounted for using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of the District are included on the statement of net assets. Total net assets are segregated into amounts invested in capital assets, net of related debt, restricted for customer deposits, and unrestricted. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net assets. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

NORTH MARSHALL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's utilities are charges to the customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Cash and Cash Equivalents

For purposes of the statement of cash flows, the North Marshall Water District considers all highly liquid debt instruments purchased with original maturities of three months or less from the date of acquisition to be cash equivalents.

D. Contributed Capital and Construction Grants

Construction and acquisition of water plant, lines and other facilities are financed in part by governmental grants and contributions in aid of construction from property owners and developers. Prior to GASB 34, the accumulated amount of contributions in aid of construction was listed as a separate portion of capital. Under GASB 34, the current year contributions are listed as an increase in net assets after net income or loss before contributions.

E. Capital Assets

Capital Assets, which include plant, water lines, equipment, and other facilities, are recorded at historical cost. Capital assets are defined by the North Marshall Water District as assets with an estimated useful in excess of one year. It is the District's policy to depreciate the costs of these assets over their estimated useful lives on a straight-line basis.

Estimated useful lives on depreciable assets are as follows:

Utility plant	20-50 years
Office and other equipment	5-20 years
Vehicles	5 years

Costs incurred for capital construction and acquisition are carried in construction in progress until disposition or completion of the related projects. Costs relating to projects not pursued are expensed, while costs relating to completed projects are capitalized as plant, lines and other facilities.

NORTH MARSHALL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Capitalized Interest

Interest capitalized on projects funded from bond proceeds is recorded as the difference between the interest costs of the borrowing less interest earned on undisbursed invested proceeds during the construction period. Interest is not capitalized on project costs that are reimbursed by contributions of capital from government, property owners and developers.

G. Debt Discount and Expense

Debt discount and expense is amortized over the life of the related debt.

H. Compensated Absences

Vacation time must be used during the calendar year earned and cannot be carried over to a subsequent year. Sick time is not payable upon termination or retirement. Because of this, there is no liability recorded for compensated absences.

NOTE 2 - DEPOSITS AND INVESTMENTS

State statutes authorize the District to invest in obligations of the United States and its agencies and instrumentalities; bond or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and municipalities; interest bearing deposit accounts in financial institutions chartered in the Commonwealth of Kentucky and insured by an agency of the United States up to the amount thus insured and in larger amounts, provided such financial institutions pledge as security obligations of the United States having such value as may be satisfactory to the District.

At December 31, 2007, the carrying amount of the District's deposits was \$820,168 and the bank balance was \$823,030. Of this amount, \$365,062 was covered by federal depository insurance, and the remainder was collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

NOTE 3 - RESTRICTED CASH AND EQUIVALENTS

The District has an escrow account established for customer deposits. The District requires a refundable deposit at the time a new customer is connected to the water system. These receipts are deposited into the escrow account until such time as the customer is disconnected from the system. If the customer is current with all water bills, the deposit is returned to the customer from the escrow account. If the customer is past due on any water bill, the deposit is first applied to the bill, with any remainder being refunded to the customer from the escrow account. The amount in the escrow account is \$452 short of the amount in the liability account on the ledger.

NORTH MARSHALL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007, was as follows:

	Balance 12/31/06	Additions	Dispositions	Balance 12/31/07
Historical Cost				
Land and land rights	\$ 63,679	\$ 0	\$ 0	\$ 63,679
Structures & improvements	2,745,786	0	221,000	2,524,786
Wells & springs	225,092	0	0	225,092
Supply mains	509	0	0	509
Power generation equipment	408	0	0	408
Pumping equipment	238,184	0	0	238,184
Water treatment equipment	43,903	0	0	43,903
Distribution reservoirs & standpipes	939,327	0	0	939,327
Transmission & distribution mains	2,149,629	7,880	0	2,157,509
Services	1,468	0	0	1,468
Meters & meter installations	1,439,534	55,989	0	1,495,523
Hydrants	98,816	0	0	98,816
Other plant and equipment	163,925	0	0	163,925
Office furniture and equipment	159,171	0	0	159,171
Transportation equipment	88,379	26,049	26,711	87,717
Tools, shop & garage equipment	7,927	2,193	0	10,120
Laboratory equipment	6,058	0	0	6,058
Power operated equipment	21,686	0	0	21,686
Communication equipment	14,654	120,582	0	135,236
Miscellaneous equipment	10,813	0	0	10,813
Other tangible plant	21,236	0	0	21,236
Total	\$ 8,440,184	\$ 212,693	\$ 247,711	\$ 8,405,166

Depreciation on these assets and amounts in accumulated depreciation were as follows:

NORTH MARSHALL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

NOTE 4 - CAPITAL ASSETS (Continued)

	Balance 12/31/06	Additions	Dispositions	Balance 12/31/07
Accumulated depreciation:				
Structures & improvements	\$ 1,699,811	\$ 54,657	\$ 176,064	\$ 1,578,404
Wells & springs	140,099	4,502	0	144,601
Supply mains	349	10	0	359
Power generation equipment	408	0	0	408
Pumping equipment	119,702	8,160	0	127,862
Water treatment equipment	24,797	1,122	0	25,919
Distribution reservoirs & standpipes	353,813	18,786	0	372,599
Transmission & distribution mains	575,830	43,071	0	618,901
Services	871	30	0	901
Meters & meter installations	574,447	73,376	0	647,823
Hydrants	74,267	3,953	0	78,220
Other plant and equipment	101,963	3,377	0	105,340
Office furniture and equipment	152,617	2,367	0	154,984
Transportation equipment	61,131	12,300	26,711	46,720
Tools, shop & garage equipment	5,420	1,045	0	6,465
Laboratory equipment	4,339	530	0	4,869
Power operated equipment	19,209	2,081	0	21,290
Communication equipment	12,325	13,398	0	25,723
Miscellaneous equipment	8,872	1,211	0	10,083
Other tangible plant	16,880	968	0	17,848
Total	<u>\$ 3,947,150</u>	<u>\$ 244,944</u>	<u>\$ 202,775</u>	<u>\$ 3,989,319</u>

NOTE 5 - LONG-TERM LIABILITIES

At year end, the District's only long-term liability was a loan from the Kentucky Infrastructure Authority (KIA). The KIA loan is payable monthly at interest rates graduated from 2.25% to 5.29%. The balance of the loan at December 31, 2007 was \$655,000. The balance on the statement of net assets is net of \$25,819 deferred loss which arose from refinancing the KIA loan in 1999. The deferred loss is being amortized over the life of the loan.

The activity of long-term debt for the year was as follows:

NORTH MARSHALL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2007

NOTE 5 - LONG-TERM LIABILITIES (Continued)

	Balance 12/31/06	Additions	Retirements	Balance 12/31/07	Due Within One Year
KIA loan	\$ 745,000	\$ 0	\$ 90,000	\$ 655,000	\$ 90,000
Total	<u>\$ 745,000</u>	<u>\$ 0</u>	<u>\$ 90,000</u>	<u>\$ 655,000</u>	<u>\$ 90,000</u>

Principal and interest requirements to retire the District's long-term obligations were as follows:

Year Ended December 31	Interest	Service Fee	Principal	Total
2008	\$ 31,786	\$ 1,310	\$ 90,000	\$ 123,096
2009	28,015	1,130	92,500	121,645
2010	23,872	945	95,000	119,817
2011	19,384	755	100,000	120,139
2012-2014	26,418	1,010	277,500	304,928
	<u>\$ 129,475</u>	<u>\$ 5,150</u>	<u>\$ 655,000</u>	<u>\$ 789,625</u>

NOTE 6 - RETIREMENT PLAN

The District's employees participate in the County Employees Retirement System (CERS) which is a cost-sharing, multiple-employer defined benefit public employee retirement system administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. The CERS provides for retirement, disability and death benefits to plan members and beneficiaries. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the CERS. That report may be obtained by writing to the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124.

Plan members are required to contribute 5% of creditable compensation and the District is required to contribute at an actuarially determined rate, which was 13.19% until July, 2007, at which time the rate was increased to 16.17%.

The contribution requirements of plan members and the District are established and may be amended by the CERS Board of Trustees. The District's contributions to the CERS for the years ended December 31, 2007, 2006 and 2005 were \$48,882, \$36,789, and \$27,931 respectively, equal to the required contributions for each year.

NORTH MARSHALL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONCLUDED)
DECEMBER 31, 2007

NOTE 7 - ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, net assets, and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District contracts with Kentucky Employers Mutual for insurance coverage for workers compensation. Auto and general liability, property insurance and other risks are covered by the purchase of commercial insurance.

Coverage by commercial insurance consists of \$1,000,000 in general, directors and officers, and automobile liability insurance. Coverage for property risk is \$3,859,143. The District also carries a public official bond in the amount of \$10,000 on each commissioner, \$25,000 crime and employee dishonesty, a \$50,000 permit bond, and workers' compensation at statutory rates. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in recent years.

NOTE 9 – CONTINGENCIES

The District has a contingent liability for refunds to developers who have donated water mains to the District. The amount to be refunded cannot be determined as it is contingent on the number of future customer tap-ons to these donated water mains.

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

To the Board of Commissioners
NORTH MARSHALL WATER DISTRICT
Benton, Kentucky

I have audited the financial statements of the North Marshall Water District, as of and for the years ended December 31, 2007 and 2006, and have issued my report thereon dated March 18, 2008. I conducted my 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing my audits, I considered the North Marshall Water District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the North Marshall Water District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the North Marshall Water District'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 the North Marshall Water District's financial statements that is more than inconsequential will not be prevented or detected by the North Marshall Water District's internal control.

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

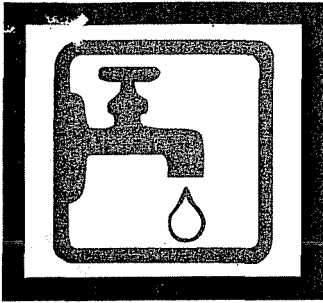
My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the North Marshall Water District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

March 18, 2008



NORTH MARSHALL WATER DISTRICT

56 Frankfort Rd. • P.O. Box 850 • Benton, Kentucky 42025
Telephone (270) 527-3208 • Fax (270) 527-3039 • 1-800-491-3209 (area code 270 only)

MINUTES OF MEETING JUNE 19, 2008

B.W. Darnell, Chairman
Bob Turner, Treasurer
Gordon Hargrove, Commissioner
Scott Solomon, Commissioner
Brad Anderson, Superintendent
Sara Cothran, Employee

The regularly scheduled meeting of the North Marshall Water District Commissioners was called to order by Chairman Darnell at 11:00 am at the district office.

Commissioner Hargrove made a motion the minutes of the May 15, 2008 meeting be approved as read. Second by Commissioner Turner. Motion carried with all voting aye with a show of hands.

Superintendent Anderson presented the Superintendent's report.

Commissioner Hargrove motioned the district hire one operator trainee. Starting salary to be \$12.00 per hour with an increase following the probationary period. The motion was seconded by Commissioner Solomon. Motion carried with all voting aye by a show of hands.

OLD BUSINESS:

Commissioner Turner motioned the district buy a radio read system from Master Meters at a cost of about 840,000.00 to replace the present meters on the district, contingent upon Kentucky Public Service Commission approval. Funding for the project will be borrowed at the lowest possible percentage rate. Commissioner Solomon seconded the motion. The motion carried with all voting aye by a show of hands.

Commissioner Hargrove made a motion to borrow \$250,000.00 at the lowest local percentage rate of interest, and build a new office facility at 96 Carroll Road. Commissioner Turner seconded the motion. Motion carried with all voting aye by a show of hands.

At 12:45 pm Commissioner Solomon made a motion to go into executive session to discuss a personnel matter. The motion was seconded by Commissioner Turner. The commission came out of executive session at 1:30 pm. Action was taken. Employee Kerry Darnall was terminated effective immediately, by a unanimous vote of the commission by a show of hands.

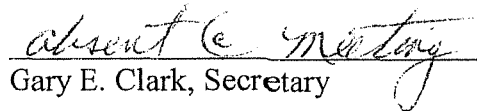
Page 2
Minutes of Meeting
June 19, 2008

The next order of business was the vendor's claim register. On a motion by Commissioner Turner and a second by Commissioner Hargrove, the vendors claim register was approved as presented. All voted aye with a show of hands.

There being no further business to come before the commission, the meeting was adjourned by Chairman Darnell at 1:50 pm.



B.W. Darnell, Chairman



Gary E. Clark, Secretary



Bob Turner, Treasurer



Scott Solomon, Commissioner



Gordon Hargrove, Commissioner

Kentucky Infrastructure Authority**MONTHLY PAYMENT SCHEDULE**

North Marshall Water District

C92-06

Loan Amount

880,000.00

Payment Date	Principal	Coupon	Interest	Debt Service	Service Fee	Sinking Fund	Net Total Payment	Principal Balance Remaining
9/1/2004	500.00	2.250%	3,985.37	4,485.37	176.00	0.00	4,661.37	879,500.00
10/1/2004	500.00	2.250%	3,985.37	4,485.37	176.00	0.00	4,661.37	879,000.00
11/1/2004	500.00	2.250%	3,985.37	4,485.37	176.00	0.00	4,661.37	878,500.00
12/1/2004	500.00	2.250%	3,985.37	4,485.37	176.00	0.00	4,661.37	878,000.00
1/1/2005	500.00	2.250%	3,985.37	4,485.37	176.00	0.00	4,661.37	877,500.00
2/1/2005	500.00	2.250%	3,985.37	4,485.37	176.00	0.00	4,661.37	877,000.00
3/1/2005	500.00	2.250%	3,985.37	4,485.37	176.00	0.00	4,661.37	876,500.00
4/1/2005	500.00	2.250%	3,985.37	4,485.37	176.00	0.00	4,661.37	876,000.00
5/1/2005	500.00	2.250%	3,985.37	4,485.37	176.00	0.00	4,661.37	875,500.00
6/1/2005	500.00	2.250%	3,985.37	4,485.37	176.00	0.00	4,661.37	875,000.00
7/1/2005	7,083.33	3.160%	3,293.42	10,376.75	145.83	0.00	10,522.58	867,916.67
8/1/2005	7,083.33	3.160%	3,293.42	10,376.75	145.83	0.00	10,522.58	860,833.33
9/1/2005	7,083.33	3.160%	3,293.42	10,376.75	145.83	0.00	10,522.58	853,750.00
10/1/2005	7,083.33	3.160%	3,293.42	10,376.75	145.83	0.00	10,522.58	846,666.67
11/1/2005	7,083.33	3.160%	3,293.42	10,376.75	145.83	0.00	10,522.58	839,583.33
12/1/2005	7,083.33	3.160%	3,293.42	10,376.75	145.83	0.00	10,522.58	832,500.00
1/1/2006	7,083.33	3.160%	3,293.42	10,376.75	145.83	0.00	10,522.58	825,416.67
2/1/2006	7,083.33	3.160%	3,293.42	10,376.75	145.83	0.00	10,522.58	818,333.33
3/1/2006	7,083.33	3.160%	3,293.42	10,376.75	145.83	0.00	10,522.58	811,250.00
4/1/2006	7,083.33	3.160%	3,293.42	10,376.75	145.83	0.00	10,522.58	804,166.67
5/1/2006	7,083.33	3.160%	3,293.42	10,376.75	145.83	0.00	10,522.58	797,083.33
6/1/2006	7,083.33	3.160%	3,293.42	10,376.75	145.83	0.00	10,522.58	790,000.00
7/1/2006	7,500.00	3.590%	3,069.58	10,569.58	131.67	0.00	10,701.25	782,500.00
8/1/2006	7,500.00	3.590%	3,069.58	10,569.58	131.67	0.00	10,701.25	775,000.00
9/1/2006	7,500.00	3.590%	3,069.58	10,569.58	131.67	0.00	10,701.25	767,500.00
10/1/2006	7,500.00	3.590%	3,069.58	10,569.58	131.67	0.00	10,701.25	760,000.00
11/1/2006	7,500.00	3.590%	3,069.58	10,569.58	131.67	0.00	10,701.25	752,500.00
12/1/2006	7,500.00	3.590%	3,069.58	10,569.58	131.67	0.00	10,701.25	745,000.00
1/1/2007	7,500.00	3.590%	3,069.58	10,569.58	131.67	0.00	10,701.25	737,500.00
2/1/2007	7,500.00	3.590%	3,069.58	10,569.58	131.67	0.00	10,701.25	730,000.00
3/1/2007	7,500.00	3.590%	3,069.58	10,569.58	131.67	0.00	10,701.25	722,500.00
4/1/2007	7,500.00	3.590%	3,069.58	10,569.58	131.67	0.00	10,701.25	715,000.00
5/1/2007	7,500.00	3.590%	3,069.58	10,569.58	131.67	0.00	10,701.25	707,500.00
6/1/2007	7,500.00	3.590%	3,069.58	10,569.58	131.67	0.00	10,701.25	700,000.00
7/1/2007	7,500.00	4.040%	2,800.33	10,300.33	116.67	0.00	10,417.00	692,500.00
8/1/2007	7,500.00	4.040%	2,800.33	10,300.33	116.67	0.00	10,417.00	685,000.00
9/1/2007	7,500.00	4.040%	2,800.33	10,300.33	116.67	0.00	10,417.00	677,500.00
10/1/2007	7,500.00	4.040%	2,800.33	10,300.33	116.67	0.00	10,417.00	670,000.00
11/1/2007	7,500.00	4.040%	2,800.33	10,300.33	116.67	0.00	10,417.00	662,500.00
12/1/2007	7,500.00	4.040%	2,800.33	10,300.33	116.67	0.00	10,417.00	655,000.00
1/1/2008	7,500.00	4.040%	2,800.33	10,300.33	116.67	0.00	10,417.00	647,500.00
2/1/2008	7,500.00	4.040%	2,800.33	10,300.33	116.67	0.00	10,417.00	640,000.00
3/1/2008	7,500.00	4.040%	2,800.33	10,300.33	116.67	0.00	10,417.00	632,500.00
4/1/2008	7,500.00	4.040%	2,800.33	10,300.33	116.67	0.00	10,417.00	625,000.00
5/1/2008	7,500.00	4.040%	2,800.33	10,300.33	116.67	0.00	10,417.00	617,500.00
6/1/2008	7,500.00	4.040%	2,800.33	10,300.33	116.67	0.00	10,417.00	610,000.00
7/1/2008	7,500.00	4.340%	2,497.33	9,997.33	101.67	0.00	10,099.00	602,500.00
8/1/2008	7,500.00	4.340%	2,497.33	9,997.33	101.67	0.00	10,099.00	595,000.00
9/1/2008	7,500.00	4.340%	2,497.33	9,997.33	101.67	0.00	10,099.00	587,500.00
10/1/2008	7,500.00	4.340%	2,497.33	9,997.33	101.67	0.00	10,099.00	580,000.00
11/1/2008	7,500.00	4.340%	2,497.33	9,997.33	101.67	0.00	10,099.00	572,500.00
12/1/2008	7,500.00	4.340%	2,497.33	9,997.33	101.67	0.00	10,099.00	565,000.00

Kentucky Infrastructure Authority

MONTHLY PAYMENT SCHEDULE

North Marshall Water District
C92-06

Loan Amount

880,000.00

Payment Date	Principal	Coupon	Interest	Debt Service	Service Fee	Sinking Fund	Net Total Payment	Principal Balance Remaining
1/1/2009	7,500.00	4.340%	2,497.33	9,997.33	101.67	0.00	10,099.00	557,500.00
2/1/2009	7,500.00	4.340%	2,497.33	9,997.33	101.67	0.00	10,099.00	550,000.00
3/1/2009	7,500.00	4.340%	2,497.33	9,997.33	101.67	0.00	10,099.00	542,500.00
4/1/2009	7,500.00	4.340%	2,497.33	9,997.33	101.67	0.00	10,099.00	535,000.00
5/1/2009	7,500.00	4.340%	2,497.33	9,997.33	101.67	0.00	10,099.00	527,500.00
6/1/2009	7,500.00	4.340%	2,497.33	9,997.33	101.67	0.00	10,099.00	520,000.00
7/1/2009	7,916.67	4.610%	2,171.83	10,088.50	86.67	-9.47	10,165.70	512,083.33
8/1/2009	7,916.67	4.610%	2,171.83	10,088.50	86.67	-9.47	10,165.70	504,166.67
9/1/2009	7,916.67	4.610%	2,171.83	10,088.50	86.67	-9.47	10,165.70	496,250.00
10/1/2009	7,916.67	4.610%	2,171.83	10,088.50	86.67	-9.47	10,165.70	488,333.33
11/1/2009	7,916.67	4.610%	2,171.83	10,088.50	86.67	-9.47	10,165.70	480,416.67
12/1/2009	7,916.67	4.610%	2,171.83	10,088.50	86.67	-9.47	10,165.70	472,500.00
1/1/2010	7,916.67	4.610%	2,171.83	10,088.50	86.67	-9.47	10,165.70	464,583.33
2/1/2010	7,916.67	4.610%	2,171.83	10,088.50	86.67	-9.47	10,165.70	456,666.67
3/1/2010	7,916.67	4.610%	2,171.83	10,088.50	86.67	-9.47	10,165.70	448,750.00
4/1/2010	7,916.67	4.610%	2,171.83	10,088.50	86.67	-9.47	10,165.70	440,833.33
5/1/2010	7,916.67	4.610%	2,171.83	10,088.50	86.67	-9.47	10,165.70	432,916.67
6/1/2010	7,916.67	4.610%	2,171.83	10,088.50	86.67	-9.47	10,165.70	425,000.00
7/1/2010	7,916.67	4.840%	1,806.88	9,723.54	70.83	-15.43	9,778.94	417,083.33
8/1/2010	7,916.67	4.840%	1,806.88	9,723.54	70.83	-15.43	9,778.94	409,166.67
9/1/2010	7,916.67	4.840%	1,806.88	9,723.54	70.83	-15.43	9,778.94	401,250.00
10/1/2010	7,916.67	4.840%	1,806.88	9,723.54	70.83	-15.43	9,778.94	393,333.33
11/1/2010	7,916.67	4.840%	1,806.88	9,723.54	70.83	-15.43	9,778.94	385,416.67
12/1/2010	7,916.67	4.840%	1,806.88	9,723.54	70.83	-15.43	9,778.94	377,500.00
1/1/2011	7,916.67	4.840%	1,806.88	9,723.54	70.83	-15.43	9,778.94	369,583.33
2/1/2011	7,916.67	4.840%	1,806.88	9,723.54	70.83	-15.43	9,778.94	361,666.67
3/1/2011	7,916.67	4.840%	1,806.88	9,723.54	70.83	-15.43	9,778.94	353,750.00
4/1/2011	7,916.67	4.840%	1,806.88	9,723.54	70.83	-15.43	9,778.94	345,833.33
5/1/2011	7,916.67	4.840%	1,806.88	9,723.54	70.83	-15.43	9,778.94	337,916.67
6/1/2011	7,916.67	4.840%	1,806.88	9,723.54	70.83	-15.43	9,778.94	330,000.00
7/1/2011	8,750.00	5.040%	1,423.71	10,173.71	55.00	-25.02	10,203.69	321,250.00
8/1/2011	8,750.00	5.040%	1,423.71	10,173.71	55.00	-25.02	10,203.69	312,500.00
9/1/2011	8,750.00	5.040%	1,423.71	10,173.71	55.00	-25.02	10,203.69	303,750.00
10/1/2011	8,750.00	5.040%	1,423.71	10,173.71	55.00	-25.02	10,203.69	295,000.00
11/1/2011	8,750.00	5.040%	1,423.71	10,173.71	55.00	-25.02	10,203.69	286,250.00
12/1/2011	8,750.00	5.040%	1,423.71	10,173.71	55.00	-25.02	10,203.69	277,500.00
1/1/2012	8,750.00	5.040%	1,423.71	10,173.71	55.00	-25.02	10,203.69	268,750.00
2/1/2012	8,750.00	5.040%	1,423.71	10,173.71	55.00	-25.02	10,203.69	260,000.00
3/1/2012	8,750.00	5.040%	1,423.71	10,173.71	55.00	-25.02	10,203.69	251,250.00
4/1/2012	8,750.00	5.040%	1,423.71	10,173.71	55.00	-25.02	10,203.69	242,500.00
5/1/2012	8,750.00	5.040%	1,423.71	10,173.71	55.00	-25.02	10,203.69	233,750.00
6/1/2012	8,750.00	5.040%	1,423.71	10,173.71	55.00	-25.02	10,203.69	225,000.00
7/1/2012	9,166.67	5.190%	982.71	10,149.38	37.50	-23.01	10,163.87	215,833.33
8/1/2012	9,166.67	5.190%	982.71	10,149.38	37.50	-23.01	10,163.87	206,666.67
9/1/2012	9,166.67	5.190%	982.71	10,149.38	37.50	-23.01	10,163.87	197,500.00
10/1/2012	9,166.67	5.190%	982.71	10,149.38	37.50	-23.01	10,163.87	188,333.33
11/1/2012	9,166.67	5.190%	982.71	10,149.38	37.50	-23.01	10,163.87	179,166.67
12/1/2012	9,166.67	5.190%	982.71	10,149.38	37.50	-23.01	10,163.87	170,000.00
1/1/2013	9,166.67	5.190%	982.71	10,149.38	37.50	-23.01	10,163.87	160,833.33
2/1/2013	9,166.67	5.190%	982.71	10,149.38	37.50	-23.01	10,163.87	151,666.67
3/1/2013	9,166.67	5.190%	982.71	10,149.38	37.50	-23.01	10,163.87	142,500.00
4/1/2013	9,166.67	5.190%	982.71	10,149.38	37.50	-23.01	10,163.87	133,333.33
5/1/2013	9,166.67	5.190%	982.71	10,149.38	37.50	-23.01	10,163.87	124,166.67

Kentucky Infrastructure Authority**MONTHLY PAYMENT SCHEDULE**

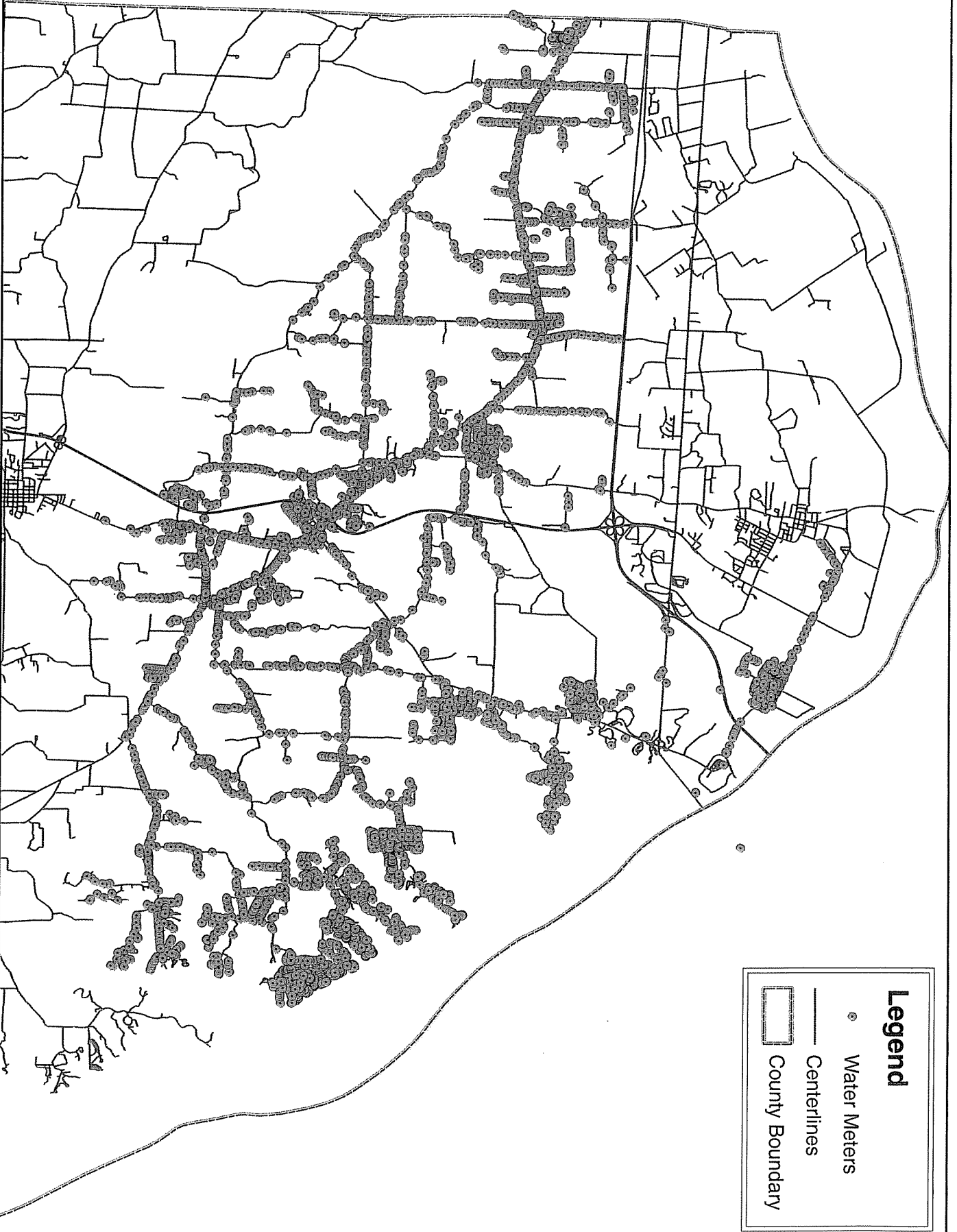
North Marshall Water District

C92-06

Loan Amount

880,000.00

Payment Date	Principal	Coupon	Interest	Debt Service	Service Fee	Sinking Fund	Net Total Payment	Principal Balance Remaining
6/1/2013	9,186.67	5.190%	982.71	10,149.38	37.50	-23.01	10,163.87	115,000.00
7/1/2013	9,583.33	5.290%	506.96	10,090.29	19.17	-6,232.82	3,876.64	105,416.67
8/1/2013	9,583.33	5.290%	506.96	10,090.29	19.17	-6,232.82	3,876.64	95,833.33
9/1/2013	9,583.33	5.290%	506.96	10,090.29	19.17	-6,232.82	3,876.64	86,250.00
10/1/2013	9,583.33	5.290%	506.96	10,090.29	19.17	-6,232.82	3,876.64	76,666.67
11/1/2013	9,583.33	5.290%	506.96	10,090.29	19.17	-6,232.82	3,876.64	67,083.33
12/1/2013	9,583.33	5.290%	506.96	10,090.29	19.17	-6,232.82	3,876.64	57,500.00
1/1/2014	9,583.33	5.290%	506.96	10,090.29	19.17	-6,232.82	3,876.64	47,916.67
2/1/2014	9,583.33	5.290%	506.96	10,090.29	19.17	-6,232.82	3,876.64	38,333.33
3/1/2014	9,583.33	5.290%	506.96	10,090.29	19.17	-6,232.82	3,876.64	28,750.00
4/1/2014	9,583.33	5.290%	506.96	10,090.29	19.17	-6,232.82	3,876.64	19,166.67
5/1/2014	9,583.33	5.290%	506.96	10,090.29	19.17	-6,232.82	3,876.64	9,583.33
6/1/2014	9,583.33	5.290%	506.96	10,090.29	19.17	-6,232.82	3,876.64	0.00
TOTAL	880,000.00		262,486.69	1,142,486.69	10,940.00	-75,669.00	1,077,757.69	
TOTAL	880,000.00		262,486.69	1,142,486.69	10,940.00	-75,669.00	1,077,757.69	



Legend

- Water Meters
- Centerlines
- ▭ County Boundary

North Marshall Water District
Total 5442 Water Meters

