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APR 14 2010

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

**THE APPLICATION OF THE CORINTH
WATER DISTRICT FOR APPROVAL OF
INCREASED RATES FOR WATER SERVICE**

)
)
)

CASE NO. 2010-00155

STATEMENT AND NOTICE

Corinth Water District ("Corinth"), 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, Corinth respectfully states as follows:

1. Corinth is a non-profit water district that has been engaged in the distribution and sale of water. It currently provides water service to approximately 1,137 customers in Grant, Harrison, and Pendleton Counties in Kentucky. Corinth is organized under KRS Chapter 74. Corinth's principal office, place of business, and mailing address is 215 Thomas Lane, P.O. Box 218, Corinth, Kentucky 41010.

2. The proposed increase in the rates and charges is necessary for Corinth 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, Corinth has utilized an historical test period consisting of the twelve (12) consecutive calendar months ending December 31, 2009.

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

5. Corinth 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 \$158,668, which is an increase of 24.83 percent over 2009 normalized revenues of \$639,031 (as shown in Exhibit 3). Corinth believes the financial information attached to this application justifies a revenue increase of 34.7 percent; however, to reduce the burden upon its customers, Corinth is instead requesting a smaller revenue increase.

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. Corinth has complied with 807 KAR 5:011, Section 9, (2) and 807 KAR 5:001, Section 10, (3) and (4), by delivering to newspapers of general circulation in its service area a copy of the Notice identified as Exhibit No. 8 in the filing requirements, for publishing once a week for 3 consecutive weeks in a prominent manner, the first of said publications to be made no later than 7 days after April 16, 2010.

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), Corinth will post a copy of its Customer Notice (Exhibit No. 8) at its place of business on 04/15, 2010 and it will remain posted until the Public Service Commission has determined Corinth's rates.

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

11. Corinth has attempted in good faith to comply with the Commission's rate case filing requirements, and believes it has provided sufficient information to allow the processing of this case to begin. In addition, it has been several years since Corinth has had a general rate increase, and its unrestricted cash reserves are extremely low. Therefore, and for these reasons, Corinth respectfully requests a waiver of any filing requirements deemed to be unmet, and requests Commission Staff assistance to the extent necessary to expedite the processing of this case.

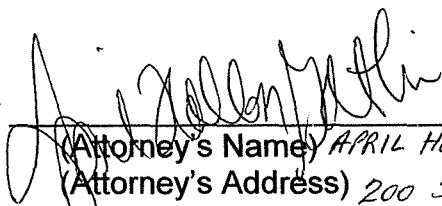
WHEREFORE, the Applicant, Corinth Water District requests that the Public Service Commission of Kentucky grant to the Applicant its proposal to increase its rates and charges as set forth in this Petition.

Dated at Corinth, Kentucky this 04/05/2010.

CORINTH WATER DISTRICT

By 
Chairman

LAW FIRM OR ATTORNEY

By 
(Attorney's Name) APRIL HOLLON GATLIN
(Attorney's Address) 200 SOUTH MAIN
(Post Office Box) 41097
Williamstown, Kentucky ~~40388~~
(859) xxx-xxxx
824-3361

Filing Requirement Index Historical Test Period Rate Case

Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 8(1)	Full name and P. O. address of applicant and reference to the particular provision of law requiring PSC approval.	Application – Page No. 1.
807 KAR 5:001 Section 8(2)	The original and 10 copies of application plus copy for anyone named as interested party.	The correct number of applications has been filed.
807 KAR 5:001 Section 10(1)(b)(1)	Reason adjustment is required.	Application – Page No. 1.
807 KAR 5:001 Section 10(1)(b)(2)	Statement that utility's annual reports, including the most recent calendar year, are filed with PSC. 807 KAR 5:006, Section 3(1)	Application – Page No. 2.
807 KAR 5:001 Section 10(1)(b)(3) & (5)	If utility is incorporated, certified copy of articles of incorporation and amendments or out of state documents of similar import. If they have already been filed with PSC refer to the style and case number of the prior proceeding and file a certificate of good standing or authorization dated within 60 days of date application filed.	NA – Corinth is a Water District.
807 KAR 5:001 Section 10(1)(b)(4) & (5)	If applicant is limited partnership, certified copy of limited partnership agreement. If agreement filed with PSC refer to style and case number of prior proceeding and file a certificate of good standing or authorization dated within 60 days of date application filed.	N/A – Applicant is not a limited partnership.
807 KAR 5:001 Section 10(1)(b)(6)	Certified copy of certificate of assumed name required by KRS 365.015 or statement that certificate not necessary.	N/A – Applicant has never used an assumed name.
807 KAR 5:001 Section 10(1)(b)(7)	Proposed tariff in form complying with 807 KAR 5:011 effective not less than 30 days from date application filed.	Exhibit No. 1.
807 KAR 5:001 Section 10(1)(b)(8)	Proposed tariff changes shown by present and proposed tariffs in comparative form or by indicating additions in italics or by underscoring and striking over deletions in current tariff.	Exhibit No. 2.
807 KAR 5:001	Statement that notice given, see subsections (3) and (4) of	Application – Page No. 2.

Filing Requirement Index Historical Test Period Rate Case

Filing Requirements	Filing Requirement Description	Location or Absence Reason
Section 10(1)(b)(9)	807 KAR 5:001, Section 10 with copy.	Exhibit No. 8.
807 KAR 5:001 Section 10(2)	If gross annual revenues exceed \$1,000,000, written notice of intent filed at least 4 weeks prior to application. Notice shall state whether application will be supported by historical or fully forecasted test period.	N/A – Applicant's gross revenues do not exceed \$1,000,000.
807 KAR 5:001 Section 10 (6)(a)	Complete description and quantified explanation for proposed adjustments with support for changes in price or activity levels, and other factors affecting the adjustment.	Exhibit No. 4.
807 KAR 5:001 Section 10 (6)(b) & (c)	If gross annual revenues exceed \$1,000,000, prepared testimony of each witness who will support the application. If less than \$1,000,000, prepared testimony of each witness who will support application or statement that utility does not plan to submit prepared testimony.	N/A and/or waiver requested - Applicant does not intend to submit prepared testimony.
807 KAR 5:001 Section 10 (6)(d)	Estimate of effect that new rate(s) will have on revenues including, at minimum, total revenues resulting from increase or decrease and percentage of increase or decrease.	Application – Page No. 2.
807 KAR 5:001 Section 10 (6)(e)	If electric, gas, water or sewer utility effect upon the average bill for each customer classification to which change will apply.	See Exhibit 8. Also, the application and exhibits reflect a 25% across-the-board increase.
807 KAR 5:001 Section 10 (6)(f)	If local exchange company, effect upon the average bill for 807 each customer class for change in basic local service.	N/A – Applicant is a Water District.
807 KAR 5:001 Section 10 (6)(g)	Analysis of customers' bills in such detail that revenues from present and proposed rates can be readily determined for each customer class.	Exhibit No 5.
807 KAR 5:001 Section 10 (6)(h)	Summary of determination of revenue requirements based on return on net investment rate base, return on capitalization, interest coverage, debt service coverage, or operating ratio, with supporting schedules.	Exhibit No. 4.

Filing Requirement Index Historical Test Period Rate Case

Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 10 (6)(i)	Reconciliation of rate base and capital used to determine revenue requirements.	N/A – Revenue Requirement reflects Debt Service Coverage.
807 KAR 5:001 Section 10 (6)(j):	Current chart of accounts if more detailed than the Uniform System of Accounts.	Not applicable
807 KAR 5:001 Section 10 (6)(k)	Independent auditor's annual opinion report, with any written communication from auditor, which indicates existence of material weakness in internal controls.	The 2009 Audit Report is attached as Exhibit 9.
807 KAR 5:001 Section 10 (6)(l):	The most recent FERC or FCC audit reports.	N/A to a Water District
807 KAR 5:001 Section 10 (6)(m)	The most recent FERC Form 1 (electric), FERC Form 2 (gas), or Automated Reporting Management Information System Report (telephone) and PSC Form T (telephone).	N/A to a Water District
807 KAR 5:001 Section 10 (6)(n)	Summary of latest depreciation study with schedules by major plant accounts, except that telecommunications utilities adopting PSC's average depreciation rates shall provide schedule identifying current and test period depreciation rates used by major plant accounts. If filed in another PSC case refer to that case's number and style.	Exhibit No. 6.
807 KAR 5:00 Section 10 (6)(o)	List of all commercial or in-house computer software, programs, and models used to develop schedules and work papers associated with the filing. Include each software, program, or model; what each was used for; its supplier; brief description and specifications for the computer hardware and the operating system required to run the program.	Word
807 KAR 5:001 Section 10 (6)(p)	Prospectuses of most recent stock or bond offerings.	N/A to a Water District
807 KAR 5:001 Section 10 (6)(q)	Annual report to shareholders, or members, and statistical supplements covering 2 years prior to application filing	N/A to a Water District

Filing Requirement Index Historical Test Period Rate Case

Requirements	Filing Requirement Description	Location or Absence Reason
Section 10 (6)(q)	supplements covering 2 years prior to application filing date.	
807 KAR 5:001 Section 10 (6)(r)	Monthly managerial reports providing financial results for 12 months in test period.	N/A and/or waiver requested, as Applicant does not produce monthly managerial reports on a routine basis, and their production at this time would result in additional expense.
807 KAR 5:001 Section 10 (6)(s)	SEC's annual report for most recent 2 years, Form 10-Ks and any Form 8-Ks issued within past 2 years, and Form 10-Qs issued during the past 6 quarters updated as current information becomes available.	N/A to a Water District
807 KAR 5:001 Section 10 (6)(t)	<p>If utility had any amounts charged or allocated to it by affiliate or general or home office, or paid any monies to affiliate or general or home office during test period or during previous 3 calendar years, file:</p> <ol style="list-style-type: none"> 1. Detailed description of method of calculation and amounts allocated or charged to utility by affiliate or general or home office for each charge allocation or payment; 2. Explanation of how allocator for the test period was determined; and 3. All facts relied upon, including other regulatory approval, to demonstrate that each amount charged, allocated or paid during test period was reasonable; 	N/A – There are no affiliate allocations.

Filing Requirement Index Historical Test Period Rate Case

Filing Requirements

Filing Requirement Description

Location or Absence Reason

<p>807 KAR 5:001 Section 10 (6)(u)</p>	<p>If gas, electric or water utility, whose annual gross revenues exceed \$5,000,000, cost of service study based on methodology generally accepted in industry and based on current and reliable data from a single time period.</p>	<p>Not applicable.</p>
<p>807 KAR 5:001 Section 10 (6)(v)</p>	<p>Local exchange carriers with fewer than 50,000 access lines need not file cost of service studies, except as specifically directed by PSC. Local exchange carriers with more than 50,000 access lines shall file:</p> <ol style="list-style-type: none"> 1. Jurisdictional separations study consistent with Part 36 of the FCC's rules and regulations; and 2. Service specific cost studies to support pricing of all services that generate annual revenue greater than \$1,000,000, except local exchange access: <ol style="list-style-type: none"> (a) Based on current and reliable data from a single time period; and (b) Using generally recognized fully allocated, embedded, or incremental cost principles. 	<p>N/A to a Water District</p>
<p>807 KAR 5:001 Section 10 (7)(a)</p>	<p>Detailed income statement and balance sheet reflecting impact of all proposed adjustments</p>	<p>Exhibit No. 3.</p>
<p>807 KAR 5:001 Section 10 (7)(b)</p>	<p>Most recent capital construction budget containing at least period of time as proposed for any pro forma adjustment for plant additions.</p>	<p>NA – There are no pro forma adjustments for plant additions.</p>

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

Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 10 (7)(c)	<p>For each proposed pro forma adjustment reflecting plant additions the following information:</p> <ol style="list-style-type: none"> 1. Starting date of the construction of each major component of plant; 2. Proposed in-service date; 3. Total estimated cost of construction at completion; 4. Amount contained in construction work in progress at end of test period; 5. Complete description of actual plant retirements and anticipated plant retirements related to the pro forma plant additions including the actual or anticipated date of retirement; 6. Original cost, cost of removal and salvage for each component of plant to be retired during the period of the proposed pro forma adjustment for plant additions; 7. Explanation of any differences in amounts contained in the capital construction budget and amounts of capital construction cost contained in the pro forma adjustment period; and 8. Impact on depreciation expense of all proposed pro 	NA – There are no pro forma adjustments for plant additions.

Filing Requirement Index Historical Test Period Rate Case

Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 10 (7)(e)	forma adjustments for plant additions and retirements; Number of customers to be added to the test period – end level of customers and the related revenue requirements impact for all pro forma adjustments with complete details and supporting work papers.	Exhibit No. 4.

Corinth WD Exhibit Index

Exhibit Number and Title

1. Proposed Tariff
2. Comparison of Proposed & Current Tariff
3. Pro Forma Financial Statements
4. Pro Forma Adjustments/Revenue Requirements
5. Billing Analysis
6. Analysis of Depreciation
7. Cost of Service Study (Not Applicable under \$5 million)
8. Customer Notification
9. 2009 Audit Report

FOR CORINTH, KENTUCKY
Community, Town or City

P.S.C. KY. NO. _____

_____ SHEET NO. _____

CORINTH WATER DISTRICT
(Name of Utility)

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

_____ SHEET NO. _____

CONTENTS

Monthly Rates

First 1,000 Gallons	\$17.84 Minimum Bill
Next 4,000 Gallons	12.99 Per 1,000 Gallons
Next 5,000 Gallons	11.57 Per 1,000 Gallons
Over 10,000 Gallons	10.14 Per 1,000 Gallons
Truck Loading Station	7.00 Per 1,000 Gallons

DATE OF ISSUE APRIL 16, 2010
Month / Date / Year

DATE EFFECTIVE MAY 30, 2010
Month / Date / Year

ISSUED BY _____
(Signature of Officer)

TITLE CHAIRMAN

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

FOR _____
Community, Town or City

P.S.C. KY. NO. _____

_____ SHEET NO. _____

CORINTH WATER DISTRICT
(Name of Utility)

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

_____ SHEET NO. _____

CONTENTS

Monthly Rate

~~First 1,000 Gallons — \$14.27 Minimum Bill~~
~~Next 4,000 Gallons — 10.39 Per 1,000 Gallons~~
~~Next 5,000 Gallons — 9.25 Per 1,000 Gallons~~
~~Over 10,000 Gallons — 8.11 Per 1,000 Gallons~~
~~Truck Loading Station — 5.75 Per 1,000 Gallons~~

Monthly Rate

First 1,000 Gallons \$17.84 Minimum Bill
Next 4,000 Gallons 12.99 Per 1,000 Gallons
Next 5,000 Gallons 11.57 Per 1,000 Gallons
Over 10,000 Gallons 10.14 Per 1,000 Gallons
Truck Loading Station 7.00 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 _____

Corinth Water District Exhibit 3

Income Statement Showing Impact of All Proposed Adjustments	2009	Adjustments	Ref.	Adjusted
Total Operating Revenues	\$582,142	\$56,889 \$158,668	A	\$797,699
Employee Salaries	\$135,652	0		\$135,652
Officer Salaries	\$11,695	0		\$11,695
Pensions/Benefits	\$34,506	0		\$34,506
Purchased Water	\$216,443	(\$1,769)	B	\$214,674
Purchased Power	\$1,650	0		\$1,650
Materials/Supplies	\$16,483	\$16,986	C	\$33,469
Contract Serv. Acct.	\$25,412	0		\$25,412
Contract Serv. Testing	\$2,253	0		\$2,253
Contract Serv. Other	\$11,492	0		\$11,492
Rent-Equipment	\$301	0		\$301
Transportation Exp.	\$11,541	0		\$11,541
Insurance-Vehicle	\$3,296	0		\$3,296
Insurance-GL	\$2,578	0		\$2,578
Insurance-Work. comp	\$2,301	0		\$2,301
Insurance-other	\$262	0		\$262
Advertising Exp.	\$507	0		\$507
Bad Debt	\$6,623	0		\$6,623
Misc. Exp.	\$540	0		\$540
<i>O&M Expenses</i>	\$483,535	\$15,217		\$498,752
Depreciation Expense	\$172,178	\$1,483	D	\$173,661
Amortization Expense	0	\$1,225	E	\$1,225
Taxes Other Than Income	\$11,748	0		\$11,748
Utility Operating Expenses	\$667,461	\$17,925		\$685,386
Loss from Disposition	(127)	127	F	0
Interest Income	\$717	(\$717)	G	0
Interest Expense	\$104,911	0		\$104,911
Net Income	(\$189,640)			

Revenue Requirement Calculation

\$ 685,386 - Proforma Operating Expenses
 \$ 164,387 - Debt Service Coverage (1.2 x \$136,989 Debt Service)
 \$ 849,773 - Revenue Requirement
 (\$639,031) - Normalized Revenues
\$ 210,742 - Justified Increase (34.7% increase over normalized water sales revenues)
 \$ 150,654 - Increase Requested (25% for monthly rates, 21.7% for bulk loading station)

Debt Service Calculation:

Year	Debt Service- Series 1998	Debt Service- Series 2002	Debt Service - Series 2005	Totals
2011	\$29,660	\$27,251	\$80,003	\$136,914
2012	\$30,280	\$27,245	\$79,658	\$137,183
2013	\$29,853	\$27,226	\$79,791	\$136,870
Total				\$410,967
			3-yr. avg.	\$136,989

Reference Notes

A. Revenues were adjusted to show normalized revenue based on a 2009 billing analysis, resulting in an adjustment of \$56,889:

	2009	Adjustments	Adjusted	Normalized Gallons
Unmetered Sales	\$357	0	\$357	
Total Res./Commercial Sales	\$516,726	\$56,889	\$573,615	50,459,600
Bulk Station Sales	\$33,002	0	\$33,002	5,538,000
Total Water Sales Revenue	\$550,085	\$56,889	\$606,974	55,997,600
Forfeited Discounts	\$28,373	0	\$28,373	
Misc. Service Revenues	\$3,684	0	\$3,684	
Total Operating Revenues	\$582,142	\$56,889	\$639,031	

For purposes of this Exhibit, revenues were also adjusted by \$158,668 to show the effect of the proposed increase:

	Adjusted (before increase)	% Increase	Additional Revenue Generated by Proposed Increase	Pro Forma Revenues
Unmetered Sales	\$357	25%	\$89	\$446
Total Res./Commercial Sales	\$573,615	25%	\$143,404	\$717,019
Bulk Station Sales***	\$33,002	21.7%	\$7,161	\$40,163
Total Water Sales Revenue	\$606,974		\$150,654	\$757,628
Forfeited Discounts	\$28,373	25%	\$7,093	\$35,466
Misc. Service Revenues	\$3,684	25%	\$921	\$4,605
Total Operating Revenues	\$639,031		\$158,668	\$797,699

***Bulk Station Sales are done in 25-cent increments. The proposed increase for bulk station sales is to \$7.00 (instead of a 25% increase to \$7.19) to maintain a 25-cent increment. This is an increase of 21.7% rather than 25%.

CORINTH WATER DISTRICT
BALANCE SHEETS
December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 7,398	\$ 12,330
Accounts receivable - customers	60,519	104,754
Inventories	9,840	11,290
Prepaid insurance	2,360	2,116
Total Current Assets	<u>80,117</u>	<u>130,490</u>
Restricted Assets		
Reserve funds	47,731	41,712
Sinking funds	73,102	1,328
Total Restricted Assets	<u>120,833</u>	<u>43,040</u>
Capital Assets		
Land	6,200	6,200
Lines and equipment	6,146,997	6,130,975
Office furniture and fixtures	23,074	15,111
Transportation equipment	55,253	55,253
Total utility plant in service	6,231,524	6,207,539
Less accumulated depreciation	(1,890,950)	(1,722,204)
Total Capital Assets, net of depreciation	<u>4,340,574</u>	<u>4,485,335</u>
TOTAL ASSETS	<u>\$ 4,541,524</u>	<u>\$ 4,658,865</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts payable - general	\$ 22,119	\$ 22,840
Line of credit - Forcht Bank	7,123	-
Accrued interest payable	48	-
Customer deposits	4,080	2,640
Withheld and accrued liabilities	8,763	8,340
Total Current Liabilities	<u>42,133</u>	<u>33,820</u>
Current Liabilities Payable from Restricted Assets		
Bonds payable	66,300	32,500
Accrued interest on bonds	52,355	-
Total Current Liabilities Payable from Restriced Assets	<u>118,655</u>	<u>32,500</u>
Long-Term Liabilities		
Bonds payable - USDA - Water Revenue Bonds	2,345,000	2,378,800
Total Long-Term Liabilities	<u>2,345,000</u>	<u>2,378,800</u>
TOTAL LIABILITIES	<u>2,505,788</u>	<u>2,445,120</u>
NET ASSETS		
Invested in capital assets, net of related debt	1,922,151	2,074,034
Restricted	68,478	43,040
Unrestricted	45,107	96,671
TOTAL NET ASSETS	<u>2,035,736</u>	<u>2,213,745</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,541,524</u>	<u>\$ 4,658,865</u>

The accompanying notes are an integral part of the financial statements.

Corinth Water District Exhibit 4

	2009	Adjustments	Ref.	Adjusted
Total Water Sales Revenue	\$550,085	\$56,889		\$606,974
Forfeited Discounts	\$28,373	0		\$28,373
Misc. Service Revenues	\$3,684	0		\$3,684
Total Operating Revenues	\$582,142	\$56,889	A	\$639,031
Employee Salaries	\$135,652	0		\$135,652
Officer Salaries	\$11,695	0		\$11,695
Pensions/Benefits	\$34,506	0		\$34,506
Purchased Water	\$216,443	(\$1,769)	B	\$214,674
Purchased Power	\$1,650	0		\$1,650
Materials/Supplies	\$16,483	\$16,986	C	\$33,469
Contract Serv. Acct.	\$25,412	0		\$25,412
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Insurance-Work. comp	\$2,301	0		\$2,301
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Revenue Requirement Calculation

\$ 685,386 - Proforma Operating Expenses

\$ 164,387 - Debt Service Coverage (1.2 x \$136,989 Debt Service)

\$ 849,773 - Revenue Requirement

(\$639,031) - Normalized Revenues

\$ 210,742 - Justified Increase (34.7% increase over normalized water sales revenues)

\$ 150,654 - Increase Requested (25% for monthly rates, 21.7% for bulk loading station)

Debt Service Calculation:

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Reference Notes

A. Revenues were normalized based on a 2009 billing analysis.

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Bulk Station Sales	\$33,002	0	\$33,002	5,538,000
Total Water Sales Revenue	\$550,085	\$56,889	\$606,974	55,997,600
Forfeited Discounts	\$28,373	0	\$28,373	
Misc. Service Revenues	\$3,684	0	\$3,684	
Total Operating Revenues	\$582,142	\$56,889	\$639,031	

B. Purchased Water Expense was adjusted to reflect normalized expense based on normalized sales revenue. The reported 2009 line loss of 18.23% is expected to decrease because of the near-completion of road work at Interstate 75, which in the past few years has caused unexpected line breaks due to bulldozing. Corinth is aware that the Commission normally limits line loss to 15% for ratemaking purposes, resulting in allowable purchased water expense as follows:

	2009	Normalized	Allow 15% line loss	Excess
Purchases (gallons)	82,709,000	84,896,300	81,624,958	
Percentage	100%	100%		
Sales	54,555,000	55,997,600	55,967,600	
Percentage	65.96%	65.96%		
Other Water Use	13,069,000	13,413,615	13,413,615	
Percentage	15.80%	15.80%		
		Subtotal	69,381,215	
		85%		
Line Loss	15,085,000	15,485,085	12,243,743	3,241,342
Percentage	18.24%	18.24%	15%	
Purchased Water Exp.	\$216,443		\$214,674	\$8,482
Current Purchased Water rated from Williamstown			\$2.63	

C. Materials and Supplies Expense was adjusted to reflect the materials cost of new automated meters. If Corinth's rate increase is granted, Corinth wishes to replace its old meters with automated meters which can be read more easily and accurately. Corinth has approximately 1,137 customers, and replacing 10% of its meters each year as suggested by PSC regulations, and at a materials cost (excluding labor) of \$149 per meter, results in an adjustment of \$16,986. See attached invoice from Hayes Pipe Supply.

D. Depreciation Expense was adjusted by \$1,483 to include normalized depreciation expense on 2009 plant additions, as follows:

Plant Account – 2009 Additions	2009 Date	Original Cost	Life	Annual Deprec.	2009 Deprec.	Adjstmt.
Furniture & Fixtures (p.3)						
Add'l on billing program	3/5	\$4,563	5	\$912.60	\$761.00	\$151.60
Lap Top computer	8/10	\$590	5	\$118.00	\$49.00	\$69.00
Radio Read Software	9/4	\$3,116	5	\$623.20	\$208.00	\$415.20
Radio Rd Billing Software	9/4	\$2,745	5	\$549.00	\$183.00	\$366.00
Hydrants (p. 3)						
6" Fire hydrant	6/24	\$3,246	40	\$81.15	\$41.00	\$40.15
Machinery & Equipment (p.4)						
Digital Pressure recorder	8/20	\$598	3	\$199.33	\$66	\$133.33
Pressure logger	10/12	\$527	3	\$175.67	\$44	\$131.67
Meters						
6- 3/4" meters	6/30	\$4,589	40	\$114.73	\$57	\$57.73
RAD Read meters-34 3/4"	9/4	\$5,066	40	\$126.65	\$42	\$84.65
RAD Read meters-8 -1"	9/4	\$1,760	40	\$44.00	\$15	\$29.00
1 – 1" Meter	4/6	\$746	40	\$18.65	\$14	\$4.65
					Total	\$1,482.98

E. Amortization Expense was adjusted to include rate case consulting fees of \$3,675 amortized over a three-year period.

F. Loss from Disposition was removed for ratemaking purposes.

G. Interest Income was removed, as Corinth's cash levels and earned interest rates are now very low.



INVOICE

HAYES PIPE SUPPLY, INC.

Page:

Corporate: 950 Fiber Glass Rd. • P.O. Box 101550 • Nashville, TN 37224

(615) 255-4040 • (800) 342-1973 • Fax (615) 256-8836

www.hayespipe.com

Murfreesboro, TN • (615) 217-3040

Lexington, KY • (859) 231-8323

Acworth, GA • (770) 529-8883

Knoxville, TN • (865) 525-1717

Louisville, KY • (502) 454-8500

Fairburn, GA • (770) 969-7878

Tampa, FL • (813) 241-4040

Mains - Main Line Accessories - Service Materials - Casing Pipe

To: CORINTH WATER DISTRICT
P. O. BOX 218
CORINTH KY 41010

Ship To: CORINTH WATER DISTRICT
215 THOMAS LANE
CORINTH KY 41010

Invoice
37734
Date
08/19/
16:32:

/Cust. No. Order No. Customer P.O. # Ter. Sls.#
1/0000017608 00133/00 HOT ROD METER SYSTEM 04 46

Ship Via WILL CALL

Terms Net 30 Days

Ref #

Pay Type Accounts Receivable

Item Number / Description	U / M	Ordered	Shipped	Sell Price	Total
1001999 HERSEY HOT ROD PROMO PACKAGE QUOTE #091099-00	EA	1.000	1.000	5500.00000 EA	5,500.00
1001999 5/8X3/4IN IB SQ TELS HERSEY WATER METER W/HOT ROD ATTACHED	EA	18.000	18.000	149.00000 EA	2,682.00
1001999 1IN HERSEY METER W/HOT ROD ATTACHED	EA	8.000	8.000	220.00000 EA	1,760.00

INVOICE DUE: 09/18/08

PAID
09/09/09
J# 10871

REMIT TO: P.O. BOX 101550, NASHVILLE, TN 37224

ALL PRODUCTS ARE WARRANTED ONLY TO THE EXTENT OF THE WARRANTIES PROVIDED BY THE RESPECTIVE MANUFACTURERS OF THESE PRODUCTS, AND PRODUCTS ARE INTENDED FOR USAGE AND INSTALLATIONS AS STATED IN THE MANUFACTURERS WRITTEN RECOMMENDATIONS. ANY PRIOR WRITTEN OR IMPLIED WARRANTIES OR SERVICE / INSTALLATION INSTRUCTIONS ARE SUPERSEDED BY THIS STATEMENT. THIS ENTIRE TRANSACTION IS EXPRESSLY LIMITED TO THE TERMS AND CONDITIONS OF SALE AS STATED ON THE REVERSE SIDE OF THIS PAGE. INTEREST AT THE MAXIMUM LEGAL RATE WILL BE CHARGED IN THE EVENT PAYMENT IS NOT MADE WITHIN THE TERMS OF THIS INVOICE.

SUBTOTAL: 9,942.00
TOTAL: 9,942.00
DEPOSIT:
AMT DUE: 9,942.00

CUSTOMER COPY

Corinth WD Billing Analysis – Exhibit 5

Usage by Rate Increment:

Level	Bills	First 1,000	Next 4,000	Next 5,000	Over 10,000	Total Usage
First 1,000	2,705	979,800				979,800
Next 4,000	7,873	7,873,000	15,418,800			23,291,800
Next 5,000	2,486	2,486,000	9,944,000	4,058,400		16,488,400
Over 10,000	356	356,000	1,424,000	1,780,000	6,139,600	9,699,600
Total	13,420	11,694,800	26,786,800	5,838,400	6,139,600	50,459,600

Revenue by Rate Increment:

Level	Bills	Gallons	Rate/1,000	Revenue
First 1,000	13,420	11,694,800	\$14.27	\$191,503.40
Next 4,000		26,786,800	\$10.39	\$278,314.85
Next 5,000		5,838,400	\$9.25	\$54,005.04
Over 10,000		6,139,600	\$8.11	\$49,792.16
Total Metered	13,420	50,459,600		\$573,615.45
Bulk Loading Stations		5,739,478	\$5.75	\$33,002.00
Total		56,199,078		\$606,974

Current	Rates		Proposed	Rates	
First 1,000	\$14.27	Minimum Bill	First 1,000	\$17.84	Minimum Bill
Next 4,000	\$10.39	Per 1,000 gallons	Next 4,000	\$12.99	Per 1,000 gallons
Next 5,000	\$9.25	Per 1,000 gallons	Next 5,000	\$11.57	Per 1,000 gallons
Over 10,000	\$8.11	Per 1,000 gallons	Over 10,000	\$10.14	Per 1,000 gallons
Bulk Loading Stations	\$5.75	Per 1,000 gallons		\$7.00	Per 1,000 gallons
		Comparison of Rates at Different Usage Levels			
Monthly Usage		Monthly Bill at Current Rate		Monthly Bill at Proposed Rate	Percent Increase Over Current
1,000		\$14.27		\$17.84	25.0%
2,000		\$24.66		\$30.83	25.0%
3,800		\$43.36		\$54.20	25.0%
5,000		\$55.83		\$69.80	25.0%
10,000		\$102.08		\$127.65	25.0%
20,000		\$183.18		\$229.05	25.0%
30,000		\$264.28		\$330.45	25.0%
50,000		\$426.48		\$533.25	25.0%
75,000		\$629.23		\$786.75	25.0%
100,000		\$831.98		\$1,040.25	25.0%
150,000		\$1,237.48		\$1,547.25	25.0%
200,000		\$1,642.98		\$2,054.25	25.0%
300,000		\$2,453.98		\$3,068.25	25.0%

Note: Average customer (3,800 gallons) bill will increase from \$43.36 to \$54.20

Client 3982

CORINTH WATER DISTRICT

61-1093187

1/21/10

08:13AM

No.	Description	Date Acquired	Date Sold	Cost/ Basis	Bus. Pct.	Cur 179 Bonus	Special Dep. Allow.	Prior 179/ Bonus/ Sp. Dep.	Prior Dec. Bal. Dep.	Salvage /Basis Reductn.	Depr. Basis	Prior Depr.	Method	Life	Rate	Current Depr.
Form 1120																
Auto / Transport Equipment																
145	2003 CHEVY S-10 PU(BILLY)	3/26/03		16,290							16,290	16,290	S/L	5		0
152	2005 FORD F-150-RD GRANT	10/28/05		20,425							20,425	12,936	S/L	5		4,085
180	2008 CHEVY COLORADO	3/20/08		18,537							18,537	2,781	S/L	5		3,707
Total Auto / Transport Equipment				55,252	0	0	0	0	0	0	55,252	32,007				7,792
Buildings																
48	TRANS & DIST MAINS-8"6"4"	8/31/86		550,269							550,269	307,236	S/L	40		13,757
49	1100' 6" LINE-CONST WOODS	11/01/89		1,572							1,572	747	S/L	40		39
50	140' 6" LINE-G TRUE	7/01/89		1,170							1,170	564	S/L	40		29
51	TAP IN - C HOMES LTD	8/01/89		488							488	233	S/L	40		12
52	RPLCD 300"1"LINE W/6"LINE	10/01/89		1,939							1,939	923	S/L	40		48
53	480'2"LINE,254"1",4976"6"	5/01/89		98,753							98,753	48,350	S/L	40		2,469
54	1400'8"LINE-330WEST-D LAY	12/01/89		6,815							6,815	3,233	S/L	40		170
55	330 WEST EXTENSION	1/09/90		662							662	320	S/L	40		17
56	2"LINE INSIDE 8"-60 LINE	5/31/90		4,900							4,900	2,282	S/L	40		123
57	80' 4" LINE-NEW COLUMBUS	1/31/90		2,840							2,840	1,343	S/L	40		71
58	RLCTE LINE-SHERITAN SIXTN	3/29/93		6,251							6,251	2,458	S/L	40		156
59	LN EXT-DELANEY RD-400' 2"	5/12/94		1,143							1,143	423	S/L	40		29
60	93-94 LINE EXTENSION PROJ	6/24/94		1,068,334							1,068,334	387,267	S/L	40		26,708
100	LINE INST-LAWRENCVILLE 2M	11/01/96		3,079							3,079	937	S/L	40		77
122	L-B EXT WATER MAINS	6/30/99		1,015,980							1,015,980	241,300	S/L	40		25,400
126	RE-DO LINE EXTENSION-CLSN	10/18/99		2,278							2,278	522	S/L	40		57
133	LAYTON CHAPEL RD PROJECT	5/02/01		3,516							3,516	675	S/L	40		88

Client 3982

CORINTH WATER DISTRICT

61-1093187

1/21/10

08:13AM

No.	Description	Date Acquired	Date Sold	Cost/ Basis	Bus. Pct.	Cur 179 Bonus	Special Depr. Allow.	Prior 179/ Bonus/ Sp. Depr.	Prior Dec. Bal. Depr.	Salvage /Basis Reductn.	Depr. Basis	Prior Depr.	Method	Life	Rate	Current Depr.					
136	LINE EXT-SAYLR PT/DUNN MZ	4/30/02		14,531							14,531	2,420	S/L	40		363					
139	LINES - PHASE IV	4/30/03		721,369							721,369	102,193	S/L	40		18,034					
150	2080' of 6" MAIN-WEITZMAN	7/31/05		15,254							15,254	1,302	S/L	40		381					
157	101275-6" 40870-4", 1640-2	3/31/06		1,282,960							1,282,960	88,204	S/L	40		32,074					
163	WEBB ODOR ROAD LINE	3/24/06		7,258							7,258	498	S/L	40		181					
174	1700' OF 2" SDR 17-AULBAC	10/18/07		3,378							3,378	98	S/L	40		84					
175	1500' OF 2" SDR 21-BLAZE	10/10/07		5,706							5,706	179	S/L	40		143					
176	1700' OF 2" SDR 21-FLEGE	10/10/07		6,834							6,834	214	S/L	40		171					
181	INSTALL 1700'- 2"- AULBAC	5/05/08		1,440							1,440	24	S/L	40		36					
182	ADD'L 1700'- 2"- FLEGE	7/08/08		320							320	4	S/L	40		8					
Total Buildings											4,829,039	0	0	0	0	4,829,039	1,193,949				120,725
DISTRIBUTION RESERVOIRS & STANDPIPES																					
61	122,000 GAL STEEL STANDPPP	8/31/86		124,837							124,837	69,702	S/L	40		3,121					
125	PAINT TOWER(\$2231 1998)	5/15/99		42,840							42,840	31,852	S/L	13		3,295					
137	TANK-PHASE IV	4/30/03		241,608							241,608	34,227	S/L	40		6,040					
Total DISTRIBUTION RESERVOIRS											409,285	0	0	0	0	409,285	135,781				12,456
Furniture and Fixtures																					
62	TYPEWRITER	1/25/89	8/31/09	214							214	214	S/L	8		0					
63	OFFICE EQUIPMENT	2/24/89		537							537	537	S/L	40		0					
101	NEW COPIER 663+231 TRD-IN	6/18/96		894							894	894	S/L	8		0					
128	NEW COPIER - WALTZ	11/04/99	8/31/09	1,836							1,836	1,836	S/L	5		0					
151	SAFE	10/07/05		598							598	276	S/L	7		85					
169	EPSON C62 LAZER PRINTER	6/03/99	8/31/09	1,000							1,000	1,000	S/L	5		0					

Client 3982

CORINTH WATER DISTRICT

61-1093187

1/21/10

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No.	Description	Date Acquired	Date Sold	Cost/ Basis	Bus. Pct.	Cur 179 Bonus	Special Depr. Allow.	Prior 179/ Bonus/ Sp. Depr.	Prior Dec. Bal. Depr.	Salvage /Basis Reductn.	Depr. Basis	Prior Depr.	Method	Life	Rate	Current Depr.										
170	LEXMARK T520 LAZER PRINT	12/20/02		1,000							1,000	1,000	S/L	5		0										
171	COMPUTER	10/01/07		5,525							5,525	1,381	S/L	5		1,105										
184	OFFICE CARPET	8/30/08		700							700	23	S/L	10		70										
185	DESK & 2 COMPUTER CARTS	8/30/08		339							339	16	S/L	7		48										
186	1/2 COST OF BILLING PROG	12/31/08		2,468							2,468		S/L	5		494										
190	ADD'L ON BILLING PROGRAM	3/05/09		4,563							4,563		S/L	5		761										
191	LAP TOP COMPUTER-RAD READ	8/10/09		590							590		S/L	5		49										
194	RADIO READ SOFTWARE PKG	9/04/09		3,116							3,116		S/L	5		208										
199	RADIO RD BILLING SOFTWARE	9/04/09		2,745							2,745		S/L	5		183										
Total Furniture and Fixtures												26,125	0	0	0	0	0	0	0	0	26,125	7,177				3,003
HYDRANTS																										
43	HYDRANTS 13-6",1-4",1-8"	8/31/86		29,413							29,413	16,419	S/L	40		735										
44	FIRE HYDRANT-MASON SCHOOL	12/09/86		2,200							2,200	1,215	S/L	40		55										
45	2" HYDRANT-DELANEY ROAD	5/12/94		240							240	88	S/L	40		6										
46	12 FLUSHING HYD 93-94 EXT	6/24/94		8,662							8,662	3,145	S/L	40		217										
123	L-B EXT HYDRANTS	6/30/99		11,609							11,609	2,755	S/L	40		290										
140	6 FLSHNG HYDRANTS-PHSE IV	4/30/03		7,238							7,238	1,026	S/L	40		181										
141	3-4" FLUSHING HYD-PH IV	4/30/03		7,195							7,195	1,020	S/L	40		180										
144	2 HYDRANTS FOR EXIST SYST	3/31/03		4,424							4,424	638	S/L	40		111										
158	14 HYDRANTS-PHASE V	3/31/06		35,128							35,128	2,415	S/L	40		878										
183	6" FIRE HYD-LAWR & BEN RD	6/09/08		3,905							3,905	57	S/L	40		98										
189	6" FIRE HYD-DARK REGION R	6/24/09		3,246							3,246		S/L	40		41										
Total HYDRANTS												113,260	0	0	0	0	0	0	0	0	113,260	28,778				2,792

Client 3982

CORINTH WATER DISTRICT

61-1093187

08:13AM

No.	Description	Date Acquired	Date Sold	Cost/ Basis	Bus. Pct.	Cur 179 Bonus	Special Dep. Allow.	Prior 179/ Bonus/ Sp. Dep.	Prior Dec. Bal. Dep.	Salvage /Basis Reductn.	Depr. Basis	Prior Depr.	Method	Life	Rate	Current Depr.
Land																
66	LAND-2ND WATER LOADING ST	5/25/93		2,000							2,000					0
132	LAND - KEEFER RD TOWER	10/09/01		3,500							3,500					0
155	SURVEY-L.S.LAND MAY BUY	10/24/05		700							700					0
Total Land																
				6,200		0	0	0	0	0	6,200	0				0
Machinery and Equipment																
64	WATER PUMP	7/10/91		200							200		S/L	8		0
65	LOWELL RATCHETT WRENCH ST	5/10/93		295							295		S/L	8		0
83	POCKET CHLORIMETER	7/01/95		323							323		S/L	8		0
102	METAL DETECTOR	4/03/96		410							410		S/L	8		0
131	ROTO-TILLER	3/03/00		1,099							1,099		S/L	8		0
148	LAWN TRACTOR	6/28/04		1,796							1,796		S/L	8		225
149	5X8 FLATBED TRAILER	6/28/04		599							599		S/L	8		75
161	1 FIRE HYD MTR-PHASE V	3/31/06		1,735							1,735		S/L	10		174
164	AIR COMPRESSOR	2/11/06		380							380		S/L	8		48
166	GENERATOR	10/31/06		2,200							2,200		S/L	8		275
172	PRESSURE RECORDER	8/03/07	11/03/09	509							509		S/L	3		141
173	TAP MACHINE	10/24/07		1,711							1,711		S/L	8		214
193	DIGITAL PRESSURE RECORDER	8/20/09		598							598		S/L	3		66
197	PRESSURE LOGGER 0-300 PSI	10/12/09		527							527		S/L	3		44
Total Machinery and Equipment																
				12,382		0	0	0	0	0	12,382	5,381				1,262

METERS

Client 3982

CORINTH WATER DISTRICT

61-1093187

1/21/10

08:13AM

No.	Description	Date Acquired	Date Sold	Cost/ Basis	Bus. Pct.	Cur 179 Bonus	Special Depr. Allow.	Prior 179/ Bonus/ Sp. Depr.	Prior Dec. Bal. Depr.	Salvage /Basis Reductn.	Depr. Basis	Prior Depr.	Method	Life	Rate	Current Depr.
1	METERS INSTALLATION 160	8/31/86		40,658							40,658	22,695	S/L	40	1,016	
2	METERS	7/01/88		657							657	332	S/L	40	16	
3	2 METERS BRACHT RD	6/01/89		2,250							2,250	1,094	S/L	40	56	
4	2 MTRS-P EDWARD & B VAUGHN	8/01/89		780							780	383	S/L	40	20	
5	METER-PHILLIP DALTON	10/01/89		390							390	190	S/L	40	10	
6	2 1/2-2'3"-5/8X3/4 METERS	5/01/89		2,490							2,490	1,216	S/L	40	62	
7	METER-OKLA MOTLEY	12/07/89		390							390	188	S/L	40	10	
8	2 METERS-330 W EXTENSION	1/09/90		780							780	381	S/L	40	20	
9	METER-LESTER HOWARD	6/20/90		233							233	110	S/L	40	6	
10	METER-JOAN MEAD	6/27/90		390							390	184	S/L	40	10	
11	METER-L STANDER @200' PVC	10/20/90		1,048							1,048	473	S/L	40	26	
12	METER-G HULL @ 200' PVC	10/20/90		1,771							1,771	801	S/L	40	44	
13	METER-D ROSE @ 20' PVC	11/01/90		570							570	256	S/L	40	14	
14	METER-EMPIRE GAS @125'PVC	12/12/90		1,122							1,122	505	S/L	40	28	
15	METER-JACKIE ROSE	6/10/91		387							387	173	S/L	40	10	
16	METER-TOM PENN	6/06/91		384							384	173	S/L	40	10	
17	METER-WILBURN HATTON	8/05/91		375							375	158	S/L	40	9	
18	METER-K MILISH	8/06/91		387							387	171	S/L	40	10	
19	1" METER-330 WEST	12/01/89		879							879	413	S/L	40	22	
20	METER-C MARTIN	6/12/92		474							474	197	S/L	40	12	
21	METER-LARRY NEAL	7/13/92		563							563	231	S/L	40	14	
22	METER-T NEW & G MULBERRY	10/13/92		780							780	322	S/L	40	20	
23	4 METERS	4/12/93		2,590							2,590	1,020	S/L	40	65	
24	METER-BILLY ELLIS	12/17/93		390							390	150	S/L	40	10	
25	2 METRS-TAYLOR-DELANEY RD	5/12/94		954							954	351	S/L	40	24	
26	METER-SWITZER	5/17/94		860							860	320	S/L	40	22	
27	372 MTRS 93-94 LINE EXT	6/24/94		178,082							178,082	64,554	S/L	40	4,452	

2009 Federal Depreciation Schedule

61-1093187

CORINTH WATER DISTRICT

08:13AM

12/31/09

Client 3982

1/21/10

No.	Description	Date Acquired	Date Sold	Cost/ Basis	Bus. Pct.	Cur. 179 Bonus	Special Depr. Allow.	Prior 179/ Bonus/ Sp. Depr.	Prior Dec. Bal. Depr.	Salvage 7 Basis Reductn.	Depr. Basis	Prior Depr.	Method	Life	Rate	Current Depr.
28	METER-KISSICH	8/09/94		394							394	144	S/L	40		10
29	REDO LINE & 2 MTRS-WAGERS	9/09/94		1,479							1,479	530	S/L	40		37
30	METER-HOPPER	9/16/94		375							375	130	S/L	40		9
31	2 METERS-FETNER & GLASE	9/22/94		751							751	271	S/L	40		19
32	METER-BROWN	9/29/94		375							375	129	S/L	40		9
33	METER-VALAGAS	10/06/94		375							375	129	S/L	40		9
34	METER-WATER DISTRICT	10/20/94		375							375	129	S/L	40		9
35	METER-WILSON	11/09/94		382							382	141	S/L	40		10
36	METER-WAINSCOTT	11/30/94		487							487	169	S/L	40		12
37	METER-COMBS	12/01/94		321							321	112	S/L	40		8
67	METER-PEARL PITTMAN	7/01/95		490							490	162	S/L	40		12
68	METER-GREG MULBERRY	7/01/95		410							410	135	S/L	40		10
69	METER-BOB ADAMS	7/01/95		526							526	176	S/L	40		13
70	METER-EUGENE HILL	7/01/95		510							510	175	S/L	40		13
71	METER-CHRISTINE MARTIN	7/01/95		416							416	136	S/L	40		10
72	METER-TED ROLLINS	7/01/95		362							362	122	S/L	40		9
73	METER-PAUL MOORE	7/01/95		388							388	135	S/L	40		10
74	METER-EVA PERRY	7/01/95		358							358	121	S/L	40		9
75	METER-JACK STINSON	7/01/95		512							512	175	S/L	40		13
76	METER-TIM SADDLER	7/01/95		404							404	135	S/L	40		10
77	METER-DAVID UTTER	7/01/95		403							403	135	S/L	40		10
78	METER-HARRY READNOUR	7/01/95		779							779	257	S/L	40		19
79	METER-DARYL CHERRY	7/01/95		638							638	216	S/L	40		16
80	REMOTE METER-G. BROOKS	7/01/95		59							59	14	S/L	40		1
84	METER-JOHN HOFFMAN	1/24/96		494							494	155	S/L	40		12
85	METER-PRENTICE WHITAKER	2/22/96		368							368	116	S/L	40		9
86	METER-ROBERT PATTON	5/02/96		546							546	177	S/L	40		14

Client 3982

CORINTH WATER DISTRICT

61-1093187

08:13AM

1/21/10

No.	Description	Date Acquired	Date Sold	Cost/ Basis	Bus. Pct.	Cur 179 Bonus	Special Dep. Allow.	Prior 179/ Bonus/ Sp. Dep.	Prior Dec. Bal. Depr.	Salvage /Basis Reductn.	Depr. Basis	Prior Depr.	Method	Life	Rate	Current Depr.
87	METER-JOSIE BLAKE	5/23/96		393							393		S/L	40	126	10
88	METER-EZEKIAL JORDAN	5/31/96		389							389		S/L	40	126	10
89	METER-MITCHELL MCINTOSH	6/03/96		469							469		S/L	40	151	12
90	METER-GREG MULBERRY	6/07/96		383							383		S/L	40	126	10
91	METER-STACIE GRIFFIN	6/28/96		378							378		S/L	40	113	9
92	METER-JEFF BARDUA	7/08/96		323							323		S/L	40	100	8
93	METER-WILLIAM KISSICK	7/30/96		328							328		S/L	40	99	8
94	METER-ANGIE CHAPMAN	7/30/96		394							394		S/L	40	124	10
95	METER-MARK RICHARDS	9/05/96		715							715		S/L	40	222	18
96	METER-BILLY HOWELL	9/05/96		456							456		S/L	40	136	11
97	METER-MARY KING	9/20/96		374							374		S/L	40	110	9
98	METER-MATHEW SHEPHARD	11/07/96		484							484		S/L	40	146	12
99	METER-RONNY JUMP	11/22/96		376							376		S/L	40	109	9
103	METER-MELISSA COWLES	3/25/97		632							632		S/L	40	188	16
104	METER-MILA LAWSON	4/29/97		573							573		S/L	40	164	14
105	METER-MARSHALL BLACKBURN	4/29/97		536							536		S/L	40	152	13
106	METER-ANNE MCKINSEY/BEACH	4/02/97		398							398		S/L	40	117	10
107	METER-RANDY & D LIVINGOOD	5/08/97		577							577		S/L	40	164	14
108	METER-DEBBIE RIGGS	8/07/97		399							399		S/L	40	114	10
109	METER-SCOTT DUNN	8/14/97		1,043							1,043		S/L	40	297	26
110	METER-CHRIS BACK	10/01/97		386							386		S/L	40	112	10
111	METER-ROBERT BRANDT	10/01/97		378							378		S/L	40	101	9
112	METER-HOUSING CORPORATION	11/05/97		373							373		S/L	40	101	9
114	METER - TERRY YOUNG	1/31/98		415							415		S/L	10	415	0
115	METER - GARY LEE	2/18/98		1,603							1,603		S/L	10	1,603	0
116	METER - MIKE O'HARA	4/10/98		344							344		S/L	10	344	0
117	METER - OTIS PRINCE	4/10/98		344							344		S/L	10	344	0

Client 3982

CORINTH WATER DISTRICT

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No.	Description	Date Acquired	Date Sold	Cost/ Basis	Bus. Pct.	Cur 179 Bonus	Special Depr. Allow.	Prior 179/ Bonus/ Sp. Depr.	Prior Dec. Bal. Depr.	Salvage /Basis /Reductn	Depr. Basis	Prior Depr.	Method	Life	Rate	Current Depr.
118	METER - GARY WATKINS	5/07/98		284							284		S/L	10		0
119	METER - LEO SAYLOR	8/17/98		280							280		S/L	10		0
120	METER - TAMI WALSH	8/31/98		270							270		S/L	10		0
121	METER - FRED SCHEFFLER	11/21/98		430							430		S/L	10		0
124	L-B EXT METERS	6/30/99		121,839							121,839	115,748	S/L	10		6,091
127	1999 METERS SET	7/01/99		16,063							16,063	15,257	S/L	10		806
130	2000 METERS SET	7/01/00		10,638							10,638	9,044	S/L	10		1,064
134	2001 METERS SET	7/01/01		6,402							6,402	4,800	S/L	10		640
135	2002 METERS 9-3/4" 1-2"	7/01/02		11,799							11,799	1,917	S/L	40		295
138	131 METERS - PHASE IV	4/30/03		62,818							62,818	8,897	S/L	40		1,570
142	2003 METERS 5-1"	7/01/03		2,524							2,524	347	S/L	40		63
143	2003 METERS 13-3/4"	7/01/03		6,158							6,158	847	S/L	40		154
146	2004 METERS 6-3/4"	7/01/04		2,986							2,986	337	S/L	40		75
147	2004 METERS 1-1"	7/01/04		599							599	67	S/L	40		15
153	11-3/4" METERS	7/01/05		5,354							5,354	469	S/L	40		134
154	5 - 1" METERS	7/01/05		3,038							3,038	228	S/L	40		76
159	241-3/4" MTRS-PHASE V	3/31/06		95,264							95,264	6,550	S/L	40		2,382
160	44-1" MTRS-PHASE V	3/31/06		20,816							20,816	1,430	S/L	40		520
162	1 MASTER MTR-PHASE V	3/31/06		9,685							9,685	666	S/L	40		242
165	2" METER-D MOOREFIELD	8/09/06		1,796							1,796	109	S/L	40		45
167	3 - 1" METERS	7/01/06		2,075							2,075	130	S/L	40		52
168	10 - 3/4" METERS	7/01/06		6,155							6,155	385	S/L	40		154
177	2" METER - PIATT	10/10/07		2,274							2,274	71	S/L	40		57
178	16 - 3/4" METERS	7/01/07		7,176							7,176	269	S/L	40		179
179	9 - 1" METERS	7/01/07		6,722							6,722	252	S/L	40		168
187	4 - 1" METERS	6/30/08		3,402							3,402	43	S/L	40		85
188	6 - 3/4" METERS	6/30/08		4,002							4,002	50	S/L	40		100

Client 3982

CORINTH WATER DISTRICT

61-1093187

1/21/10

08:13AM

No.	Description	Date Acquired	Date Sold	Cost/ Basis	Bus. Pct.	Cur 179 Bonus	Special Depr. Allow.	Prior 179/ Bonus/ Sp. Depr.	Prior Dec. Bal. Depr.	Salvage /Basis Reductn.	Depr. Basis	Prior Depr.	Method	Life	Rate	Current Depr.
192	6 - 3/4" METERS	6/30/09		4,589							4,589		S/L	40		57
195	RAD READ MTRS ONLY-34-3/4	9/04/09		5,066							5,066		S/L	40		42
196	RAD READ MTRS ONLY-8 -1"	9/04/09		1,760							1,760		S/L	40		15
198	1 - 1" METER	4/06/09		746							746		S/L	40		14
Total METERS																
				690,084		0	0	0	0	0	690,084	276,548				21,702
Miscellaneous																
47	ALTITUDE VALVE	11/20/90		13,191							13,191	5,967	S/L	40		330
Total Miscellaneous																
				13,191		0	0	0	0	0	13,191	5,967				330
STRUCTURES & IMPROVEMENTS																
38	LOADING STATION	12/31/86		9,397							9,397	5,169	S/L	40		235
39	PRESSURE GAUGE	2/01/87		201							201	201	S/L	10		0
40	DRIVEWAY-LOADING STATION	5/01/87		600							600	600	S/L	10		0
41	REPAVE DRIVEWAY-LOAD STN	6/12/92		2,630							2,630	2,630	S/L	10		0
42	LOADING STATION	6/24/94		46,169							46,169	16,733	S/L	40		1,154
81	ADD'L VALVE AT LS ON 36	7/01/95		919							919	919	S/L	10		0
82	CONCRETE LID AT LS ON 36	7/01/95		100							100	40	S/L	40		3
113	CT SERVICES-WORK ON TOWER	12/31/97		5,305							5,305	5,305	S/L	10		0
129	REPLACE CULVERT AT LS #1	12/01/00		8,398							8,398	4,527	S/L	15		560
156	CEILING/ELEC-STORAGE BLD	12/31/05		6,548							6,548	492	S/L	40		164
Total STRUCTURES & IMPROVEM																
				80,267		0	0	0	0	0	80,267	36,616				2,116
Total Depreciation																
				6,235,085		0	0	0	0	0	6,235,085	1,722,204				172,178

Client 3982

CORINTH WATER DISTRICT

61-1093187

1/21/10

08:13AM

No.	Description	Date Acquired	Date Sold	Cost/ Basis	Bus. Pct.	Cur 179 Bonus	Special Depr. Allow.	Prior 179/ Bonus/ Sp. Depr.	Prior Dec. Bal. Depr.	Salvage /Basis Reduction	Depr. Basis	Prior Depr.	Method	Life	Rate	Current Depr.
	Grand Total Depreciation			<u>6,235,085</u>		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,235,085</u>	<u>1,722,204</u>				<u>172,178</u>
	Depreciation Assets Sold			3,559		0	0	0	0	0	3,559	3,291				141
	Depr Remaining Assets			<u>6,231,526</u>		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,231,526</u>	<u>1,718,913</u>				<u>172,037</u>

Exhibit 7 - Corinth Cost of Service Study

-807 KAR 5:001 Section 10 (6)(u) requires a cost of service study for gas, electric or water utilities whose annual gross revenues exceed \$5,000,000. Corinth Water District's gross annual revenues do not exceed this threshold. In addition, Hickory is proposing an across-the-board 20% increase. **Therefore, Corinth believes this requirement is not applicable in this instance.**

-In addition, Corinth is aware that Commission Staff often performs cost-of-service studies. To the extent that such a study is required in this case, Corinth requests a waiver to allow the processing of this case to proceed expeditiously due to our limited cash reserves, and requests Commission Staff assistance if a cost of service study is required to be done in this case.

NOTICE

Corinth Water District has filed an application with the Public Service Commission to increase its rates for water service. Corinth has not requested a general rate increase since 2003. Corinth believes it can justify a larger rate increase; however, to reduce the burden upon its customers, Corinth is instead requesting a smaller rate increase of 25%. The proposed effective date of the change is May 30, 2010.

Monthly Rates:

<u>Current:</u>		<u>Proposed</u>	
First 1,000 Gallons	\$14.27 Minimum Bill	First 1,000 Gallons	\$17.84 Minimum Bill
Next 4,000 Gallons	10.39 Per 1,000 Gallons	Next 4,000 Gallons	12.99 Per 1,000 Gallons
Next 5,000 Gallons	9.25 Per 1,000 Gallons	Next 5,000 Gallons	11.57 Per 1,000 Gallons
Over 10,000 Gallons	8.11 Per 1,000 Gallons	Over 10,000 Gallons	10.14 Per 1,000 Gallons
Truck Loading Station	5.75 Per 1,000 Gallons	Truck Loading Station	7.00 Per 1,000 Gallons

<u>MONTHLY USAGE</u>	<u>MONTHLY BILL AT CURRENT RATE</u>	<u>MONTHLY BILL AT PROPOSED RATE</u>	<u>PERCENT INCREASE OVER CURRENT</u>
1,000	\$14.27	\$17.84	25.0%
5,000	\$55.83	\$69.80	25.0%
10,000	\$102.08	\$127.65	25.0%
20,000	\$183.18	\$229.05	25.0%
30,000	\$264.28	\$330.45	25.0%
50,000	\$426.48	\$533.25	25.0%
75,000	\$629.23	\$786.75	25.0%
100,000	\$831.98	\$1,040.25	25.0%
150,000	\$1,237.48	\$1,547.25	25.0%

The rates contained in this notice are the rates proposed by Corinth Water District. However, the Public Service Commission may order rates to be charged that are higher or lower than the rates proposed in this notice.

Any corporation, association, body politic, or person may request leave to intervene, by motion within thirty (30) days after notice of the proposed rate change is given. A motion to intervene shall be in writing, shall be submitted to the Executive Director, Public Service Commission, Post Office Box 615, Frankfort, KY 40602, and shall set forth the grounds for the motion, including the status and interest of the party movant. Copies of the application may be obtained at no charge from the utility office at Corinth Water District, 215 Thomas Lane, P.O. Box 218, Corinth, KY 41010. Upon request from an intervenor, the utility shall furnish to the intervenor a copy of the application and supporting documents.

Corinth Water District

CORINTH WATER DISTRICT

CORINTH , KENTUCKY

FINANCIAL STATEMENTS

For the Years Ended December 31, 2009 and 2008



Van Gorder, Walker & Co., Inc.
Certified Public Accountants

**CORINTH WATER DISTRICT
CORINTH, KENTUCKY
FINANCIAL STATEMENTS
For the Years Ended December 31, 2009 and 2008**

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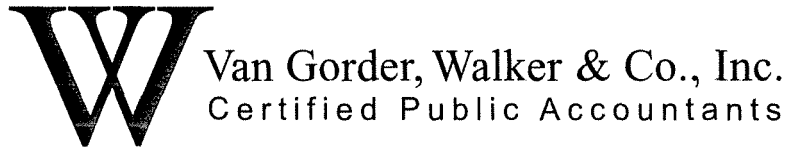
**CORINTH WATER DISTRICT
CORINTH, KENTUCKY
FINANCIAL STATEMENTS
For the Years Ended December 31, 2009 and 2008**

Board of Commissioners

<u>Chairman</u>	<u>Term Expires</u>
Dan Field	07/31/10
<u>Treasurer</u>	
Donnie Dyer	06/21/11
<u>Secretary</u>	
Bob McDaniel	06/20/12

Legal Counsel

Ackman, Lorenz, Gatlin, and Voelker



Independent Auditor's Report

**To the Board of Commissioners
Corinth Water District**

We have audited the accompanying balance sheets of the Corinth Water District (District) as of December 31, 2009 and 2008 and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corinth Water District as of December 31, 2009 and 2008, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 5, 2010 on our consideration of the Corinth Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

The management's discussion and analysis on page 3 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Van Gorder, Walker & Company, Inc.
Erlanger, Kentucky
February 5, 2010

Corinth Water District
P.O. Box 218
Corinth, KY 41010

Management's Discussion and Analysis

The following is an overview of the District's financial activities and activities in general for the year ended December 31, 2009.

Total Assets:	\$4,541,524
Total Liabilities:	\$2,505,788
Total Operating Revenues:	\$582,142
Total Operating Expenses:	<u>\$667,460</u>
Operating Loss:	<u>\$(85,318)</u>

In comparison to the year ended December 31, 2008, the District decreased its total assets by 2.5%, while decreasing its liabilities by a corresponding 2.5%. The District had an operating loss in 2009 due to a significant decrease in water sales revenue.

The District remains on a solid financial foundation. The District receives all of its revenues from the direct sale of water to its customers, tap-on fees, deposits for new customers, and late fees on monies owed on respective bills.

The District uses the accounting firm of Morris & Bressler to oversee its daily accounting operations. The District uses Van Gorder, Walker & Company for its yearly audit.

The District has a month to month accrual of monies expended to maintain the operations of the District. The reports of income & expenses are discussed at each monthly meeting of the District's Board.

The District currently has no construction in progress.

William H. Hill, Manager
Corinth Water District

CORINTH WATER DISTRICT BALANCE SHEETS December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 7,398	\$ 12,330
Accounts receivable - customers	60,519	104,754
Inventories	9,840	11,290
Prepaid insurance	2,360	2,116
Total Current Assets	<u>80,117</u>	<u>130,490</u>
Restricted Assets		
Reserve funds	47,731	41,712
Sinking funds	73,102	1,328
Total Restricted Assets	<u>120,833</u>	<u>43,040</u>
Capital Assets		
Land	6,200	6,200
Lines and equipment	6,146,997	6,130,975
Office furniture and fixtures	23,074	15,111
Transportation equipment	55,253	55,253
Total utility plant in service	<u>6,231,524</u>	<u>6,207,539</u>
Less accumulated depreciation	<u>(1,890,950)</u>	<u>(1,722,204)</u>
Total Capital Assets, net of depreciation	<u>4,340,574</u>	<u>4,485,335</u>
TOTAL ASSETS	<u><u>\$ 4,541,524</u></u>	<u><u>\$ 4,658,865</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts payable - general	\$ 22,119	\$ 22,840
Line of credit - Forcht Bank	7,123	-
Accrued interest payable	48	-
Customer deposits	4,080	2,640
Withheld and accrued liabilities	<u>8,763</u>	<u>8,340</u>
Total Current Liabilities	<u>42,133</u>	<u>33,820</u>
Current Liabilities Payable from Restricted Assets		
Bonds payable	66,300	32,500
Accrued interest on bonds	<u>52,355</u>	<u>-</u>
Total Current Liabilities Payable from Restricted Assets	<u>118,655</u>	<u>32,500</u>
Long-Term Liabilities		
Bonds payable - USDA - Water Revenue Bonds	<u>2,345,000</u>	<u>2,378,800</u>
Total Long-Term Liabilities	<u>2,345,000</u>	<u>2,378,800</u>
TOTAL LIABILITIES	<u>2,505,788</u>	<u>2,445,120</u>
NET ASSETS		
Invested in capital assets, net of related debt	1,922,151	2,074,034
Restricted	68,478	43,040
Unrestricted	<u>45,107</u>	<u>96,671</u>
TOTAL NET ASSETS	<u>2,035,736</u>	<u>2,213,745</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,541,524</u></u>	<u><u>\$ 4,658,865</u></u>

The accompanying notes are an integral part of the financial statements.

CORINTH WATER DISTRICT STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS For the Years Ended December 31, 2009 and 2008
--

	<u>2009</u>	<u>2008</u>
OPERATING REVENUES		
Water revenue	\$ 550,085	\$ 606,706
Forfeited discounts	28,373	29,472
Miscellaneous service revenues	3,684	1,721
TOTAL OPERATING REVENUES	<u>582,142</u>	<u>637,899</u>
OPERATING EXPENSES		
Salaries and wages - employees	135,652	144,112
Salaries and wages - officer and directors	11,695	10,720
Employee benefits	14,858	13,279
Retirement benefits	19,648	19,290
Advertising	507	515
Bad debt expenses	6,623	8,456
Contractual services	38,085	41,091
Depreciation expenses	172,178	177,907
Education/training	1,073	624
Equipment rentals	302	-
Insurance expenses	8,437	8,874
Materials and supplies	16,483	15,575
Miscellaneous expenses	538	1,066
Purchased power	1,650	1,984
Purchased water	216,443	230,343
Taxes other than income taxes	11,747	12,412
Transportation expenses	11,541	17,746
TOTAL OPERATING EXPENSES	<u>667,460</u>	<u>703,994</u>
OPERATING LOSS	<u>(85,318)</u>	<u>(66,095)</u>
NON-OPERATING INCOME (EXPENSE)		
Interest income	717	2,135
Loss on disposal of assets	(127)	-
Interest expense	(104,912)	(106,106)
NET NON-OPERATING EXPENSE	<u>(104,322)</u>	<u>(103,971)</u>
NET LOSS	<u>(189,640)</u>	<u>(170,066)</u>
CAPITAL CONTRIBUTIONS	<u>11,631</u>	<u>10,095</u>
CHANGE IN NET ASSETS	<u>(178,009)</u>	<u>(159,971)</u>
NET ASSETS, JANUARY 1	<u>2,213,745</u>	<u>2,373,716</u>
NET ASSETS, DECEMBER 31	<u>\$ 2,035,736</u>	<u>\$ 2,213,745</u>

The accompanying notes are an integral part of the financial statements.

CORINTH WATER DISTRICT
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 626,377	\$ 635,058
Paid to suppliers for goods and services	(299,757)	(325,542)
Paid to or on behalf of employees for services	(193,177)	(198,716)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>133,443</u>	<u>110,800</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	717	2,135
Expenditures for construction and equipment	(27,544)	(28,443)
Cash received from sale of assets	-	-
Decrease (Increase) in restricted cash	(77,793)	19,444
Contributions in aid of construction	11,631	10,095
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(92,989)</u>	<u>3,231</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest on long-term debt	(52,509)	(106,106)
Payments on long-term debt	-	(30,700)
Proceeds from line of credit	8,058	-
Payments on line of credit	(935)	-
NET CASH USED IN CAPITAL AND FINANCING ACTIVITIES	<u>(45,386)</u>	<u>(136,806)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	<u>(4,932)</u>	<u>(22,775)</u>
CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR	<u>12,330</u>	<u>35,105</u>
CASH AND CASH EQUIVALENTS-END OF YEAR	<u>\$ 7,398</u>	<u>\$ 12,330</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	\$ (85,318)	\$ (66,095)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	172,178	177,907
Change in operating assets and liabilities		
Decrease (Increase) in receivables	44,235	(2,841)
Decrease (Increase) in inventories	1,450	(4,798)
Decrease (Increase) in prepaid assets	(244)	(29)
Increase (Decrease) in accounts payable	(721)	5,859
Increase (Decrease) in withheld and accrued liabilities	423	1,097
Increase (Decrease) in customer deposits	1,440	(300)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 133,443</u>	<u>\$ 110,800</u>
SUPPLEMENTAL INFORMATION		
Interest paid	\$ (52,509)	\$ (106,106)
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

**CORINTH WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

Corinth Water District (District) is a water utility, which provides service to residential and commercial customers in Grant, Pendleton, and Harrison Counties in Kentucky. The District was created by the Grant County Court on January 11, 1965 under the provisions of chapter 74 of the Kentucky Revised Statutes ("KRS").

Regulatory Requirements

The District is subject to the regulatory authority of the Kentucky Public Service Commission ("PSC") pursuant to KRS 278.040.

Basis of Accounting

The District's financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The District applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, and the Accounting Principles Board (APB) Opinions of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

The District has adopted GASB Statements 33 through 41, and related interpretations issued through December 31, 2009. Statement No. 33 required capital contributions to be recorded in the statement of revenues, expenses and changes in net assets. Statement 34 and subsequent statements and interpretations required certain other changes in terminology, format and content, as well as inclusion of the management's discussion and analysis as required supplementary information.

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

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

**CORINTH WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008**

Allowance for Bad Debts

The District uses the allowance method to account for bad debts. At June 30, 2009 and 2008, the balances of the allowance were \$2,100 and \$2,800, respectively.

Cash Equivalents

For purposes of the balance sheets and statement of cash flows, the District considers all unrestricted highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined under the First-In, First-Out (FIFO) method. Market is determined on the basis of estimated realizable market values.

Income Tax Status

The District is exempt from federal and state income taxes since it is a political subdivision of the Grant County Court. Accordingly, the financial statements include no provision for income taxes.

Purchased Water Costs

The District is dependent on the City of Williamstown as its sole supplier of water. On September 1, 2004, the District signed an agreement with the City of Williamstown to extend this water service agreement for the next 42 years.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Operating Revenues and Non-Operating Revenues

Revenues have been classified as operating and non-operating. Operating revenues are those revenues that are directly generated from the sale of water to customers. Non-operating revenues are those revenues that arise from the overall function of the entity. Examples of non-operating revenues are grant revenues, sales of fixed assets and interest income.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits consist of checking and savings accounts. They are carried at cost, which approximates market value. The carrying amount of deposits is separately displayed on the balance sheet as "Cash and Cash Equivalents" and "Restricted Assets". At December 31, 2009 and 2008, the bank balances were \$128,231 and \$55,370 respectively, which were the same as the carrying amount.

<p>CORINTH WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2009 and 2008</p>

The District's investment policy allows investments only in the form of savings accounts and certificates of deposit at local banks in Grant County, Kentucky. The District holds funds at Forcht Bank. The FDIC insures bank deposits for amounts under \$250,000 per banking institution. Thus, all of the \$128,231 in District funds is insured. In accordance with GASB 40, there is no market risk on these savings account investments.

NOTE 3 – RESTRICTED ASSETS

Included in restricted net assets at December 31,

	2009	2008
Reserve fund	\$ 47,731	\$ 41,712
Sinking fund	73,102	1,328
Total Restricted Assets	<u>\$ 120,833</u>	<u>\$ 43,040</u>

NOTE 4 – CAPITAL CONTRIBUTIONS

In conformity with the provisions of Governmental Accounting Standards Board Statement No. 33 – *Accounting and Financial Reporting for Non-Exchange Transactions*, amounts related to customer contributions in aid of construction have been reported as other income in the District's income statement. These contributions represent customer tap-in fees and other contributions to recover the costs of extensions of the distribution system. During 2009 and 2008 these contributions consisted of the following:

Source	2009	2008
Tap in fees and construction costs paid by new customers	<u>\$ 11,631</u>	<u>\$ 10,095</u>
Total capital contributions received in aid of construction	<u>\$ 11,631</u>	<u>\$ 10,095</u>

NOTE 5 – UTILITY PLANT IN SERVICE

All property, plant and equipment including infrastructure assets are recorded at cost and depreciated over their estimated useful lives, using the straight-line method. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss included in the results of operations. Repair and maintenance charges, which do not increase the useful lives of the assets, are charged to income as incurred. Interest incurred on construction funding during the period of construction is capitalized and is added to the item under construction rather than charged to expense as incurred.

**CORINTH WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008**

Asset Type	Balance at December 31, 2008	Additions	Retirements	Balance at December 31, 2009
Land	\$ 6,200	\$ -	\$ -	\$ 6,200
Buildings and improvements	80,267	-	-	80,267
Distribution reservoirs and pipes	409,285	-	-	409,285
Furniture and fixtures	15,111	11,013	3,050	23,074
Hydrants	110,013	3,245	-	113,258
Meter system and installation	677,926	12,161	-	690,087
Supply mains	13,191	-	-	13,191
Tools and equipment	11,255	1,125	509	11,871
Transmission mains	4,829,038	-	-	4,829,038
Transportation equipment	55,253	-	-	55,253
Subtotal	6,207,539	27,544	(3,559)	6,231,524
Accumulated depreciation	(1,722,204)	(172,178)	3,432	(1,890,950)
Fixed Assets, net	\$ 4,485,335	\$ (144,634)	\$ (127)	\$ 4,340,574

NOTE 6 – WATER REVENUE BONDS; SERIES 1998

On November 5, 1998, the District issued a water revenue bond in the amount of \$526,000. The interest rate is 4.75% per year. Interest is payable semi-annually on the first day of January and July of each year. The first payments were due January 1, 2001 and mature through 2038.

The remaining debt service is as follows:

Year	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2010	4.75%	\$ 16,000	\$ 33,250	\$ 49,250
2011	4.75%	8,000	21,660	29,660
2012	4.75%	9,000	21,280	30,280
2013	4.75%	9,000	20,853	29,853
2014	4.75%	10,000	20,425	30,425
2015-2038	4.75%	420,000	281,200	701,200
Totals		\$ 472,000	\$ 398,668	\$ 870,668

NOTE 7 – WATER REVENUE BONDS; SERIES 2002

On October 25, 2002, the District issued water revenue bonds in the amount of \$485,000. The interest rate is 4.625% per year. Interest is payable semi-annually on the first day of January and July of each year. Principal installments mature in 2005 through 2042. The first payments were due January 2005. Collateral includes water lines, meters and pumping equipment of the District.

CORINTH WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2009 and 2008
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The future minimum cash requirements are as follows:

<u>Year</u>	<u>Interest Rates</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Debt Service</u>
2010	4.625%	\$ 12,300	\$ 31,552	\$ 43,852
2011	4.625%	6,600	20,651	27,251
2012	4.625%	6,900	20,345	27,245
2013	4.625%	7,200	20,026	27,226
2014	4.625%	7,600	19,693	27,293
2015-2042	4.625%	418,200	323,968	742,168
Totals		<u>\$ 458,800</u>	<u>\$ 436,235</u>	<u>\$ 895,035</u>

NOTE 8 – WATER REVENUE BONDS; SERIES 2005

On September 9, 2005, the District issued water revenue bonds in the amount of \$1,532,000. These bonds were issued to finance the construction of a waterline extension and to pay off the capital lease balance of \$890,000 previously held by the District. The interest rate is 4.125% per year. Interest is payable semi-annually on the first day of January and July of each year. Principal installments mature in 2007 through 2044. Collateral includes water lines, meters and pumping equipment of the District. The future minimum cash requirements are as follows:

<u>Year</u>	<u>Interest Rates</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Debt Service</u>
2010	4.125%	\$ 38,000	\$ 90,844	\$ 128,844
2011	4.125%	20,500	59,503	80,003
2012	4.125%	21,000	58,658	79,658
2013	4.125%	22,000	57,791	79,791
2014	4.125%	23,000	56,884	79,884
2015-2044	4.125%	1,356,000	1,002,498	2,358,498
Totals		<u>\$ 1,480,500</u>	<u>\$ 1,326,178</u>	<u>\$ 2,806,678</u>

NOTE 9 – LINE OF CREDIT

During 2009, the District opened a line of credit with Forcht Bank in order to pay for a new meter reading system. The balance on this line of credit was \$7,123 at December 31, 2009.

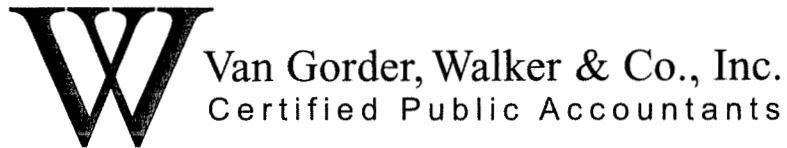
NOTE 10 – RELATED PARTY TRANSACTIONS

The District paid \$0 and \$12,240 during 2009 and 2008, respectively, to the brother-in-law of one of the District's commissioners for meter installations and line repairs. The District also paid \$1,302 and \$2,595 during 2009 and 2008, respectively, to the brother of another District commissioner for meter testing services.

CORINTH WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 11 – RISKS/COMMITMENTS/CONTINGENCIES

Corinth Water District depends upon the credit given to a large group of individual customers. The revenue from individuals is significantly larger than the revenue from corporations. Therefore there is considerably less cash flow risk from the failure of a single customer to pay.



**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
Corinth Water District**

We have audited the financial statements of the Corinth Water District as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated February 5, 2010. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Corinth Water District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corinth Water District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corinth Water District's internal control over financial reporting.

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

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

be prevented or detected by the Corinth Water District's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

Lack of Segregation of Duties

Condition: We noted that, due to the size of the District and financial considerations, the executing and recording of transactions are performed by the same person.

Criteria: The process of executing a transaction should be segregated from the process of recording the transaction.

Effect: Segregation of duties is a necessary part of any system of internal control. Lack of segregation of duties could allow for receipts to be diverted away from the District and expenses not attributed to the District could be paid for from the District's cash account.

Recommendation: Internal controls should continue to be implemented to segregate the duties of the personnel. Controls should be monitored to ascertain that they are sufficient to reduce the risk of material misstatement to an acceptable level.

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 Corinth Water District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corinth Water District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*.



The District is not in compliance with Section 501 of the 2005 Bond Resolution which requires that the net annual revenue be at least 1.20 times the average annual debt service requirement for principal and interest on all outstanding bonds payable from pledged receipts. A summary of the balances at December 31, 2009 follows:

Bond	Average Debt Service	Resolution Multiplier	Required Net Revenue		
1997/1998 FHA	\$ 31,095	1.20	\$ 37,314		
2002 FHA	27,970	1.20	33,564	Actual	
2005 FHA	82,549	1.20	99,059	Net Revenue	Deficit
			<u>\$ 169,937</u>	<u>\$ 87,577</u>	<u>\$ (82,360)</u>

The District is currently in the process of investigating a rate increase in order to meet this requirement.

This report is intended solely for the information and use of the audit committee, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Van Gorder, Walker & Co., Inc.

Van Gorder, Walker & Co., Inc.
 Erlanger, Kentucky
 February 5, 2010