



SOUTHERN WATER & SEWER DISTRICT

P.O. Box 610
245 KY Rt. 680
McDowell, KY 41647

Ph. (606) 377-9296

Fax. (606) 377-9286

October 7, 2013

Mr. Jeff Derouen
Executive Director
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, KY 40602

RECEIVED

OCT 09 2013

PUBLIC SERVICE
COMMISSION

RE: **PSC Order**

Dear Mr. Derouen,

Pursuant to the PSC order on July 12, 2013, Southern Water and Sewer District has revised its accounting procedures and internal controls to include methods and practices that reasonably and fairly allocate and assign revenues and expenses between its water and sewer operations, it has been since put in effect and adopted by the Board of Commissioners at its August board meeting.

Also, Southern Water and Sewer District is currently working on funding through USDA Rural Development to replace its main distribution line from the Water plant to the main storage tank at Martin, it will consist of five miles of new ductile iron water main with all new service connections, and also all branch lines will have a bypass/leak detection meter installed on them for leak detection. Hopefully this will begin within the next 120 days, Rural Development has notified us that we were on top of the priority list.

Kentucky Rural Water has been working with us to identify some of our unaccounted for water loss. In a comparison flow test the master meter at the water treatment plant showed it was inaccurate, probably as a result of original incorrect plumbing. It is estimated that it is approximately eleven to thirteen percent fast, this will be corrected within the Rural Development project.

A leak detection crew has been formed and will be working no less than three nights a week to help identify water leaks.

Leaks on small service lines are the leading contributors to our water loss and we are now replacing these lines if we encounter more than one leak on a service line.

A second work crew has been established to replace the leaky service lines.

Also, master meters throughout the system are having comparisons done through flow rates.

We have been in contact with multiple professional leak detection experts and are currently pursuing ways to find funding to possibly use them.

Southern Water and Sewer District will keep the PSC updated in any and all progress made in respect to lowering our monthly water loss.

We will continue to strive to make Southern Water and Sewer District a utility that really believes that our customers really do come first and stay in compliance with all PSC and other state and federal agencies. Please don't hesitate to contact me if you need any further information.

Sincerely,



Hubert Halbert
Manager

Michael R. Spears, C.P.A., P.S.C.

Certified Public Accountant

October 1, 2013

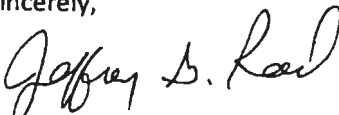
Re: Revision of accounting procedures and internal controls pursuant to PSC Order

To Public Service Commission:

Southern Water District and our firm are in the process of revising the chart of accounts to better classify water expenses and income, and sewer expenses and income per the commission order in Case No. 2012-00309. This revision will be reflected in the books of Southern Water and Sewer District for the year ended December 31, 2013. We are also in the process of changing the lives of the assets to 50 years per the same Public Service Commission order.

If you have any questions please call me at 1-606-886-8040.

Sincerely,



Jeffrey G. Reed

Accountant

Michael R. Spears, CPA, PSC

SOUTHERN WATER & SEWER DISTRICT

PO BOX 610

MCDOWELL, KY 41647

SPECIAL CALLED MEETING MONDAY, AUGUST 5th 2013 @5PM

ATTENDANCE

GARY BLANKENSHIP, ACTING CHAIRMAN

TINA MOSLEY, STAFF

BERT LAYNE, ACTING SECRETARY

HUBERT HALBERT, STAFF

HAYES HAMILTON, COMMISSIONER

RICHARD PAULMANN, HOLLISTER CPA

SCARLETT STUMBO, COMMISSIONER

JEFF REED, MIKE SPEARS CPA

DEAN HALL, STAFF

*PAULA JOHNSON WAS ABSENT DUE TO DEATH OF HER BROTHER N LAW

Meeting was called to order by Gary Blankenship @ 5:05 PM

Richard Paulmann from Hollister CPA presented the board with the 2011-2012 Audit for Southern Water and Sewer.

After review and discussion of the 2011-2012 Audit Mr. Paulmann made the following suggestions to the board:

- Detailed record of customer deposits (due to changing in billing programs the previous records were lost)
- Revised Budget Guidelines
- Revise and implement new accounting procedures on separating the water and sewer

MOTION TO APPROVE TO CHANGES IN THE ACCOUNTING PROCEDURES FOR WATER AND SEWER

MOTION MADE BY: BERT LAYNE

SECONDED BY: HAYES HAMILTON

MOTION PASSED

MOTION TO APPROVE 2011-2012 SOUTHERN WATER AND SEWER AUDIT

MOTION MADE BY: HAYES HAMILTON

SECONDED BY: BERT LAYNE

MOTION PASSED

MOTION TO ADJOURN

MOTION MADE BY: BERT LAYNE


SECONDED BY: HAYES HAMILTON

MOTION PASSED

With there being no further information to discuss this meeting was adjourned at 6:15 p.m. Passed by the Southern Water & Sewer Commissioners on this 7th day of October 2013.



Gary Blankenship, Acting Chairman



Bert Layne, Acting Secretary