

# Chaffee Water Company Inc.

13419 Allen Road \* Chaffee, NY 14030

November 14, 2008

Janet DeVecchio  
Utility Analyst  
Department of Public Service  
Office of Gas and Water  
Water Rates Section  
Three Empire State Plaza  
Albany, New York 12223

RECEIVED

12 2008

Water Rates Section

Re: Water Rate Increase Request  
Chaffee Water Works Co., Inc

Dear Ms. DeVecchio,

In an effort to maintain the financial solvency of the water company we are respectfully requesting a rate increase and a rate structure change. The rate increase is based on a three year comparative income summary, and the rate structure change from flat rate to metered rate is required because of the forthcoming system upgrades which are being funded from the NYS Drinking Water Revolving Loan Fund.

We are proposing a metered rate structure to be effective when the system upgrades are completed, tentatively in the 3<sup>rd</sup> or 4<sup>th</sup> quarter of 2009. The base rate proposed is \$59.43 per metered account per quarter for the 1<sup>st</sup> 0-3000 gallons and a water use rate of \$3.30 per 1000 gallons after 3000, billed quarterly.

The following information is attached for your review:

Attachment 1:

- A summary of the total annual revenue increase requested and the percentage increase.
  - Rate increase analysis.
  - Current rate charge
  - Proposed rate charge
  - The number of customers served under each rate, the average annual bill by service class under current rates
-

Attachment 2:

- Comparative Income statement outlining 3 years of actual data with projected figures
- The company's tax returns, income statements and balance sheets for the latest 3 years

Attachment 3:

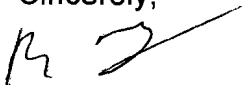
- Copies of Consumer Confidence Reports (Annual Water Quality Report) for the past three years.
- Copy of the most recent DOH inspection report.
- A list of DOH violations for last 3 years.

Attachment 4:

- Leaf # 12 containing the proposed increase to rates.
- Company information sheet with any needed updates.
- January 9, 2008 Letter from NYSPSC to Chaffee Water Works.

If there are any questions please feel free to call me at 716.496.2020.

Sincerely,



Rodney Franz

President , Chaffee Water Works Co., inc.

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# **ATTACHMENT**

## **1**

## Summary of the Total Annual Revenue Increase

\* See comparative income statement- Attachment 1

Current (base Year) Revenue:	\$16,990.00
Total annual revenue Request (projected)	\$34,744.00
Total annual revenue increase	\$17,754.00
Percentage Increase	105%

### Current Rate Charge

Current rate charge is flat rate \$50.00 per account/quarter

### Proposed Rate Charge (SEE METERED RATE PROPOSED WORKSHEET)

**Base Rate (per account per quarter )** \$59.43 for 1st 0-3000 gallons  
**Water Use Rate** \$3.30 per 1000 gallons over 3000

### Average Annual Bill (single family or equivalent)

Base Rate + Estimated Water use rate \$106.13 quarterly  
 \$424.53 Annually

**NOTE THAT THIS DOES NOT INCLUDE THE QUARTERLY SURCHARGE AS  
 OUTLINED IN PSC CASE # 07-W0928**

### The Number of Customers Served

100 % of the customers will be served under one rate structure, approximately 217 customers

# **ATTACHMENT**

## **4**

PSC NO: 2 - WATER  
COMPANY: The Chaffee Water Works Company  
EFFECTIVE DATE:

LEAF: 12  
REVISION: 1  
SUPERSEDING REVISION: 0

### GENERAL INFORMATION

Applicable to use of Service for:

Residential, small commercial, and general use.

Character of Service

Continuous.

Rate: \$ 3.30 / 1000 Gallons

Minimum Charge:

58.43 per Quarter for 1<sup>st</sup> 0 - 3000 Gallons

Terms of Payment

Bills shall be rendered quarterly in arrears and are due and payable upon receipt. Bills not paid within 23 days of mailing are delinquent and the late payment charge becomes applicable and service may be discontinued after proper notice as required by law.

Late Payment Charge

A late payment charge to be computed at the rate of 1 ½ percent per month, compounded monthly, may be applied to all balances left unpaid 23 days following mailing of the bill.

Term

Terminable by the customer upon 10 days' written notice to the company.

Issued By: \_\_\_\_\_  
(Name of Officer, Title, Address)

## Company Name

Data as of:

Fed. Tax ID:	06-0878467
Official Company Name:	The Chaffee Water Works Company
Prior Company Name:	
Website Address:	
Homeowners Association:	Y <input checked="" type="radio"/> (N) (Circle One)
Number of Customers:	200 +/- + transient population (Restaurant)
Seasonal:	Y <input checked="" type="radio"/> (N) (Circle One)
Utility Classification:	PUBLIC WATER Supply
System Location Information	
Company Address:	13419 Allen Rd. Chaffee, NY 14030
Towns:	SARDINIA
Counties:	ERIE
System Zip Code:	14030
Officer's Information (Official Mailing Address)	
Officer's name and title:	RODNEY FRANZ - PRESIDENT
Officer's Address:	13419 Allen Rd. Chaffee, NY 14030
Officer's Phone Number:	(716) 496-2020
Officer's Fax Number:	NA
Officer's Cell Phone Number:	(716) 496-2020
Operator's Information	
Operator's Name:	Rodney Franz
Operator's Address:	13419 Allen Rd. Chaffee NY 14030
Operator's Phone Number:	716 496-2020
Operator's Fax Number:	
Operator's Cell Phone Number:	
Owner/Developer Information:	
Common Owner:	
Developer:	
Owner's Name:	
Owner's Address:	
Owner's phone number:	
System Information	
Customers at Full Development:	200 +/-
Metered Customers:	<input checked="" type="radio"/> N (Circle One) Proposed 2009
Fire Protection:	Y <input checked="" type="radio"/> (N) (Circle One)
Year of First Service:	1896
Construction Cost:	
Metered Production?:	<input checked="" type="radio"/> N (Circle One) Proposed 2009
Purification Description:	Chlorination
Mains - Predominant Size:	1-2 1/2 Current   Proposed 4-6" 2009
Mains - Predominant Material:	Various Current   Proposed PVC
Service Pipe - Predominant Size:	various ~ 1"
Service Pipe - Predominant Material:	various
Sig. Large Non-Residential Customers:	NO

# STATE OF NEW YORK DEPARTMENT OF PUBLIC SERVICE

THREE EMPIRE STATE PLAZA, ALBANY, NY 12223-1350

Internet Address: <http://www.dps.state.ny.us>

## PUBLIC SERVICE COMMISSION

GARRY A. BROWN

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PETER McGOWAN  
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JACLYN A. BRILLING  
*Secretary*

January 9, 2008

Mr. Rodney Franz  
The Chaffee Water Works Company  
13419 Allen Road  
Chaffee, NY 14030

Re: The Chaffee Water Works Company

Dear Mr. Franz:

This responds to Mr. Joseph Moloughney's recent e-mail to Mr. Joseph Grillo concerning a water rate increase for The Chaffee Water Works Company (company). In looking over our records, we noticed that a similar request was received in February 2007, and that we sent you a letter and forms at that time. In any event, the process remains unchanged. A request for a rate increase must be reviewed and approved by the Public Service Commission (PSC). The company should submit an analysis which documents why a rate increase is required and shows how projected figures were developed. A sample comparative income statement for your use is enclosed which covers three years of actual data and one year of projected data. Staff of the Water Rates Section will review and be available to assist in developing your request for new rates. Be prepared to provide documentation, upon request, for your historical revenues and expenses (i.e., billing book, expense book, vouchers, cancelled checks, etc.) plus any changes in capital plant expenditures since the last rate increase in 1998. The company should provide the following information with its rate increase filing:

1. The total annual revenue increase requested.
2. The percentage increase in revenues requested.
3. The rates you now charge and those you want to charge along with the current number of customers served under each rate.



Mr. Rodney Franz

January 9, 2008

4. The company's tax returns, income statements and balance sheets for the latest three years, and a comparative income statement (including actual expense levels for the latest 36 months – see attached “Comparative Income Statement” sheet), which supports the requested increase.
5. Number of customers and average annual bill by service class under current rates.
6. Number of customers and average annual bill by service class under proposed rates.

We strive to keep our records as up-to-date as possible. To that end, I have included a printout of data on The Chaffee Water Works Company from our files. Please review it and update any incorrect or missing information, and return it with the rest of your rate increase filing. In addition, please provide the following:

1. Copies of Consumer Confidence Reports sent to customers for the past three years.
2. Copies of the most recent Department of Health (DOH) inspection reports.
3. List of any DOH violations in the last three years.
4. Copy of a typical water bill.

The current tariff for The Chaffee Water Works Company will remain in effect until we receive the company's proposed rate increase documented on Leaf 12 of the tariff, our analysis is complete and the Commission makes its determination. To ease your burden, we will prepare and file the updated tariff changes on your behalf, after they are reviewed by you and provide you with a copy of the filed changes. We will also prepare a draft letter of notification to be sent to your customers.

After you review the enclosed information, please complete and return the following to us in the self-addressed envelope when you are ready to make the filing.

1. Rate increase analysis.
2. Leaf No. 12 containing the proposed increase to rates.
3. Company Information sheet with any needed updates
4. Items 1-4 requested above.

Mr. Rodney Franz

January 9, 2008

The completed filing should be mailed to:

Ms. Janet DelVecchio  
Utility Analyst  
Department of Public Service  
Office of Gas and Water  
Water Rates Section  
Three Empire State Plaza  
Albany, New York 12223

If you have any questions concerning the preparation of the filing, please contact me at (518) 474-6767.

Very truly yours,

Janet DelVecchio  
Utility Analyst

Enclosures

cc: Mr. Arthur Gordon, Water Rates  
Mr. Joseph Grillo, Water Rates  
Mr. Joseph Moloughney, NYSDOH (w/ attachments)

**PSC NO: 2 - WATER**

**COMPANY: The Chaffee Water Works Company**

**EFFECTIVE DATE:**

**LEAF: 12**

**REVISION: 1**

**SUPERSEDING REVISION: 0**

### **GENERAL INFORMATION**

Applicable to use of Service for:

Residential, small commercial, and general use.

Character of Service

Continuous.

Rate:

Minimum Charge:

Terms of Payment

Bills shall be rendered quarterly in arrears and are due and payable upon receipt. Bills not paid within 23 days of mailing are delinquent and the late payment charge becomes applicable and service may be discontinued after proper notice as required by law.

Late Payment Charge

A late payment charge to be computed at the rate of 1 ½ percent per month, compounded monthly, may be applied to all balances left unpaid 23 days following mailing of the bill.

Term

Terminable by the customer upon 10 days' written notice to the company.

Issued By: \_\_\_\_\_  
(Name of Officer, Title, Address)

## Comparative Income Statement

		Actual Figures			Forecast Changes*	Projected Figures
		Year 1	Year 2	Year 3 (Base Year)		Rate Year
				(a)	(b)	(c = a + b)
1	Operating Revenue:					
	O & M Expenses					
2	Officer's Salary:					
3	Supervisor's Salary:					
4	Operator's Salary:					
5	Materials:					
6	Office Expenses:					
7	Rent:					
8	Power Purchases:					
9	Purification Chemicals:					
10	Transportation:					
11	Billing & Meter Reading:					
12	Insurance:					
13	Repairs:					
14	Accounting:					
15	Professional Fees:					
16	Water Testing:					
17	Rate Case Expenses:					
18	Misc. (Uncoll's etc.):					
19	Total O&M Expenses: (Lines 2 through 18)					
20	Amortizations:					
21	Depreciation:					
22	Property Taxes:					
23	Revenue Taxes:					
24	MTA Taxes:					
25	Payroll Taxes:					
26	Federal Income Taxes:					
27	Other Taxes: (State)					
28	Total Deductions (Lines 19 through 27)					
29	Utility Operating Income - Profit (Line 1 - Line 28)					
30	Rate Base:					
31	Rate Of Return: (Line 29 / Line 30)					

\* Please provide a detailed description of the forecast changes going from Base Year (latest full calendar year w/o rate increase) to Rate Year (projected year w/rate increase). Attach separate schedules if needed.

**Company Name****Data as of:**

<b>Fed. Tax ID:</b>	
<b>Official Company Name:</b>	The Chaffee Water Works Company
<b>Prior Company Name:</b>	
<b>Website Address:</b>	
<b>Homeowners Association:</b>	Y / N (Circle One)
<b>Number of Customers:</b>	
<b>Seasonal:</b>	Y / N (Circle One)
<b>Utility Classification:</b>	
<b>System Location Information</b>	
<b>Company Address:</b>	
<b>Towns:</b>	
<b>Counties:</b>	
<b>System Zip Code:</b>	
<b>Officer's Information (Official Mailing Address)</b>	
<b>Officer's name and title:</b>	
<b>Officer's Address:</b>	
<b>Officer's Phone Number:</b>	
<b>Officer's Fax Number:</b>	
<b>Officer's Cell Phone Number:</b>	
<b>Operator's Information</b>	
<b>Operator's Name:</b>	
<b>Operator's Address:</b>	
<b>Operator's Phone Number:</b>	
<b>Operator's Fax Number:</b>	
<b>Operator's Cell Phone Number:</b>	
<b>Owner/Developer Information:</b>	
<b>Common Owner:</b>	
<b>Developer:</b>	
<b>Owner's Name:</b>	
<b>Owner's Address</b>	
<b>Owner's phone number</b>	
<b>System Information</b>	
<b>Customers at Full Development:</b>	
<b>Metered Customers:</b>	Y / N (Circle One)
<b>Fire Protection:</b>	Y / N (Circle One)
<b>Year of First Service:</b>	
<b>Construction Cost:</b>	
<b>Metered Production?:</b>	Y / N (Circle One)
<b>Purification Description:</b>	
<b>Mains - Predominant Size:</b>	
<b>Mains - Predominant Material:</b>	
<b>Service Pipe - Predominant Size:</b>	
<b>Service Pipe - Predominant Material:</b>	
<b>Sig. Large Non-Residential Customers:</b>	

# **ATTACHMENT**

## **3**

## Annual Drinking Water Quality Report for 2008

Chaffee Water Company, Inc.

Allen Road, Chaffee, NY 14030

(Public Water Supply ID #1400423)

Introduction

To comply with State regulations, The Chaffee Water Works Company, Inc., will be annually issuing a report describing the quality of your drinking water. The purpose of this report is to raise your understanding of drinking water and awareness of the need to protect our drinking water sources. Last year, we conducted tests for all the contaminant groups we were required to test for. We did not take the required bacteriological samples in January and September. We detected 3 of those contaminants, and found none of these contaminants at a level higher than the State allows. This report provides an overview of last year's water quality (2007). Included are details about where your water comes from, what it contains, and how it compares to State standards.

If you have any questions about this report or concerning your drinking water, please contact Rodney Franz @ 496-2020. We want you informed about your drinking water. If you want to learn more, we would be happy to discuss any drinking water issues with you in person.

Where does our water come from?

In general, the sources of drinking water (both tap water and bottled water) included rivers, lakes, streams, ponds, reservoirs, springs and wells. As water travels over the surface of the land or through the ground, it dissolves naturally occurring minerals and, in some cases, radioactive material, and can pick up substances resulting from the presence of animals or from human activities. Contaminants that may be present in source water include: microbial contaminants: inorganic contaminants: pesticides and herbicides: organic chemical contaminants: and radioactive contaminants. In order to ensure that tap water is safe to drink, the State and the EPA prescribe regulations, which limit the amount of certain contaminants in water provided by public water systems, and bottled water, which must provide the same public water systems. The State Health Department's and the FDA's regulations establish limits for contaminants in bottled water which must provide the same protection for public health.

Our water system serves approximately 200 residents. Our water source is from (1) groundwater well pressurized with an air compressor for delivery to your house.

Are there contaminant's in our drinking water?

As the State regulations require, we routinely test your drinking water for numerous contaminants. These contaminants include: total coli form, inorganic compounds, nitrate, nitrite, lead and copper, volatile organic compounds, total trihalomethanes, and synthetic organic compounds. The table presented in this report depicts which compounds were detected in your drinking water. The State allows us to test for some contaminants less than once a year because the concentrations of these contaminants do not change frequently. Some of our data, though representative, are more than one year old.

It should be noted that all drinking water, including bottled drinking water, might be reasonably expected to contain at least small amounts of contaminants. The presence of contaminants does not necessarily indicate that water poses a health risk. More information about contaminants and potential health effects can be obtained by calling the EPA's Safe Drinking Water Hotline (800-426-4791) or Jason A. Patronik, APH Engineer at the Erie County Health Department @ 716-858-6089.

Table of Detected Contaminants

Contaminant	Violations Yes/No	Date	Level Detected (Maximum range)	Unit Measurement	MCLG	Regulatory limit (MCL, TT or AL)	Likely source of contamination
<b>Microbiological Contaminants</b>							
Total Coli form	No	02/02	1 positive sample	n/a	0	MCL = 2 or more positive samples per sampling period	Naturally present in the environment
<b>Inorganic Contaminants</b>							
Nitrate	NO NO NO No	12/02 10/00 11/04 12/06	3.1 4.67 2.95 2.19	Mg/l	10	10 Mg/l	Runoff from fertilizer use, leaching from septic tanks, sewage, erosion of natural deposits
<b>Radioactive Contaminants</b>							
Gross Alpha	No	02/01	1.2e0 +/- .4e0	Pci/l	0	15 Mg/l	Erosion of natural deposits
INORGANICS: BARIUM	No	8/06	130	Ug/l	0	2000 ug/l	Erosion of natural deposits
<b>Disinfections By-products</b>							
total Trihalomethanes	NO	09/04	1.6	ug/l	n/a	MCL = 80	By-product of drinking water chlorination
total HaloAcetic Acids	No	09/05	4.44	ug/l	n/a	MCL = 60	By-product of drinking water chlorination

## Annual Drinking Water Quality Report for 2007

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Allen Road, Chaffee, NY 14030

(Public Water Supply ID #1400423)

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If you have any questions about this report or concerning your drinking water, please contact either Rodney Franz @ 496-2020. We want you informed about your drinking water. If you want to learn more, we would be happy to discuss any drinking water issues with you in person.

Where does our water come from?

In general, the sources of drinking water (both tap water and bottled water) included rivers, lakes, streams, ponds, reservoirs, springs and wells. As water travels over the surface of the land or through the ground, it dissolves naturally occurring minerals and, in some cases, radioactive material, and can pick up substances resulting from the presence of animals or from human activities. Contaminants that may be present in source water include: microbial contaminants: inorganic contaminants: pesticides and herbicides: organic chemical contaminants: and radioactive contaminants. In order to ensure that tap water is safe to drink, the State and the EPA prescribe regulations, which limit the amount of certain contaminants in water provided by public water systems, and bottled water, which must provide the same public water systems. The State Health Department's and the FDA's regulations establish limits for contaminants in bottled water which must provide the same protection for public health.

Our water system serves approximately 200 residents. Our water source is from (1) groundwater well pressurized with an air compressor for delivery to your house.

Are there contaminant's in our drinking water?

As the State regulations require, we routinely test your drinking water for numerous contaminants. These contaminants include: total coli form, inorganic compounds, nitrate, nitrite, lead and copper, volatile organic compounds, total trihalomethanes, and synthetic organic compounds. The table presented in this report depicts which compounds were detected in your drinking water. The State allows us to test for some contaminants less than once a year because the concentrations of these contaminants do not change frequently. Some of our data, though representative, are more than one year old.

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Microbiological Contaminants							
Total Coli form	No	02/02	1 positive sample	n/a	0	MCL = 2 or more positive samples per sampling period	Naturally present in the environment
Inorganic Contaminants							
Nitrate	NO	12/02	3.1	Mg/l	10	2 Mg/l	Runoff from fertilizer use, leaching from septic tanks, sewage, erosion of natural deposits
	NO	10/00	4.67				
	NO	11/04	2.95				
Radioactive Contaminants							
Gross Beta	No	02/01	2.2e0 +/- .7e0	Pci/l	0	50 Mg/l	Decay of natural & man-made emissions
Gross Alpha	No	02/01	1.2e0 +/- .4e0	Pci/l	0	15 Mg/l	Erosion of natural deposits
Disinfections By-products							
Total Trihalomethanes	NO	10/00	8.0	ug/l	n/a	MCL = 80	By-product of drinking water chlorination
	NO	09/04	1.6				
Total Trihalomethanes	NO	09/04	1.9	ug/l	n/a	MCL = 60	By-product of drinking water chlorination
	NO	09/04	1.9				



Chaffee Water Company, Inc.  
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Nitrate	NO	12/02	3.1	Mg/l	10	2 Mg/l	Runoff from fertilizer use, leaching from septic tanks, sewage, erosion of natural deposits
	NO	10/00	4.67				
	NO	11/04	2.95				
Radioactive Contaminants							
Gross Beta	No	02/01	2.2e0 +/- .7e0	Pci/l	0	50 Mg/l	Decay of natural & man-made emissions
Gross Alpha	No	02/01	1.2e0 +/- .4e0	Pci/l	0	15 Mg/l	Erosion of natural deposits
Disinfections By-products							
Total Trihalomethanes	NO NO	10/00 09/04	8.0 1.6	ug/l	n/a	MCL = 80	By-product of drinking water chlorination
Total Trihalomethanes	No	09/04	1.9	ug/l	n/a	MCL = 60	By-product of drinking water chlorination

✓ SUPPLEMENT TO NYSDOH FORM 4234

Chaffee Water Company  
C/O Rodney Franz  
13419 Allen Road  
Chaffee, NY 14030

Re: 2008 Water system Inspection PWS # 1400423

. The following deficiencies were noted during the inspection and must be addressed.

- The well does not have a proper sanitary well cap and is below grade. Secure the services of a NYSDEC licensed well driller to inspect the well and raise it above any potential flood level and install an approved sanitary well cap.
- The underground 6000 gallon storage / pressure tank and well house plumbing is extremely corroded, has outlived its life expectancy and is in need of immediate replacement. Failure of this tank and plumbing will result in the loss of water throughout the system. Please note that the design of a new storage tank must be approved by this department prior to installation and that procedures must be in place to supply water in the event that the storage tank fails prior to replacement.
- Pressures throughout the system have been previously recorded less than 20 P.S.I.
- This department is required to evaluate all public well sources to determine if they are susceptible to surface water contamination. The well source for the Chaffee Water Company was evaluated and has been determined to be a Groundwater Under Direct Influence of Surface Water (GUDI) source. This determination is based on the fact that the well terminates in a pit below grade, lacks a proper sanitary seal and has been flooded in the past during rain and snow melt events.

Based on this determination, the Chaffee Water Company is in violation of Section 5-1.30 of the New York State Sanitary Code requirements and had January 20, 2007 to correct this violation. It is our understanding that improvements and upgrades to the well house, well casing and sanitary seal will provide the proper wellhead protection to correct this violation.

In an effort to comply with current health codes and standards, substantial capital improvements must be made to the water system. These include new storage, rehabilitating the well and replacing old distribution system piping, some of which has been reportedly constructed of wood.

It is your obligation to fulfill all of the requirements as outlined by the NYSEFC and NYRLF in order to secure the funds and make necessary repairs to the system.

END OF REPORT

X Recd By - K < Z

## WATER SYSTEM FIELD COMPLIANCE REPORT

A Review of Compliance with Subpart 5-1 of the New York State Sanitary Code

Public Water System Name <b>CHAFFEE WATER WORKS</b>		Date <b>03/12/2008</b> M M D D Y Y Y Y	Begin Time :	End Time :	Source type <input type="checkbox"/> Surface <input checked="" type="checkbox"/> Ground <input checked="" type="checkbox"/> GWUDI
Street Address <b>ALLEN ST</b>		Town, Village, or City <b>CHAFFEE (Saratoga)</b>	County <b>ERIE</b>		
PWS # ID N Y 1 4 0 0 4 2 3		PWS Type <input checked="" type="checkbox"/> SD <input type="checkbox"/> NC <input type="checkbox"/> NTNC <input type="checkbox"/> NP	Field Visit Type <input type="checkbox"/> Partial Inspection <input type="checkbox"/> Pre-operational <input type="checkbox"/> Complaint <input type="checkbox"/> Incident/Illness <input type="checkbox"/> Reinspection <input checked="" type="checkbox"/> Sanitary Survey		Disinfection Waiver Issued? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Part 5 Subsection	Summary Description of Sanitary Code Requirement	SDWS	STAT	Part 5 Subsection	Summary Description of Sanitary Code Requirement	SDWS	STAT
5-1.12(a)	Appropriate actions are taken in response to deteriorating source water quality or diminished effectiveness of treatment w/potential for MCL violation. <b>CHAFFEE WATER WORKS IS WORKING TO SECURE FUNDING</b>	SA	1	5-1.12(b) or 5-1.75(a)	Conduct sanitary survey or sampling as required. Special monitoring requirements (comment below) <b>ALLGATED BACT MONITORING Schedule</b>	NS	1
5-1.22(a)	Obtain health department approval prior to the construction or modification of a water system.	SB	1	5-1.23(a)	Obtain health department approval prior to use of an emergency water supply or alteration of a treatment process necessary to protect public health.	SD	4
5-1.23(b)	Unplanned or inadequately planned distribution of water service to a minimum of 25 individuals or 15 service connections or a minimum of one percent of the total number of served or service connections for a period of four hours or more.	SE	1	5-1.23(c)	Conspicuous posting of Sanitary Code Section "5-1.23 Reporting Emergencies."	SF	1
5-1.25	Disinfect repaired facilities before returning to service. <b>Per R Franz</b>	SG	1	5-1.28	Protect blowoff or discharge pipes from flooding. <b>well below grade</b>	SI	2
5-1.27	Maintain distribution system pressure (20 psi). <b>PREVIOUSLY RECORDED 20 PSI</b>	SH	2	5-1.30(b)(3)	Any system that recycles spent filter backwash water, thickener supernatant, or liquids from the dewatering process must return these flows through the process of a system's existing conventional or direct filtration system.	40	4
5-1.30(a)	Disinfection of a groundwater source. <b>CL</b>	ND	1	5-1.30(e)	A waiver from disinfection is issued for a period of three years pursuant to Subparts (e)(1) - (e)(6).	ND	4
5-1.30(b)	Filtration of a surface source and groundwater influenced by surface water unless avoidance criteria met. <b>GWUDI (1) DETERMINATION</b>	42	2	5-1.31(a)(3)	A record of cross connection control program is maintained by supplier of water.	SJ	4
5-1.30(b)	Disinfection of a surface water source or groundwater source influenced by surface water. <b>&gt;0.2</b>	41	1	5-1.33(a)	Water supply emergency plan available for system >3,300 population.	SK	4
5-1.30(b)(2)	Free chlorine residual disinfection concentration in surface water or groundwater under the influence of surface water entering the distribution system cannot be less than 0.2 mg/l for more than four hours.	41	1	5-1.40	Provide optimal corrosion control treatment or complete applicable corrosion control requirements.	58	4
5-1.30(g)	Maintain free chlorine residual at representative points in the distribution system.	NR	1	5-1.63	Operate conventional filtration systems to control precursors or apply for alternative removal requirement.	46	4
5-1.31	Protect the water distribution system from the creation of cross connections of sufficient hazard to adversely affect the health of water consumers. <b>(Private well)</b>	SJ	1	5-1.72(b)	Operator certified pursuant to Subpart 5-4.2. <b>R. Franz</b>	12	1
5-1.32	Adequate post disinfection for uncovered reservoir.	47	2	5-1.72(c)	Complete daily records of operation of a water system.	09 10	1
5-1.71(a)	Exercise care and due diligence in the maintenance and/or supervision of all sources of the public water system to provide water of a sufficient quantity and quality.	SN	2	5-1.72(d)	Maintain records (e.g., sample results, reports, filter backwash recycle flow information).	09	1
5-1.71(b)	Exercise care and due diligence in the operation and maintenance of a public water system. Water system facilities approved by the State shall be operated in accordance with their design unless otherwise authorized.	SO	1	5-1.72 (e)	Provide an Annual Water Quality Report (for year <b>2006</b> ). (2007 due 5/08)	71	1
Have all outstanding violations been resolved? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Explain:				Chlorine Residual <b>0.4 ppm</b> mg/L. Sample Collection Time <b>10:55</b> Point of Collection: <b>16 &amp; Lake Dodge Driller/Bath Sink</b> Chlorine Residual _____ mg/L. Sample Collection Time _____ Point of Collection: _____			

## Remarks:

① FUNDING FINAL APPLICATION SUBMITTAL COMPLIANCE DATE HAS BEEN EXTENDED UNTIL MARCH 31, 2008.

② SEE ATTACHED COMPLIANCE DATE - THE CHLORINE IS NOT INTERLOCKED TO WELL PUMP - PAST DUE REPAIR IMMEDIATELY.

Completed by: **[Signature]** Date: **3/12/08**

Received by: **[Signature]**Date: **3/12/08**

Status Codes: 1. No Violations Observed; 2. All or parts of an item in violation; 3. Item was not reviewed/observed; 4. Item not applicable; 5. Item (s) corrected during inspection.

## Violations and Corresponding Enforcement Actions, in Descending Order By Determination Date

## PWS: NY1400423-CHAFFEE WATER CO

Violation ID: 2008 12	Type: 23 - MONITORING (TCR), ROUTINE MAJOR	Status: V	
Determination Date: 8/12/2008	Compliance Period Begin: 7/1/2008	Compliance Period End: 7/31/2008	Analyte: Coliform, Total (Tcr)
Enforcement ID: 2008 18	Type: St Formal Nov Issued-SFJ -Date: 08/12/2008		
Enforcement ID: 2008 19	Type: St Public Notif Requested-SIE -Date: 08/12/2008		
Violation ID: 2008 11	Type: 42 - FAILURE TO FILTER (SWTR)	Status: V	
Determination Date: 11/28/2007	Compliance Period Begin:	Compliance Period End:	Analyte: Surface Water Treatment Rule (Swtr)
Enforcement ID: 2008 16	Type: St Formal Nov Issued-SFJ -Date: 11/28/2007		
Enforcement ID: 2008 17	Type: St Tech Assistance Visit-SIC -Date: 05/01/2008		
Violation ID: 2008 10	Type: SN - 5-1.71(A) SOURCE POLLUTION / DEPLETION	Status: V	
Determination Date: 11/28/2007	Compliance Period Begin: 1/1/2007	Compliance Period End: 12/31/2007	
Enforcement ID: 2008 16	Type: St Formal Nov Issued-SFJ -Date: 11/28/2007		
Violation ID: 2008 9	Type: 23 - MONITORING (TCR), ROUTINE MAJOR	Status: V	
Determination Date: 10/15/2007	Compliance Period Begin: 9/1/2007	Compliance Period End: 9/30/2007	Analyte: Coliform, Total (Tcr)
Enforcement ID: 2008 15	Type: St Public Notif Requested-SIE -Date: 10/15/2007		
Enforcement ID: 2008 14	Type: St Formal Nov Issued-SFJ -Date: 10/15/2007		
Enforcement ID: 2008 12	Type: St Compliance Achieved-SOX -Date: 10/29/2007		
Violation ID: 2007 8	Type: 23 - MONITORING (TCR), ROUTINE MAJOR	Status: V	
Determination Date: 2/12/2007	Compliance Period Begin: 1/1/2007	Compliance Period End: 1/31/2007	Analyte: Coliform, Total (Tcr)
Enforcement ID: 2007 9	Type: St Compliance Achieved-SOX -Date: 03/12/2007		
Enforcement ID: 2007 10	Type: St Formal Nov Issued-SFJ -Date: 03/12/2007		
Enforcement ID: 2007 11	Type: St Public Notif Requested-SIE -Date: 03/12/2007		
Violation ID: 2008 7	Type: 71 - CCR REPORT	Status: V	
Determination Date: 3/8/2006	Compliance Period Begin: 1/1/2004	Compliance Period End: 12/31/2004	Analyte: Consumer Confidence Reports Rule
Enforcement ID: 2008 8	Type: St Compliance Achieved-SOX -Date: 07/05/2006		
Enforcement ID: 2005 7	Type: St Formal Nov Issued-SFJ -Date: 09/13/2005		
Violation ID: 2005 5	Type: SH - 5-1.27 INADEQUATE DIST PRESSURE	Status: V	
Determination Date: 11/9/2004	Compliance Period Begin: 1/1/2004	Compliance Period End: 12/31/2004	
Enforcement ID: 2008 16	Type: St Formal Nov Issued-SFJ -Date: 11/28/2007		
Violation ID: 2005 6	Type: SN - 5-1.71(A) SOURCE POLLUTION / DEPLETION	Status: V	
Determination Date: 11/9/2004	Compliance Period Begin: 1/1/2004	Compliance Period End: 12/31/2004	
Enforcement ID: 2008 16	Type: St Formal Nov Issued-SFJ -Date: 11/28/2007		

**Statement**

*Chaffee Water Co. Inc.*  
*13419 Allen Road*  
*Chaffee, NY 14030*

**To:** *Mr. Kibler*

*13330 Allen Road*

*Chaffee, NY 14030*

Date	Description	Balance
6/1/08	Water Bill Period	
	7/1/08 – 9/30/08	\$75.00
	<b>DISCOUNT IF PAID BY OR BEFORE 6/30/08</b>	<b>-\$25.00</b>
	<b>Total</b>	<b>\$50.00</b>

YOU MUST DETACH AND MAIL WITH YOUR REMITTANCE TO ENSURE PROPER CREDIT TO THE  
 CORRECT ACCOUNT. YOUR CANCELLED CHECK IS YOUR RECEIPT. BILLS ARE NO LONGER TO  
 BE HAND DELIVERED TO OUR PERSONAL RESIDENCE.

**To:** *Mr. Kibler*

*13330 Allen Road*

*Chaffee, NY 14030*

**Company Copy**

**Amount Remitted**

\$ \_\_\_\_\_

Date	Description	Balance
6/1/08	Water Bill Period	
	7/1/08 – 9/30/08	\$75.00
	<b>DISCOUNT IF PAID BY OR BEFORE 6/30/08</b>	<b>-\$25.00</b>
	<b>Total</b>	<b>\$50.00</b>

# **ATTACHMENT**

## **2**

## Comparative Income Statement

	Actual Figures			Forecast Changes*	Projected Figures
	Year 1-2005	Year 2-2006	Year 3-2007 (Base Year)		Rate Year
			(a)	(b)	(c = a + b)
1 Operating Revenue:	17200	16850	\$16,990	17754	34744
O & M Expenses					
2 Officer's Salary:	0	0	\$0	0	0
3 Supervisor's Salary:	0	0	\$0	0	0
4 Operator's Salary:	0	0	\$0	15600	15600
5 Materials:	0	0	\$0	750	750
6 Office Expenses:	646	1167	\$562	438	1000
7 Rent:	5548	5503	\$5,503	-5503	0
8 Power Purchases:	1950	2023	\$2,800	700	3500
9 Purification Chemicals:	243	717	\$735	-135	600
10 Transportation:(GAS)	4912	5600	\$2,313	-2100	3500
11 Billing & Meter Reading:	148	129	\$203	47	250
12 Insurance:	0	0	\$0	1200	1200
13 Repairs:	9987	1297	\$10,117	-8617	1500
14 Accounting:	395	2700	\$406	796	1200
15 Professional Fees:	113	127	\$131	69	200
16 Water Testing:	1145	917	\$444	756	1200
17 Rate Case Expenses:	0	0	\$0	0	0
18 Misc. (Uncoll's etc.):	243	19	\$247	0	250
18a 5% capital reserve in lieu of rate base	0	0	0	1562	1562
18b Security monitoring	458	458	502	-2	500
Total O&M Expenses: (Lines 2 through 18)	25787	20657	23963	5561	32812
20 Amortizations:	0	0	\$0	0	0
21 Depreciation:	562	895	\$2,050	-1250	800
22 Property Taxes:	1132	1132	\$1,132	0	1132
23 Revenue Taxes:	0	0	\$0	0	0
24 MTA Taxes:	0	0	\$0	0	0
25 Payroll Taxes:	0	0	\$0	0	0
26 Federal Income Taxes:	0	0	\$0	0	0
27 Other Taxes: (State)	0	0	\$0	0	0
Total Deductions (Lines 19 through 27)	27481	22684	27145	4311	34744
Utility Operating Income - Profit (Line 1 - Line 28)	-10281	-5834	-10155	N/A	0
30 Rate Base:	0	0	\$0	0	0
31 Rate Of Return:	0	0	0.00%	0	0

\* Please provide a detailed description of the forecast changes going from Base Year (latest full calendar year w/o rate increase) to Rate Year (projected year w/rate increase). Attach separate schedules if needed.

Line	detailed description schedule
1	operating revenue increase needed to pay an operator salary and continue to operate the system without a loss.
2	The owner/operator was not previously paid. The system did not operate at a profit to pay an operator previously.
5	The system will need to purchase equipment (wrenches, curb keys, tools, etc)
6	Estimated office expenses (Ink, Paper, Postage, etc)
7	actual figures were based on the portion of a personal loan that incorporated Chaffee Water Works Debt. This debt is now considered personal debt as per Rodney Franz.
8	Based on system upgrades including heating a larger building.
9	with the scheduled system improvements there should be a decrease in chlorine consumption.
10	Year three was not properly accounted for (lost receipts) Year 2 was used as a base year.
11	postage increase taken into account
12	the current system facilities are not insured as they are in desrepair. The new system will carry an insurance rider.
13	The new system will not experience the types of mechanical and line repairs that the current system experiences.
14	the system will need to better record transactions and utilize professional accounting practices with the addition of meters.
15	required continuing education for operator licence
16	Analysis differs from year to year depending on the NYS required monitoring schedule. \$1200/ year represents an average yearly expense.
18a	A 5% capital expense is developed for future equipment repair, leak repair, pump repair in lieu of a Rate Base as the system replacement costs are paid back by the customer

## BALANCE SHEET

2005      2006      2007

**Current Assets:**

Cash in Banks - Checking

Escrow Deposits

Prepaid Expenses - Taxes

Equipment

Less: Accumulated Depreciation (enter as a negative)

Land

\$78	\$65	\$838	
0	0	1,788	
27,154	28,004	40,429	
-21,606	-22,502	-27,629	
1350	1350	1350	

**Total Assets**

\$6,976	\$6,917	\$16,776	\$0
---------	---------	----------	-----

**Liabilities:**

Payroll Taxes Payable

Bonds Payable

Escrow Deposits Payable

1526	5525	12036	
		1,788	

\$1,526	\$5,525	\$13,824	\$0
---------	---------	----------	-----

**Stockholders' Equity:**

Capital Stock - Class A

Capital Stock - Class B

Treasury Stock

Retained Earnings

2884	2884	2884	
2,566	-1,492	68	

**Total Stockholders' Equity**

5,450	1,392	2,952	0
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**Total Liabilities and Stockholders' Equity**

\$6,976	\$6,917	\$16,776	\$0
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METERED RATE PROPOSED WORKSHEET-RATE INCREASE ANALYSIS

Estimated water use:		
Billable Accounts	77 Meters	
Single family residential	63 meters	
Multi family residential accounts	5 meters	
Institutional accounts	3 meters	
commercial accounts	6 meters	
Average water use per capita (1)	69.3 gallons per day	
Average household(4)	2.75 persons (approx 217 population)	
Average water use per single family household	190.575 gallons per day	
Commercial, multi- family and Institutional use (2)	4764 gallons per day	428,794 gallons per quarter
Estimated Single Family Residential use(2)	12006 gallons per day	1,080,560 gallons per quarter
TOTAL METERED PRODUCTION ESTIMATE	16771 gallons per day	
	1509354 gallons per quarter	

Base Rate per METERED ACCOUNT for 0-3000 gallons	77 Accounts
	3000 gallons per quarter per account minimum
	231,000.00 gallons per quarter included in base rate

Metered use Estimate	1,278,354.00 gallons per quarter billed at Metered Rate
(BASED ON EQUIVALENT UNIT)(2)	88 Equivalent Units(2)
	14,527 gallons per quarter per Equivalent Unit.

Water use Rate	\$3.30 per 1000 gallons over 3000
	14,152 gallons per quarter per single family account or equivalent unit.
	14.15 thousand gallons per quarter average
	\$46.70 Average Quarterly water use cost per single family account or Equivalent unit

Total Estimated income from Water use Rate	\$4,109.67 per quarter
	\$16,438.67 per year

Estimated Operating Revenue Required (3)	\$34,744.00
--	-------------

Deficiency that the base rate must correct	\$18,305.33 annually(estimated operating revenue required- estimated income from water use rate)
	\$4,576.33 per quarter
	77 accounts

Base Rate (\$4455.59 / 79 accounts)	\$59.43 per account per quarter for the 1st 0-3000 gallons
Water Use Rate	\$46.70 Average Quarterly water use cost per single family account or Equivalent unit
Total Quarterly Estimated Average Water Bill(5)	\$106.13

- (1) Statistics obtained from Current American Water Works Association Literature  
(2) See worksheet for water use rate determination below  
(3) see comparitave income statement  
(4) RCAP Solutions Household Characteristics Survey-August , 2005  
(5) Based on a single family home average. Commercial and multiple family dwelling accounts will be higher.

Worksheet for water use rate determination EQUIVALENT UNIT WORKSHEET					
Useage multiplying factor ( a single family home is 1) to determine consumption		Number	EQUIVALENT UNITS	gallons per day	TYPE*
1	One Single Family	63	63	12006.2	sf
3	one 4 apt unit	1	3	571.7	mf
1.5	one duplex apt (2 units)	1	1.5	285.9	mf
3.75	one 5 unit apt	1	3.75	714.7	mf
2.25	one 3 unit	1	2.25	428.8	mf
1.5	one 2 unit	1	1.5	285.9	mf
3	one restaurant full service	1	3	571.7	c
2	one restaurant take out	1	2	381.2	c
0.5	commercial repair shop)	1	0.5	95.3	c
0.5	commercial repair shop)	1	0.5	95.3	c
0.5	commercial post office	1	0.5	95.3	c
0.5	commercial radio shop	1	0.5	95.3	c
4	commercial car dealer wash	1	4	762.3	c
0.5	church	1	0.5	95.3	i
0.5	fire dept	1	0.5	95.3	i
1	social lodge (same account as 2 unitabove	1	1	190.6	i
TOTAL				88	Equivalent Units

Type of Use	Accounts	Equivalent Units	Estimated Use (GPD)
Commercial, multi- family and Institutional use	14	25	4764
Single Family residential useage	63	63	12006
TOTAL	77	88	16771

\* Type : sf=single family, mf=multi-family, c=commercial,i=institutional

12/2007

0200/YR

OK 89 x 200 = \$17,800

**Chaffee Water Company Inc.**  
**13419 Allen Rd. \* Chaffee, NY 14030**  
**2007 Operating Budget (Estimated)**

**A. Source (Pump House)**

7 a. Electricity ✓	\$2,800.00 ✓
9 b. Chemicals (\$1.80 x 365days) ✓	\$657.00 ✓
13 c. Well Pump Maintenance	\$300.00 ✓
13 d. Chemical Pump Maintenance	\$150.00 ✓
14 e. Plowing	\$200.00
18 f. Mowing (\$30 x 16)	\$480.00
18 g. Security (ADT @ \$35/month)	\$420.00

Total Source / Pump House \$5,007.00

**Expense Total**

A.	\$5,007.00
B.	\$2,485.00
C.	\$1,300.00
D.	\$1,200.00
E.	\$5,232.00
F.	\$15,600.00

**Total** **\$30,824.00**

÷ 89 =

\$346.43

**B. Sampling**

16 a. Sample Testing	\$2,000.00 ✓
10 b. Mileage (1000 x \$0.485)	\$485.00 ✓

Total Sampling \$2,485.00

**C. Distribution**

13 a. Equipment & Supplies	\$500.00 ✓
13 b. Repairs & Parts	\$300.00 ✓
18 d. Reserve Fund	\$500.00

Total Distribution \$1,300.00

**D. Billing**

6 a. Computer (upgrades and maintenance)	\$500.00 ✓
6 b. Ink Cartridge and printer	\$300.00 ✓
6 c. Paper & Envelope	\$150.00 ✓
11 d. Postage	\$250.00 ✓

Total Billing \$1,200.00 ✓

**E. General Expenses:**

22 a. Taxes	\$1,132.00
15 b. Dues & Classes	\$400.00
18 c. Phone (Internet)	\$600.00
16 d. Cell	\$1,000.00
19 e. Bank Charges	\$100.00
14 f. Accountant	\$1,000.00
15 g. Attorney	\$1,000.00

Total General Expenses \$5,232.00

**F. Salary/Payroll:**

4 a. Salary (300/week)	\$15,600.00
------------------------	-------------

Total Salary \$15,600.00

Chaffee Water Co Inc

2006 Operating Budget Estimate

Revenues:

Billing Income: \$18000

Expenses:

Source:

Electricity: \$2800

Chemicals: \$600

Maintenance:\$2400

Plowing/mowing:\$300

Sampling:

Sample/testing: \$690

Gas: \$5500

Distribution

Equipment:\$200

Security:\$500

Repairs/Parts: \$200

Billing:

Computer:\$800

Ink:\$215

Paper/envelope:\$50

Postage: \$160

General:

Tax:\$1132

Dues and Classes:\$200

Phone:\$650

Cell:\$1000

Bank Fees:\$60

Loan Payment:\$5450

Charles  
13419 Allen Rd. \* Charles

2005 Operating Budget  
(amounts listed per quarter)

Section 1: Revenues

- A. Quarterly Billing Income: \$4,500.00
- B. Any Additional Service Charges:

Section 2: Expenses

A. Source (Pump House)

- a. Electricity: \$600.00
  - b. Chemicals: \$100.00
  - c. Pump Maintenance – Well Pump: 2005 replaced pumps at cost of \$2.665.00 —
  - d. Pump Maintenance – Chemical Pump: \$105.00
  - e. Plowing / Mowing: \$150.00
- 10,960.15

B. Sampling

- a. Routine Samples: \$100.00
- b. Miscellaneous Samples: 0
- c. Time & Mileage: \$1000.00

C. Distribution

- a. Equipment: \$100.00
- b. Repairs & Parts: \$300.00
- c. Security: \$70.00

D. Billing

- a. Computer Materials & Maintenance: \$220.00
- b. Postage: \$65.00
- c. Phone (Cell & Home): \$550.00

E. General Expenses:

- a. Tax: \$220.00
- b. Dues & Classes: \$120.00
- c. Donations: \$50.00
- d. Bank Charges: \$25.00

Form **1120S**Department of the Treasury  
Internal Revenue Service**U.S. Income Tax Return for an S Corporation**

▶ Do not file this form unless the corporation has filed Form 2553 to elect to be an S corporation.  
▶ See separate instructions.

OMB No. 1545-0130

**2006**

For calendar year 2006 or tax year beginning , 2006, ending ,

<b>A</b> Effective date of S election  01/01/01	<b>Use the IRS label. Otherwise, print or type.</b>	Name CHAFFEE WATER WORKS COMPANY, INC.	<b>C</b> Employer identification number 06-0878467
<b>B</b> Business activity code number (see instructions) 221300		Number, street, and room or suite no. If a P.O. box, see instructions. 13419 ALLEN ROAD	<b>D</b> Date incorporated 05/29/96
		City or town, state, and ZIP code CHAFFEE NY 14030	<b>E</b> Total assets (see instructions) \$ 6,919.

**F** Check if: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change (5) ☐ Amended return

**G** Enter the number of shareholders in the corporation at the end of the tax year 1

**H** Check if Schedule M-3 is required (attach Schedule M-3) ☐

**Caution.** Include *only* trade or business income and expenses on lines 1a through 21. See the instructions for more information.

<b>I N C O M E</b>	<b>1 a</b> Gross receipts or sales	16,850.	<b>b</b> Less returns and allowances		<b>c</b> Bal	<b>1 c</b>	16,850.
	<b>2</b> Cost of goods sold (Schedule A, line 8)					<b>2</b>	
	<b>3</b> Gross profit. Subtract line 2 from line 1c					<b>3</b>	16,850.
	<b>4</b> Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)					<b>4</b>	
	<b>5</b> Other income (loss) (attach statement)					<b>5</b>	
	<b>6</b> Total income (loss). Add lines 3 through 5					<b>6</b>	16,850.
<b>D E D U C T I O N S</b>	<b>7</b> Compensation of officers					<b>7</b>	
	<b>8</b> Salaries and wages (less employment credits)					<b>8</b>	
	<b>9</b> Repairs and maintenance					<b>9</b>	2,372.
	<b>10</b> Bad debts					<b>10</b>	
	<b>11</b> Rents					<b>11</b>	
	<b>12</b> Taxes and licenses					<b>12</b>	1,132.
	<b>13</b> Interest					<b>13</b>	
	<b>14</b> Depreciation not claimed on Schedule A or elsewhere on return (attach Form 4562)					<b>14</b>	895.
	<b>15</b> Depletion (Do not deduct oil and gas depletion.)					<b>15</b>	
	<b>16</b> Advertising					<b>16</b>	200.
	<b>17</b> Pension, profit-sharing, etc, plans					<b>17</b>	
<b>S E E I N S T R S</b>	<b>18</b> Employee benefit programs					<b>18</b>	
	<b>19</b> Other deductions (attach statement) * STMT					<b>19</b>	16,309.
	<b>20</b> Total deductions. Add lines 7 through 19					<b>20</b>	20,908.
	<b>21</b> Ordinary business income (loss). Subtract line 20 from line 6					<b>21</b>	-4,058.
<b>T A X A N D P A Y M E N T S</b>	<b>22 a</b> Excess net passive income or LIFO recapture tax (see instructions)	<b>22 a</b>				<b>22 c</b>	
	<b>b</b> Tax from Schedule D (Form 1120S)	<b>22 b</b>					
	<b>c</b> Add lines 22a and 22b (see instructions for additional taxes)						
	<b>23 a</b> 2006 estimated tax payments and 2005 overpayment credited to 2006	<b>23 a</b>				<b>23 e</b>	
	<b>b</b> Tax deposited with Form 7004	<b>23 b</b>					
	<b>c</b> Credit for federal tax paid on fuels (attach Form 4136)	<b>23 c</b>					
	<b>d</b> Credit for federal telephone excise tax paid (attach Form 8913)	<b>23 d</b>	76.				
	<b>e</b> Add lines 23a through 23d						76.
	<b>24</b> Estimated tax penalty (see instructions). Check if Form 2220 is attached					<b>24</b>	
	<b>25</b> Amount owed. If line 23e is smaller than the total of lines 22c and 24, enter amount owed					<b>25</b>	
<b>26</b> Overpayment. If line 23e is larger than the total of lines 22c and 24, enter amount overpaid					<b>26</b>	76.	
<b>27</b> Enter amount from line 26 Credited to 2007 estimated tax					<b>27</b>	76.	

**Sign Here**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer

Date

Title

May the IRS discuss this return with the preparer shown below (see instructions)?

☒ Yes ☐ No**Paid Preparer's Use Only**

Preparer's signature

KENNETH S. FRANK, CPA

Date

02/22/07

Check if self-employed ☐

Preparer's SSN or PTIN

P00109668

Firm's name (or yours if self-employed), address, and ZIP code

R.A. MERCER &amp; CO. P.C.

EIN 16-1207156

12250 OLEAN RD P.O. BOX 218

SARDINIA

NY 14134

Phone no. (716) 496-5028

**Schedule A Cost of Goods Sold** (see instructions)

1	Inventory at beginning of year	1	
2	Purchases	2	
3	Cost of labor	3	
4	Additional section 263A costs (attach statement)	4	
5	Other costs (attach statement)	5	
6	<b>Total.</b> Add lines 1 through 5	6	
7	Inventory at end of year	7	
8	<b>Cost of goods sold.</b> Subtract line 7 from line 6. Enter here and on page 1, line 2	8	

9a Check all methods used for valuing closing inventory:

(i) ☐ Cost as described in Regulations section 1.471-3

(ii) ☐ Lower of cost or market as described in Regulations section 1.471-4

(iii) ☐ Other (Specify method used and attach explanation.) ▶

b Check if there was a writedown of subnormal goods as described in Regulations section 1.471-2(c) ▶ ☐

c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ▶ ☐

d If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO 9d ☐

e If property is produced or acquired for resale, do the rules of section 263A apply to the corporation? ☐ Yes ☐ No

f Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If 'Yes,' attach explanation ☐ Yes ☐ No

**Schedule B Other Information** (see instructions)

	Yes	No
1 Check accounting method: a <input checked="" type="checkbox"/> Cash b <input type="checkbox"/> Accrual c <input type="checkbox"/> Other (specify) ▶		
2 See the instructions and enter the: a Business activity ▶ WATER COMPANY b Product or service ▶ WATER		
3 At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If 'Yes,' attach a statement showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) if 100% owned, was a QSub election made?		X
4 Was the corporation a member of a controlled group subject to the provisions of section 1561?		X
5 Has this corporation filed, or is it required to file, a return under section 6111 to provide information on any reportable transaction?		X
6 Check this box if the corporation issued publicly offered debt instruments with original issue discount ▶ <input type="checkbox"/> If checked, the corporation may have to file <b>Form 8281</b> , Information Return for Publicly Offered Original Issue Discount Instruments.		
7 If the corporation: (a) was a C corporation before it elected to be an S corporation or the corporation acquired an asset with a basis determined by reference to its basis (or the basis of any other property) in the hands of a C corporation and (b) has net unrealized built-in gain (defined in section 1374(d)(1)) in excess of the net recognized built-in gain from prior years, enter the net unrealized built-in gain reduced by net recognized built-in gain from prior years ▶ \$		
8 Enter the accumulated earnings and profits of the corporation at the end of the tax year \$		
9 Are the corporation's total receipts (see instructions) for the tax year and its total assets at the end of the tax year less than \$250,000? If 'Yes,' the corporation is not required to complete Schedules L and M-1	X	

**Note:** If the corporation, at any time during the tax year, had assets or operated a business in a foreign country or U.S. possession, it may be required to attach **Schedule N (Form 1120)**, Foreign Operations of U.S. Corporations, to this return. See Schedule N for details.

**Schedule K Shareholders' Pro Rata Share Items**

	Total amount
1 Ordinary business income (loss) (page 1, line 21)	1 -4,058.
2 Net rental real estate income (loss) (attach Form 8825)	2
3a Other gross rental income (loss)	3a
b Expenses from other rental activities (attach statement)	3b
c Other net rental income (loss). Subtract line 3b from line 3a	3c
4 Interest income	4
5 Dividends: a Ordinary dividends	5a
b Qualified dividends	5b
6 Royalties	6
7 Net short-term capital gain (loss) (attach Schedule D (Form 1120S))	7
8a Net long-term capital gain (loss) (attach Schedule D (Form 1120S))	8a
b Collectibles (28%) gain (loss)	8b
c Unrecaptured section 1250 gain (attach statement)	8c
9 Net section 1231 gain (loss) (attach Form 4797)	9
10 Other income (loss) (see instructions)	10

Shareholders' Pro Rata Share Items (continued)		Total amount	
<b>Deductions</b>	<b>11</b> Section 179 deduction (attach Form 4562) .....	<b>11</b>	
	<b>12a</b> Contributions .....	<b>12a</b>	
	<b>b</b> Investment interest expense .....	<b>12b</b>	
	<b>c</b> Section 59(e)(2) expenditures (1) Type ▶ ..... (2) Amount ▶ .....	<b>12c (2)</b>	
	<b>d</b> Other deductions (see instructions) ... Type ▶ .....	<b>12d</b>	
<b>Credits</b>	<b>13a</b> Low-income housing credit (section 42(j)(5)) .....	<b>13a</b>	
	<b>b</b> Low-income housing credit (other) .....	<b>13b</b>	
	<b>c</b> Qualified rehabilitation expenditures (rental real estate) (attach Form 3468) .....	<b>13c</b>	
	<b>d</b> Other rental real estate credits (see instrs) Type ▶ .....	<b>13d</b>	
	<b>e</b> Other rental credits (see instrs) Type ▶ .....	<b>13e</b>	
	<b>f</b> Credit for alcohol used as fuel (attach Form 6478) .....	<b>13f</b>	
	<b>g</b> Other credits (see instructions) ..... Type ▶ .....	<b>13g</b>	
<b>Foreign Transactions</b>	<b>14a</b> Name of country or U.S. possession ..... ▶ .....		
	<b>b</b> Gross income from all sources .....	<b>14b</b>	
	<b>c</b> Gross income sourced at shareholder level .....	<b>14c</b>	
	<i>Foreign gross income sourced at corporate level</i>		
	<b>d</b> Passive .....	<b>14d</b>	
	<b>e</b> Listed categories (attach statement) .....	<b>14e</b>	
	<b>f</b> General limitation .....	<b>14f</b>	
	<i>Deductions allocated and apportioned at shareholder level</i>		
	<b>g</b> Interest expense .....	<b>14g</b>	
	<b>h</b> Other .....	<b>14h</b>	
	<i>Deductions allocated and apportioned at corporate level to foreign source income</i>		
	<b>i</b> Passive .....	<b>14i</b>	
	<b>j</b> Listed categories (attach statement) .....	<b>14j</b>	
	<b>k</b> General limitation .....	<b>14k</b>	
<i>Other information</i>			
<b>l</b> Total foreign taxes (check one): ▶ <input type="checkbox"/> Paid <input type="checkbox"/> Accrued .....		<b>14l</b>	
<b>m</b> Reduction in taxes available for credit (attach statement) .....		<b>14m</b>	
<b>n</b> Other foreign tax information (attach statement) .....			
<b>Alternative Minimum Tax (AMT) Items</b>	<b>15a</b> Post-1986 depreciation adjustment .....	<b>15a</b>	
	<b>b</b> Adjusted gain or loss .....	<b>15b</b>	
	<b>c</b> Depletion (other than oil and gas) .....	<b>15c</b>	
	<b>d</b> Oil, gas, and geothermal properties — gross income .....	<b>15d</b>	
	<b>e</b> Oil, gas, and geothermal properties — deductions .....	<b>15e</b>	
	<b>f</b> Other AMT items (attach statement) .....	<b>15f</b>	
<b>Items Affecting Shareholder Basis</b>	<b>16a</b> Tax-exempt interest income .....	<b>16a</b>	
	<b>b</b> Other tax-exempt income .....	<b>16b</b>	
	<b>c</b> Nondeductible expenses .....	<b>16c</b>	
	<b>d</b> Property distributions .....	<b>16d</b>	
	<b>e</b> Repayment of loans from shareholders .....	<b>16e</b>	
<b>Other Information</b>	<b>17a</b> Investment income .....	<b>17a</b>	
	<b>b</b> Investment expenses .....	<b>17b</b>	
	<b>c</b> Dividend distributions paid from accumulated earnings and profits .....	<b>17c</b>	
	<b>d</b> Other items and amounts (attach statement) ..... * .STMT. ....		
<b>Reconciliation</b>	<b>18</b> <b>Income/loss reconciliation.</b> Combine the amounts on lines 1 through 10 in the far right column. From the result, subtract the sum of the amounts on lines 11 through 12d and lines 14l ....	<b>18</b>	-4,058.

BAA

Form 1120S (2006)

Schedule L		Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)		
1	Cash .....		78.		66.		
2a	Trade notes and accounts receivable .....						
b	Less allowance for bad debts .....						
3	Inventories .....						
4	U.S. government obligations .....						
5	Tax-exempt securities (see instructions) .....						
6	Other current assets (attach stmt) .....						
7	Loans to shareholders .....		0.				
8	Mortgage and real estate loans .....						
9	Other investments (attach statement) .....						
10a	Buildings and other depreciable assets .....	27,154.		28,004.			
b	Less accumulated depreciation .....	21,606.	5,548.	22,501.	5,503.		
11a	Depletable assets .....						
b	Less accumulated depletion .....						
12	Land (net of any amortization) .....		1,350.		1,350.		
13a	Intangible assets (amortizable only) .....						
b	Less accumulated amortization .....						
14	Other assets (attach stmt) .....						
15	Total assets .....		6,976.		6,919.		
<b>Liabilities and Shareholders' Equity</b>							
16	Accounts payable .....						
17	Mortgages, notes, bonds payable in less than 1 year .....						
18	Other current liabilities (attach stmt) .....						
19	Loans from shareholders .....		1,525.		5,526.		
20	Mortgages, notes, bonds payable in 1 year or more .....						
21	Other liabilities (attach statement) .....						
22	Capital stock .....		2,000.		2,000.		
23	Additional paid-in capital .....		884.		884.		
24	Retained earnings .....		2,567.		-1,491.		
25	Adjustments to shareholders' equity (att stmt) .....						
26	Less cost of treasury stock .....						
27	Total liabilities and shareholders' equity .....		6,976.		6,919.		

**Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return**

**Note:** Schedule M-3 required instead of Schedule M-1 if total assets are \$10 million or more — see instructions

1	Net income (loss) per books .....	-4,058.	5	Income recorded on books this year not included on Schedule K, lines 1 through 10 (itemize):	
2	Income included on Schedule K, lines 1, 2, 3c, 4, 5a, 6, 7, 8a, 9, and 10, not recorded on books this year (itemize):		a	Tax-exempt interest . \$ .....	
3	Expenses recorded on books this year not included on Schedule K, lines 1 through 12, and 14i (itemize):		6	Deductions included on Schedule K, lines 1 through 12, and 14i, not charged against book income this year (itemize):	
a	Depreciation .....		a	Depreciation .... \$ .....	
b	Travel and entertainment . \$ .....		7	Add lines 5 and 6 .....	
4	Add lines 1 through 3 .....	-4,058.	8	Income (loss) (Schedule K, ln 18). Ln 4 less ln 7 ...	-4,058.

**Schedule M-2 Analysis of Accumulated Adjustments Account, Other Adjustments Account, and Shareholders' Undistributed Taxable Income Previously Taxed (see instructions)**

	(a) Accumulated adjustments account	(b) Other adjustments account	(c) Shareholders' undistributed taxable income previously taxed
1 Balance at beginning of tax year .....	-33.	0.	0.
2 Ordinary income from page 1, line 21 .....			
3 Other additions .....			
4 Loss from page 1, line 21 .....	4,058.		
5 Other reductions .....			
6 Combine lines 1 through 5 .....	-4,091.	0.	0.
7 Distributions other than dividend distributions .....			
8 Balance at end of tax year. Subtract line 7 from line 6 .....	-4,091.	0.	0.



Form **8913**Department of the Treasury  
Internal Revenue Service**Credit for Federal Telephone Excise Tax Paid**

▶ See the separate instructions.

▶ Attach to your income tax return.

OMB No. 1545-2051

**2006**Attachment  
Sequence No. **63**

Name(s) shown on your income tax return

CHAFFEE WATER WORKS COMPANY, INC.

Identifying number

06-0878467

Enter the federal telephone excise tax billed during each period as listed in column (a) of lines 1-14 below.

By filing this form, you are certifying that you (1) have not received from your service provider a credit or refund of the tax paid on long distance service or bundled service billed after February 28, 2003, and before August 1, 2006, and (2) will not ask your provider for a credit or refund or have withdrawn any request submitted to the provider for a credit or refund.

**Caution.** See the instructions for explanations of the services that qualify for a credit or refund of the federal telephone excise tax.**Amount of federal excise tax on long distance or bundled service only**

(a) Bills dated during:	(b) Long distance service	(c) Bundled service	(d) Tax credit or refund (add columns (b) and (c))	(e) Interest (see instructions)
1 March, April, and May 2003 .....	\$	\$	4.	1.
2 June, July, and August 2003 .....			4.	1.
3 September, October, and November 2003 .....			4.	1.
4 December 2003; January and February 2004 .....			5.	1.
5 March, April, and May 2004 .....			5.	1.
6 June, July, and August 2004 .....			5.	1.
7 September, October, and November 2004 .....			5.	1.
8 December 2004; January and February 2005 .....			5.	1.
9 March, April, and May 2005 .....			5.	1.
10 June, July, and August 2005 .....			5.	1.
11 September, October, and November 2005 .....			5.	0.
12 December 2005; January and February 2006 .....			5.	0.
13 March, April, and May 2006 .....			5.	0.
14 June and July 2006 .....			4.	0.
15 Add lines 1 - 14 in columns (d) and (e) .....	\$		66.	10.
16 Total credit or refund requested. Add columns (d) and (e) on line 15. Enter here and on Form 1040, line 71; Form 1040A, line 42; Form 1040EZ, line 9; Form 1040EZ-T, line 1a; Form 1040NR, line 69; Form 1040NR-EZ, line 21; Form 1120, line 32g; Form 1120-A, line 28g; Form 1120S, line 23d; Form 1041, line 24f; Form 1041-N, line 17; Form 1065, line 23; Form 990-T, line 44f; or the proper line of other returns .....				\$ 76.

**BAA For Paperwork Reduction Act Notice, see the instructions.**Form **8913** (2006)

Form **4562**Department of the Treasury  
Internal Revenue Service**Depreciation and Amortization**  
(Including Information on Listed Property)

▶ See separate instructions. ▶ Attach to your tax return.

OMB No. 1545-0172

**2006**Attachment  
Sequence No. **67**

Name(s) shown on return

CHAFFEE WATER WORKS COMPANY, INC.

Identifying number

06-0878467

Business or activity to which this form relates

Form 1120S Line 21

**Part I Election To Expense Certain Property Under Section 179****Note:** If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount. See the instructions for a higher limit for certain businesses	1	\$108,000.
2	Total cost of section 179 property placed in service (see instructions)	2	
3	Threshold cost of section 179 property before reduction in limitation	3	\$430,000.
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	
6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
7	Listed property. Enter the amount from line 29	7	
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	
9	Tentative deduction. Enter the <b>smaller</b> of line 5 or line 8	9	
10	Carryover of disallowed deduction from line 13 of your 2005 Form 4562	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instrs)	11	
12	Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12	
13	Carryover of disallowed deduction to 2007. Add lines 9 and 10, less line 12	▶ 13	

**Note:** Do not use Part II or Part III below for listed property. Instead, use Part V.**Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.)** (See instructions.)

14	Special allowance for qualified New York Liberty or Gulf Opportunity Zone property (other than listed property) placed in service during the tax year (see instructions)	14	
15	Property subject to section 168(f)(1) election	15	
16	Other depreciation (including ACRS)	16	

**Part III MACRS Depreciation (Do not include listed property.)** (See instructions.)**Section A**

17	MACRS deductions for assets placed in service in tax years beginning before 2006	17	725.
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here <input type="checkbox"/>		

**Section B — Assets Placed in Service During 2006 Tax Year Using the General Depreciation System**

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only — see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property		850.	5.0	HY	200DB	170.
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs		S/L	
h Residential rental property			27.5 yrs	MM	S/L	
			27.5 yrs	MM	S/L	
i Nonresidential real property			39 yrs	MM	S/L	
				MM	S/L	

**Section C — Assets Placed in Service During 2006 Tax Year Using the Alternative Depreciation System**

20a Class life				S/L	
b 12-year		12 yrs		S/L	
c 40-year		40 yrs	MM	S/L	

**Part IV Summary** (see instructions)

21	Listed property. Enter amount from line 28	21	
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations — see instructions	22	895.
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

**BAA For Paperwork Reduction Act Notice, see separate instructions.**

FDIZ0812 06/22/06

Form **4562** (2006)

**Part V Listed Property** (Include automobiles, certain other vehicles, cellular telephones, certain computers, and property used for entertainment, recreation, or amusement.)

**Note:** For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete **only** 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

**Section A – Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)**

24a Do you have evidence to support the business/investment use claimed? <input type="checkbox"/> Yes <input type="checkbox"/> No									24b If 'Yes,' is the evidence written? <input type="checkbox"/> Yes <input type="checkbox"/> No	
(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/Convention	(h) Depreciation deduction	(i) Elected section 179 cost		
25 Special allowance for qualified New York Liberty or Gulf Opportunity Zone property placed in service during the tax year and used more than 50% in a qualified business use (see instructions) <input type="checkbox"/> 25										
26 Property used more than 50% in a qualified business use:										
27 Property used 50% or less in a qualified business use:										
28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1 <input type="checkbox"/> 28										
29 Add amounts in column (i), line 26. Enter here and on line 7, page 1 <input type="checkbox"/> 29										

**Section B – Information on Use of Vehicles**

Complete this section for vehicles used by a sole proprietor, partner, or other 'more than 5% owner,' or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
30 Total business/investment miles driven during the year (do not include commuting miles) <input type="checkbox"/>												
31 Total commuting miles driven during the year <input type="checkbox"/>												
32 Total other personal (noncommuting) miles driven <input type="checkbox"/>												
33 Total miles driven during the year. Add lines 30 through 32 <input type="checkbox"/>												
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
34 Was the vehicle available for personal use during off-duty hours? <input type="checkbox"/>												
35 Was the vehicle used primarily by a more than 5% owner or related person? <input type="checkbox"/>												
36 Is another vehicle available for personal use? <input type="checkbox"/>												

**Section C – Questions for Employers Who Provide Vehicles for Use by Their Employees**

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons (see instructions).

37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees? <input type="checkbox"/>	Yes	No
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners <input type="checkbox"/>		
39 Do you treat all use of vehicles by employees as personal use? <input type="checkbox"/>		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received? <input type="checkbox"/>		
41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions) <input type="checkbox"/>		

**Note:** If your answer to 37, 38, 39, 40, or 41 is 'Yes,' do not complete Section B for the covered vehicles.

**Part VI Amortization**

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2006 tax year (See instructions):					
43 Amortization of costs that began before your 2006 tax year <input type="checkbox"/> 43					
44 Total. Add amounts in column (f). See instructions for where to report <input type="checkbox"/> 44					

**Schedule K-1**  
**(Form 1120S)****2006**Department of the Treasury  
Internal Revenue Service

For calendar year 2006, or tax

year beginning \_\_\_\_\_, 2006  
ending \_\_\_\_\_, \_\_\_\_\_☐ Final K-1☐ Amended K-1

OMB No. 1545-0130

**Shareholder's Share of Income, Deductions, Credits, etc.** ▶ See page 2 of form and separate instructions.**Part I** Information About the Corporation**A** Corporation's employer identification number  
06-0878467**B** Corporation's name, address, city, state, and ZIP code  
CHAFFEE WATER WORKS COMPANY, INC.  
13419 ALLEN ROAD  
CHAFFEE, NY 14030**C** IRS Center where corporation filed return  
Cincinnati, OH 45999-0013**D** ☐ Tax shelter registration number, if any \_\_\_\_\_**E** ☐ Check if Form 8271 is attached**Part II** Information About the Shareholder**F** Shareholder's identifying number  
134-56-5456**G** Shareholder's name, address, city, state, and ZIP code  
RODNEY FRANZ  
13419 ALLEN ROAD  
CHAFFEE, NY 14030**H** Shareholder's percentage of stock  
ownership for tax year ..... 100.00000 %FOR  
IRS  
USE  
ONLY**Part III** Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items

<b>1</b> Ordinary business income (loss)	<b>13</b> Credits
-4,058.	
<b>2</b> Net rental real estate income (loss)	
<b>3</b> Other net rental income (loss)	
<b>4</b> Interest income	
<b>5a</b> Ordinary dividends	
<b>5b</b> Qualified dividends	<b>14</b> Foreign transactions
<b>6</b> Royalties	
<b>7</b> Net short-term capital gain (loss)	
<b>8a</b> Net long-term capital gain (loss)	
<b>8b</b> Collectibles (28%) gain (loss)	
<b>8c</b> Unrecaptured section 1250 gain	
<b>9</b> Net section 1231 gain (loss)	
<b>10</b> Other income (loss)	<b>15</b> Alternative minimum tax (AMT) items
<b>11</b> Section 179 deduction	<b>16</b> Items affecting shareholder basis
<b>12</b> Other deductions	
	<b>17</b> Other information
	N * STMT

\*See attached statement for additional information.

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

- 1 Ordinary business income (loss).** You must first determine whether the income (loss) is passive or nonpassive. Then enter on your return as follows:

*Report on*

Passive loss See the Shareholder's Instructions  
 Passive income Schedule E, line 28, column (g)  
 Nonpassive loss Schedule E, line 28, column (h)  
 Nonpassive income Schedule E, line 28, column (i)

- 2 Net rental real estate income (loss)**

See the Shareholder's Instructions

- 3 Other net rental income (loss)**

Net income Schedule E, line 28, column (g)  
 Net loss See the Shareholder's Instructions

- 4 Interest income**

Form 1040, line 8a

- 5a Ordinary dividends**

Form 1040, line 9a

- 5b Qualified dividends**

Form 1040, line 9b

- 6 Royalties**

Schedule E, line 4

- 7 Net short-term capital gain (loss)**

Schedule D, line 5, column (f)

- 8a Net long-term capital gain (loss)**

Schedule D, line 12, column (f)

- 8b Collectibles (28%) gain (loss)**

28% Rate Gain Worksheet, line 4  
 (Schedule D instructions)

- 8c Unrecaptured section 1250 gain**

See the Shareholder's Instructions

- 9 Net section 1231 gain (loss)**

See the Shareholder's Instructions

- 10 Other income (loss)**

*Code*

**A** Other portfolio income (loss) See the Shareholder's Instructions  
**B** Involuntary conversions See the Shareholder's Instructions  
**C** Section 1256 contracts and straddles Form 6781, line 1  
**D** Mining exploration costs recapture See Pub 535  
**E** Other income (loss) See the Shareholder's Instructions

- 11 Section 179 deduction**

See the Shareholder's Instructions

- 12 Other deductions**

**A** Cash contributions (50%) } See the Shareholder's Instructions  
**B** Cash contributions (30%) }  
**C** Noncash contributions (50%) }  
**D** Noncash contributions (30%) }  
**E** Capital gain property to a 50% }  
     organization (30%) }  
**F** Capital gain property (20%) }  
**G** Investment interest expense Form 4952, line 1  
**H** Deductions — royalty income Schedule E, line 18  
**I** Section 59(e)(2) expenditures See the Shareholder's Instructions  
**J** Deductions — portfolio (2% floor) Schedule A, line 22  
**K** Deductions — portfolio (other) Schedule A, line 27  
**L** Preproductive period expenses See the Shareholder's Instructions

**M** Commercial revitalization deduction from rental real estate activities See Form 8582 Instructions  
**N** Reforestation expense deduction See the Shareholder's Instructions  
**O** Domestic production activities information See Form 8903 Instructions  
**P** Qualified production activities income Form 8903, line 7  
**Q** Employer's W-2 wages Form 8903, line 13  
**R** Other deductions See the Shareholder's Instructions

- 13 Credits**

**A** Low-income housing credit (section 42(j)(5)) } See the Shareholder's Instructions  
**B** Low-income housing credit (other) }  
**C** Qualified rehabilitation expenditures (rental real estate) }  
**D** Other rental real estate credits }  
**E** Other rental credits }  
**F** Undistributed capital gains credit Form 1040, line 70, check box a  
**G** Credit for alcohol used as fuel }  
**H** Work opportunity credit } See the Shareholder's Instructions  
**I** Welfare-to-work credit }  
**J** Disabled access credit }  
**K** Empowerment zone and renewal community employment credit Form 8844, line 3

*Code*

**L** Credit for increasing research activities  
**M** New markets credit  
**N** Credit for employer social security and Medicare taxes  
**O** Backup withholding  
**P** Other credits

*Report on*

See the Shareholder's Instructions  
 Form 1040, line 64  
 See the Shareholder's Instructions

- 14 Foreign transactions**

**A** Name of country or U.S. possession  
**B** Gross income from all sources } Form 1116, Part I  
**C** Gross income sourced at shareholder level }

*Foreign gross income sourced at corporate level*

**D** Passive }  
**E** Listed categories } Form 1116, Part I  
**F** General limitation }

*Deductions allocated and apportioned at shareholder level*

**G** Interest expense Form 1116, Part I  
**H** Other Form 1116, Part I

*Deductions allocated and apportioned at corporate level to foreign source income*

**I** Passive }  
**J** Listed categories } Form 1116, Part I  
**K** General limitation }

*Other information*

**L** Total foreign taxes paid Form 1116, Part II  
**M** Total foreign taxes accrued Form 1116, Part II  
**N** Reduction in taxes available for credit Form 1116, line 12  
**O** Foreign trading gross receipts Form 8873  
**P** Extraterritorial income exclusion Form 8873  
**Q** Other foreign transactions See the Shareholder's Instructions

- 15 Alternative minimum tax (AMT) items**

**A** Post-1986 depreciation adjustment  
**B** Adjusted gain or loss  
**C** Depletion (other than oil & gas)  
**D** Oil, gas, & geothermal — gross income } See the Shareholder's  
**E** Oil, gas, & geothermal — deductions } Instructions and the  
**F** Other AMT items } Instructions for Form 6251

- 16 Items affecting shareholder basis**

**A** Tax-exempt interest income Form 1040, line 8b  
**B** Other tax-exempt income  
**C** Nondeductible expenses } See the Shareholder's  
**D** Property distributions } Instructions  
**E** Repayment of loans from shareholders }

- 17 Other information**

**A** Investment income Form 4952, line 4a  
**B** Investment expenses Form 4952, line 5  
**C** Qualified rehabilitation expenditures (other than rental real estate) See the Shareholder's Instructions  
**D** Basis of energy property See the Shareholder's Instructions  
**E** Recapture of low-income housing credit (section 42(j)(5)) Form 8611, line 8  
**F** Recapture of low-income housing credit (other) Form 8611, line 8  
**G** Recapture of investment credit See Form 4255  
**H** Recapture of other credits See the Shareholder's Instructions  
**I** Look-back interest — completed long-term contracts See Form 8697  
**J** Look-back interest — income forecast method See Form 8866  
**K** Dispositions of property with section 179 deductions  
**L** Recapture of section 179 deduction  
**M** Section 453(l)(3) information  
**N** Section 453A(c) information  
**O** Section 1260(b) information  
**P** Interest allocable to production expenditures  
**Q** CCF nonqualified withdrawals  
**R** Information needed to figure depletion — oil and gas  
**S** Amortization of reforestation costs  
**T** Other information

CHAFFEE WATER WORKS, COMPANY, INC. 06-0878467

1

Form 1120S, Page 1, Line 19

**Other Deductions**

AUTOMOBILE AND TRUCK EXPENSE	5,600.
DUES AND SUBSCRIPTIONS	127.
LEGAL AND PROFESSIONAL	2,701.
MISCELLANEOUS	19.
OFFICE EXPENSE	2,008.
SECURITY	458.
SUPPLIES	938.
TELEPHONE	1,518.
UTILITIES	2,023.
TESTING	917.
Total	<u>16,309.</u>

Form 1120S, Page 3, Schedule K, Line 17d

**Other Items and Amounts**

N	NYS FRANCHISE TAX ADDBACK	100.
---	---------------------------	------

| Staple forms here |

2006

CT-3-S

New York State Department of Taxation and Finance

**New York S Corporation  
Franchise Tax Return**

Tax Law — Articles 9-A and 22

All filers must enter tax period:

Final return ☒Amended return ☐beginning ☒ 01-01-06 ending ☒ 12-31-06

Employer identification number

File number

Business telephone number

☒ 06-0878467☒ AA1

716-496-7224

If you have any subsidiaries  
incorporated outside NYS,  
mark an X in the box ☐If you claim an  
overpayment, mark  
an X in the box ☐

Legal name of corporation

CHAFFEE WATER WORKS COMPANY,

Mailing name (if different from legal name above)

C/O

Number and street or PO box

13419 ALLEN ROAD

City

CHAFFEE

State ZIP code

NY 14030

Trade name/DBA

State or country of incorporation Date received (Tax Department use only)

NY

Date of incorporation

05-29-96

Foreign corporations: date began  
business in NYS

NAICS business code number (from federal return)

☒ 221300If address above  
is new, mark an  
X in the box ☐If your name, employer identification number, address,  
or owner/officer information has changed, you must file  
Form DTF-95. If only your address has changed, you may  
file Form DTF-96. You can get these forms from our Web  
site, by phone, or by fax. See the *Need help?* in the instructions.

Audit (Tax Department use only)

Principal business activity WATER COMPANY

Has the corporation revoked its election to be treated as a New York S corporation?

Number of shareholders

Yes ☐No ☐

X

If Yes, enter effective date:

☐

1

Payment enclosed

A Pay amount shown on line 48. Make check payable to: **New York State Corporation Tax**

Attach your payment here. Detach all check stubs. (see instructions for details.)

☒ A.

100.

**You must attach a copy of the following: (1) federal Form 1120S as filed; (2) Form CT-34-SH; (3) Form CT-3-S-ATT  
(if required, see instructions); and (4) any applicable credit claim forms.**B If you filed a return(s) other than federal Form 1120S, enter the form number(s) here: ☐C If you included a qualified subchapter S subsidiary (QSSS) in this return, mark an X in the box and attach Form CT-60-QSSS ☐D Mark an X in the box **only if you need a tax packet** mailed to you next year (see instructions) ☐E Enter your business allocation percentage (if you did not complete Form CT-3-S-ATT, Schedule A, you must enter either 0.00 or 100) ☐ 100.0000 %F Enter your investment allocation percentage (if you did not complete Form CT-3-S-ATT, Schedule B, you must enter either 0.00 or 100) ☐ 100.0000 %G Did the S corporation make an IRC section 338 or 453 election? ☐ Yes ☐ No ☒ XH Did this entity have an interest in real property located in New York State during the last three years? ☐ Yes ☒ X ☐ NoI Has there been a transfer or acquisition of a controlling interest in this entity during the last three years? ☐ Yes ☐ No ☒ XJ If the IRS has completed an audit of any of your returns within the last five years, list years ☐K If this return is for a New York S termination year, mark an X in the appropriate box to indicate which method of accounting was used for  
the New York S short year (see instructions) ☐ Normal accounting rules ☐ Daily pro rata allocationL Issuer's allocation percentage ☐ 100.0000 %

NYS0312 12/27/06

44001061030

CHAFFEE WATER WORKS COMPANY, INC. 06-0878467

**Provide the information for lines 1 through 10 from the corresponding lines on your federal Form 1120S, Schedule K, total amount column.** (Show any negative amounts with a minus (-) sign; do not use parentheses or brackets.)

1	Ordinary business income or loss	• 1.	-4,058.
2	Net rental real estate income or loss	• 2.	
3	Other net rental income or loss	• 3.	
4	Interest income	• 4.	
5	Ordinary dividends	• 5.	
6	Royalties	• 6.	
7	Net short-term capital gain or loss	• 7.	
8	Net long-term capital gain or loss	• 8.	
9	Net section 1231 gain or loss	• 9.	
10	Other income or loss	• 10.	
11	Loans to shareholders (from federal Form 1120S, Schedule L, line 7, columns b and d)		

Beginning of tax year • 0. End of tax year •

**12 Total assets** (from federal Form 1120S, Schedule L, line 15, columns b and d)

Beginning of tax year • 6,976. End of tax year • 6,919.

**13 Loans from shareholders** (from federal Form 1120S, Schedule L, line 19, columns b and d)

Beginning of tax year • 1,525. End of tax year • 5,526.

**Provide the information for lines 14 through 21 from the corresponding lines on your federal Form 1120S, Schedule M-2.** (Show any negative amounts with a minus (-) sign; do not use parentheses or brackets.)

	A Accumulated adjustments account	B Other adjustments account	C Shareholders' undistributed taxable income previously taxed
14 Balance at beginning of tax year	-33.	0.	0.
15 Ordinary income from federal Form 1120S, page 1, line 21			
16 Other additions			
17 Loss from federal Form 1120S, page 1, line 21	4,058.		
18 Other reductions			
19 Add lines 14 through 18	-4,091.	0.	0.
20 Distributions other than dividend distributions			
21 Balance at end of tax year. Subtract line 20 from line 19	-4,091.	0.	0.

**Computation of tax** (see instructions)

You must enter an amount on lines 22, 23, and 24 below; if none, enter 0.

22	Gross payroll everywhere	• 22.	0.
23	Total receipts everywhere	• 23.	16,850.
24	Average value of gross assets everywhere	• 24.	6,948.
25	Fixed dollar minimum tax	• 25.	100.
26	Recapture of tax credits	• 26.	
27	Total tax after recapture of tax credits (add lines 25 and 26)	• 27.	100.
28	Special additional mortgage recording tax credit (from Form CT-43)	• 28.	
29	Tax due after tax credits (subtract line 28 from line 27)	• 29.	100.



CHAFFEE WATER WORKS COMPANY, INC.

06-0878467

**Computation of tax** (continued)**First installment of estimated tax for the next tax period:**

30	Enter amount from line 29 .....	30.	100.
31	If you filed a request for extension, enter amount from Form CT-5.4, line 2 .....	31.	
32	If you did not file Form CT-5.4 and line 30 is over \$1,000, enter 25% (.25) of line 30; otherwise enter 0 .....	32.	
33	Add line 30 and line 31 or 32 .....	33.	100.

**Composition of prepayments:** (see instructions):

Date paid

Amount

34	Mandatory first installment .....	34.	
35	Second installment from Form CT-400 .....	35.	
36	Third installment from Form CT-400 .....	36.	
37	Fourth installment from Form CT-400 .....	37.	
38	Payment with extension request from Form CT-5.4 .....	38.	
39	Overpayment credited from prior years .....	39.	
40	Total prepayments (add lines 34 through 39) .....	40.	
41	Balance (subtract line 40 from line 33; if line 40 is larger than line 33, enter 0) .....	41.	100.
42	Penalty for underpayment of estimated tax (mark an X in the box if Form CT-222 is attached) ....	42.	0.
43	Interest on late payment .....	43.	
44	Late filing and late payment penalties .....	44.	
45	Balance (add lines 41 through 44) .....	45.	100.

**Voluntary gifts/contributions** (see instructions):

46 a	Return a Gift to Wildlife .....	46a.	
46 b	Breast Cancer Research and Education Fund .....	46b.	
46 c	Prostate Cancer Research, Detection, and Education Fund .....	46c.	
46 d	World Trade Center Memorial Foundation Fund .....	46d.	
47	Add lines 33, 42, 43, 44, and 46a through 46d .....	47.	100.
48	Balance due (if line 40 is less than line 47, subtract line 40 from line 47 and enter here. this is the amount due; enter your payment amount on line A on page 1) .....	48.	100.
49	Overpayment (if line 40 is more than line 47, subtract line 47 from line 40 and enter here. This is the amount of your overpayment; see instructions.) .....	49.	
50	Amount of overpayment to be credited to next period .....	50.	
51	Refund of overpayment (subtract line 50 from line 49) .....	51.	
52	If you claim a refund of unused special additional mortgage recording tax credit, enter the amount from Form CT-43, line 13 (see instructions) .....	52.	
53	Amount of special additional mortgage recording tax credit to be applied as an overpayment to next period .....	53.	

**Third-party designee** Do you want to allow another person to discuss this return with the Tax Dept? (see instructions)

Yes X

(complete the following)

No

Designee's name

Designee's phone number

Personal identification number (PIN)

Preparer

**Certification:** I certify that this return and any attachments are to the best of my knowledge and belief true, correct, and complete.

Signature of authorized person

Official title

Date

Paid preparer use only

Signature of individual preparing this return

Firm's name (or yours if self-employed)

KENNETH S. FRANK, CPA

R.A. MERCER &amp; CO. P.C.

Address 12250 OLEAN RD P.O. BOX 218

City

State ZIP Code

ID number

Date

SARDINIA

NY 14134

16-1207156

02-22-07

See instructions for where to file.

NYS0334 12/27/06

44003061030

# Computation and Allocation of Capital and Issuer's Allocation Percentage Worksheet

2006

Name CHAFFEE WATER WORKS COMPANY, INC.	Employer Identification Number 06-0878467
---	--

## Computation and Allocation of Capital

	A Beginning of year	B End of year	C Average value	
1 Total assets from federal return .....	6,976.	6,919.	6,948.	
2 Real property and marketable securities included on line 1 .....				
3 Subtract line 2 from line 1 .....	6,976.	6,919.	6,948.	
4 Real property and marketable securities at fair market value .....				
5 Adjusted total assets (add lines 3 and 4) .....	6,976.	6,919.	6,948.	
6 Total liabilities .....	1,525.	5,526.	3,526.	
7 Total capital (subtract line 6, column C, from line 5, column C) .....				7 3,422.
8 Subsidiary capital (from line 17) .....				8
9 Business and investment capital (subtract line 8 from line 7) .....				9 3,422.
10 Investment capital (from Form CT-3-ATT, pg 2, line 40, column E) .....				10 0.
11 Business capital (subtract line 10 from line 9) .....				11 3,422.
12 Allocated investment capital (multiply line 10 by 100.0000 % (from Form CT-3-ATT, pg 2, line 38)) .....				12 0.
13 Allocated business capital (multiply line 11 by 100.0000 % (from Form CT-3-ATT, pg 1-2, lines 20, 34, or 36)) .....				13 3,422.
14 Allocated subsidiary capital (from line 18) .....				14
15 Issuer's allocation percentage or license fee allocation percentage (add lines 12, 13, and 14, and divide by line 7; enter here and on page 4 of Form CT-3-S) .....				15 100.0000 %

CHAFFEE WATER WORKS COMPANY, INC.

06-0878467 Page 2

**Computation and Allocation of Subsidiary Capital**

Include all corporations (except a DISC) in which you own more than 50% of the voting stock.

<b>A</b> Item	Description of subsidiary capital					EIN
	<b>B</b> Percentage Voting stock owned	<b>C</b> Average value	<b>D</b> Liabilities directly or indirectly attributable to investment capital	<b>E</b> Net average value (column C minus column D)	<b>F</b> Issuer's allocation percentage	<b>G</b> Value allocated to New York State (column E x column F)
A						
B						
C						
Amounts from attached list .....						
<b>16</b>	Totals (add amounts in columns C and D) .....					
<b>17</b>	Total net average value of subsidiary capital (add amounts in column E; enter here and on line 8) .....					
<b>18</b>	Allocated subsidiary capital (add column G amounts; enter here and on line 18)					<b>18</b>

Form **1120S**Department of the Treasury  
Internal Revenue Service**U.S. Income Tax Return for an S Corporation**

▶ Do not file this form unless the corporation has filed or is attaching Form 2553 to elect to be an S corporation.  
▶ See separate instructions.

OMB No. 1545-0130

**2007**

For calendar year 2007 or tax year beginning , 2007, ending ,

<b>A</b> S election effective date 01/01/01	<b>Use the IRS label. Otherwise, print or type.</b>	Name CHAFFEE WATER WORKS COMPANY, INC.	<b>D</b> Employer identification number 06-0878467
<b>B</b> Business activity code number (see instrs) 221300		Number, street, and room or suite no. if a P.O. box, see instructions. 13419 ALLEN ROAD	<b>E</b> Date incorporated 05/29/96
<b>C</b> Check if Sch M-3 attached <input type="checkbox"/>		City or town, state, and ZIP code CHAFFEE NY 14030	<b>F</b> Total assets (see instructions) \$ 14,989.

**G** Is the corporation electing to be an S corporation beginning with this tax year? ☐ Yes ☒ No If 'Yes,' attach Form 2553 if not previously filed

**H** Check if: (1) ☐ Final return (2) ☐ Name change (3) ☐ Address change  
(4) ☐ Amended return (5) ☐ S election termination or revocation

**I** Enter the number of shareholders in the corporation at the end of the tax year 1**Caution.** Include **only** trade or business income and expenses on lines 1a through 21. See the instructions for more information.

<b>I N C O M E</b>	<b>1a</b> Gross receipts or sales 16,990.	<b>b</b> Less returns and allowances	<b>c</b> Bal	<b>1c</b> 16,990.
	<b>2</b> Cost of goods sold (Schedule A, line 8)			<b>2</b>
	<b>3</b> Gross profit. Subtract line 2 from line 1c			<b>3</b> 16,990.
	<b>4</b> Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)			<b>4</b>
	<b>5</b> Other income (loss) (attach statement)			<b>5</b>
	<b>6</b> Total income (loss). Add lines 3 through 5			<b>6</b> 16,990.
<b>D E D U C T I O N S  S E E  I N S T R U C T I O N S</b>	<b>7</b> Compensation of officers			<b>7</b>
	<b>8</b> Salaries and wages (less employment credits)			<b>8</b>
	<b>9</b> Repairs and maintenance			<b>9</b> 1,350.
	<b>10</b> Bad debts			<b>10</b>
	<b>11</b> Rents			<b>11</b>
	<b>12</b> Taxes and licenses			<b>12</b> 208.
	<b>13</b> Interest			<b>13</b> 341.
	<b>14</b> Depreciation not claimed on Schedule A or elsewhere on return (attach Form 4562)			<b>14</b> 2,050.
	<b>15</b> Depletion (Do not deduct oil and gas depletion.)			<b>15</b>
	<b>16</b> Advertising			<b>16</b>
	<b>17</b> Pension, profit-sharing, etc, plans			<b>17</b>
	<b>18</b> Employee benefit programs			<b>18</b>
	<b>19</b> Other deductions (attach statement) * STMT			<b>19</b> 8,405.
	<b>20</b> Total deductions. Add lines 7 through 19			<b>20</b> 12,354.
	<b>21</b> Ordinary business income (loss). Subtract line 20 from line 6			<b>21</b> 4,636.
<b>T A X  A N D  P A Y M E N T S</b>	<b>22a</b> Excess net passive income or LIFO recapture tax (see instructions)	<b>22a</b>		<b>22c</b>
	<b>b</b> Tax from Schedule D (Form 1120S)	<b>22b</b>		
	<b>c</b> Add lines 22a and 22b (see instructions for additional taxes)			
	<b>23a</b> 2007 estimated tax payments and 2006 overpayment credited to 2007	<b>23a</b>		<b>23d</b>
	<b>b</b> Tax deposited with Form 7004	<b>23b</b>		
	<b>c</b> Credit for federal tax paid on fuels (attach Form 4136)	<b>23c</b>		
	<b>d</b> Add lines 23a through 23c			
	<b>24</b> Estimated tax penalty (see instructions). Check if Form 2220 is attached			<b>24</b>
	<b>25</b> Amount owed. If line 23d is smaller than the total of lines 22c and 24, enter amount owed			<b>25</b>
	<b>26</b> Overpayment. If line 23d is larger than the total of lines 22c and 24, enter amount overpaid			<b>26</b>
<b>27</b> Enter amount from line 26 Credited to 2008 estimated tax Refunded			<b>27</b>	

**Sign Here**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer

Date

Title

May the IRS discuss this return with the preparer shown below (see instructions)?

☒ Yes ☐ No**Paid Preparer's Use Only**

Preparer's signature

KENNETH S. FRANK, CPA

Date

02/13/08

Check if self-employed ☐

Preparer's SSN or PTIN

P00109668

Firm's name (or yours if self-employed), address, and ZIP code

R.A. MERCER & CO. P.C.  
12250 OLEAN RD P.O. BOX 218  
SARDINIA NY 14134

EIN 16-1207156

Phone no. (716) 496-5028

**BAA For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions.**

SPSA0112 12/26/07

Form 1120S (2007)

**Schedule A Cost of Goods Sold** (see instructions)

1	Inventory at beginning of year	1	
2	Purchases	2	
3	Cost of labor	3	
4	Additional section 263A costs (attach statement)	4	
5	Other costs (attach statement)	5	
6	<b>Total.</b> Add lines 1 through 5	6	
7	Inventory at end of year	7	
8	<b>Cost of goods sold.</b> Subtract line 7 from line 6. Enter here and on page 1, line 2	8	

9a Check all methods used for valuing closing inventory:

(i) ☐ Cost as described in Regulations section 1.471-3

(ii) ☐ Lower of cost or market as described in Regulations section 1.471-4

(iii) ☐ Other (Specify method used and attach explanation.)

b Check if there was a writedown of subnormal goods as described in Regulations section 1.471-2(c) ☐ Yes ☐ No

c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ☐ Yes ☐ No

d If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO **9d** ☐ Yes ☐ No

e If property is produced or acquired for resale, do the rules of section 263A apply to the corporation? ☐ Yes ☐ No

f Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If 'Yes,' attach explanation ☐ Yes ☐ No

**Schedule B Other Information** (see instructions)

	Yes	No
1 Check accounting method: a <input checked="" type="checkbox"/> Cash b <input type="checkbox"/> Accrual c <input type="checkbox"/> Other (specify)		
2 See the instructions and enter the: a Business activity <u>WATER COMPANY</u> b Product or service <u>WATER</u>		
3 At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If 'Yes,' attach a statement showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) if 100% owned, was a QSub election made?		X
4 Has this corporation filed, or is it required to file, a return under section 6111 to provide information on any reportable transaction?		X
5 Check this box if the corporation issued publicly offered debt instruments with original issue discount If checked, the corporation may have to file <b>Form 8281</b> , Information Return for Publicly Offered Original Issue Discount Instruments.	<input type="checkbox"/>	
6 If the corporation: (a) was a C corporation before it elected to be an S corporation or the corporation acquired an asset with a basis determined by reference to its basis (or the basis of any other property) in the hands of a C corporation and (b) has net unrealized built-in gain (defined in section 1374(d)(1)) in excess of the net recognized built-in gain from prior years, enter the net unrealized built-in gain reduced by net recognized built-in gain from prior years \$		
7 Enter the accumulated earnings and profits of the corporation at the end of the tax year \$		
8 Are the corporation's total receipts (see instructions) for the tax year and its total assets at the end of the tax year less than \$250,000? If 'Yes,' the corporation is not required to complete Schedules L and M-1	X	

**Schedule K Shareholders' Pro Rata Share Items**

	Total amount
1 Ordinary business income (loss) (page 1, line 21)	1 4,636.
2 Net rental real estate income (loss) (attach Form 8825)	2
3a Other gross rental income (loss)	3a
b Expenses from other rental activities (attach statement)	3b
c Other net rental income (loss). Subtract line 3b from line 3a	3c
4 Interest income	4
5 Dividends: a Ordinary dividends	5a
b Qualified dividends	5b
6 Royalties	6
7 Net short-term capital gain (loss) (attach Schedule D (Form 1120S))	7
8a Net long-term capital gain (loss) (attach Schedule D (Form 1120S))	8a
b Collectibles (28%) gain (loss)	8b
c Unrecaptured section 1250 gain (attach statement)	8c
9 Net section 1231 gain (loss) (attach Form 4797)	9
10 Other income (loss) (see instructions)	10

Shareholders' Pro Rata Share Items (continued)		Total amount	
<b>Deductions</b>	<b>11</b> Section 179 deduction (attach Form 4562) .....	<b>11</b>	3,077.
	<b>12a</b> Contributions .....	<b>12a</b>	
	<b>b</b> Investment interest expense .....	<b>12b</b>	
	<b>c</b> Section 59(e)(2) expenditures (1) Type <input type="checkbox"/> (2) Amount <input type="checkbox"/> .....	<b>12c (2)</b>	
	<b>d</b> Other deductions (see instructions) ... Type <input type="checkbox"/> .....	<b>12d</b>	
<b>Credits</b>	<b>13a</b> Low-income housing credit (section 42(j)(5)) .....	<b>13a</b>	
	<b>b</b> Low-income housing credit (other) .....	<b>13b</b>	
	<b>c</b> Qualified rehabilitation expenditures (rental real estate) (attach Form 3468) .....	<b>13c</b>	
	<b>d</b> Other rental real estate credits (see instrs) Type <input type="checkbox"/> .....	<b>13d</b>	
	<b>e</b> Other rental credits (see instrs) Type <input type="checkbox"/> .....	<b>13e</b>	
	<b>f</b> Credit for alcohol used as fuel (attach Form 6478) .....	<b>13f</b>	
	<b>g</b> Other credits (see instructions) ..... Type <input type="checkbox"/> .....	<b>13g</b>	
<b>Foreign Transactions</b>	<b>14a</b> Name of country or U.S. possession ..... <input type="checkbox"/> .....		
	<b>b</b> Gross income from all sources .....	<b>14b</b>	
	<b>c</b> Gross income sourced at shareholder level .....	<b>14c</b>	
	Foreign gross income sourced at corporate level .....		
	<b>d</b> Passive category .....	<b>14d</b>	
	<b>e</b> General category .....	<b>14e</b>	
	<b>f</b> Other (attach statement) .....	<b>14f</b>	
	Deductions allocated and apportioned at shareholder level .....		
	<b>g</b> Interest expense .....	<b>14g</b>	
	<b>h</b> Other .....	<b>14h</b>	
	Deductions allocated and apportioned at corporate level to foreign source income .....		
	<b>i</b> Passive category .....	<b>14i</b>	
	<b>j</b> General category .....	<b>14j</b>	
	<b>k</b> Other (attach statement) .....	<b>14k</b>	
Other information .....			
<b>l</b> Total foreign taxes (check one): <input type="checkbox"/> Paid <input type="checkbox"/> Accrued .....	<b>14l</b>		
<b>m</b> Reduction in taxes available for credit .....	<b>14m</b>		
(attach statement) .....			
<b>n</b> Other foreign tax information (attach statement) .....			
<b>Alternative Minimum Tax (AMT) Items</b>	<b>15a</b> Post-1986 depreciation adjustment .....	<b>15a</b>	738.
	<b>b</b> Adjusted gain or loss .....	<b>15b</b>	
	<b>c</b> Depletion (other than oil and gas) .....	<b>15c</b>	
	<b>d</b> Oil, gas, and geothermal properties — gross income .....	<b>15d</b>	
	<b>e</b> Oil, gas, and geothermal properties — deductions .....	<b>15e</b>	
	<b>f</b> Other AMT items (attach statement) .....	<b>15f</b>	
<b>Items Affecting Shareholder Basis</b>	<b>16a</b> Tax-exempt interest income .....	<b>16a</b>	
	<b>b</b> Other tax-exempt income .....	<b>16b</b>	
	<b>c</b> Nondeductible expenses .....	<b>16c</b>	
	<b>d</b> Property distributions .....	<b>16d</b>	
	<b>e</b> Repayment of loans from shareholders .....	<b>16e</b>	
<b>Other Information</b>	<b>17a</b> Investment income .....	<b>17a</b>	
	<b>b</b> Investment expenses .....	<b>17b</b>	
	<b>c</b> Dividend distributions paid from accumulated earnings and profits .....	<b>17c</b>	
	<b>d</b> Other items and amounts .....		
(attach statement) * STMT .....			
<b>Reconciliation</b>	<b>18</b> <b>Income/loss reconciliation.</b> Combine the amounts on lines 1 through 10 in the far right column. From the result, subtract the sum of the amounts on lines 11 through 12d and lines 14l .....	<b>18</b>	1,559.

BAA

Form 1120S (2007)

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1	Cash .....		66.		839.
2a	Trade notes and accounts receivable .....				
b	Less allowance for bad debts .....				
3	Inventories .....				
4	U.S. government obligations .....				
5	Tax-exempt securities (see instructions) .....				
6	Other current assets (attach stmt) .....				
7	Loans to shareholders .....				
8	Mortgage and real estate loans .....				
9	Other investments (attach statement) .....				
10a	Buildings and other depreciable assets .....	28,004.		40,429.	
b	Less accumulated depreciation .....	22,501.	5,503.	27,629.	12,800.
11a	Depletable assets .....				
b	Less accumulated depletion .....				
12	Land (net of any amortization) .....		1,350.		1,350.
13a	Intangible assets (amortizable only) .....				
b	Less accumulated amortization .....				
14	Other assets (attach stmt) .....				
15	Total assets .....		6,919.		14,989.
<b>Liabilities and Shareholders' Equity</b>					
16	Accounts payable .....				
17	Mortgages, notes, bonds payable in less than 1 year .....				
18	Other current liabilities (attach stmt) .....				
19	Loans from shareholders .....		5,526.		12,037.
20	Mortgages, notes, bonds payable in 1 year or more .....				
21	Other liabilities (attach statement) .....				
22	Capital stock .....		2,000.		2,000.
23	Additional paid-in capital .....		884.		884.
24	Retained earnings .....		-1,491.		68.
25	Adjustments to shareholders' equity (attach stmt) .....				
26	Less cost of treasury stock .....				
27	Total liabilities and shareholders' equity .....		6,919.		14,989.

**Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return**

Note: Schedule M-3 required instead of Schedule M-1 if total assets are \$10 million or more — see instructions

1	Net income (loss) per books .....	1,559.	5	Income recorded on books this year not included on Schedule K, lines 1 through 10 (itemize):	
2	Income included on Schedule K, lines 1, 2, 3c, 4, 5a, 6, 7, 8a, 9, and 10, not recorded on books this year (itemize):		a	Tax-exempt interest . \$ .....	
3	Expenses recorded on books this year not included on Schedule K, lines 1 through 12, and 14I (itemize):		6	Deductions included on Schedule K, lines 1 through 12, and 14I, not charged against book income this year (itemize):	
a	Depreciation .....	\$ .....	a	Depreciation .... \$ .....	
b	Travel and entertainment . \$ .....	\$ .....	7	Add lines 5 and 6 .....	
4	Add lines 1 through 3 .....	1,559.	8	Income (loss) (Schedule K, ln 18). Ln 4 less ln 7 ...	1,559.

**Schedule M-2 Analysis of Accumulated Adjustments Account, Other Adjustments Account, and Shareholders' Undistributed Taxable Income Previously Taxed (see instructions)**

	(a) Accumulated adjustments account	(b) Other adjustments account	(c) Shareholders' undistributed taxable income previously taxed
1 Balance at beginning of tax year .....	-4,091.	0.	0.
2 Ordinary income from page 1, line 21 .....	4,636.		
3 Other additions .....			
4 Loss from page 1, line 21 .....			
5 Other reductions ..... *.. STMT .....	3,077.		
6 Combine lines 1 through 5 .....	-2,532.	0.	0.
7 Distributions other than dividend distributions .....			
8 Balance at end of tax year. Subtract line 7 from line 6 .....	-2,532.	0.	0.

Form **4562**Department of the Treasury  
Internal Revenue Service**Depreciation and Amortization**  
(Including Information on Listed Property)

▶ See separate instructions. ▶ Attach to your tax return.

OMB No. 1545-0172

**2007**Attachment  
Sequence No. **67**

Name(s) shown on return

CHAFFEE WATER WORKS COMPANY, INC.

Identifying number

06-0878467

Business or activity to which this form relates

Form 1120S Line 21

**Part I Election To Expense Certain Property Under Section 179****Note:** If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount. See the instructions for a higher limit for certain businesses	1	\$125,000.
2	Total cost of section 179 property placed in service (see instructions)	2	12,424.
3	Threshold cost of section 179 property before reduction in limitation	3	\$500,000.
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	0.
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	125,000.
6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
	PUMP	3,077.	3,077.
7	Listed property. Enter the amount from line 29	7	
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	3,077.
9	Tentative deduction. Enter the <b>smaller</b> of line 5 or line 8	9	3,077.
10	Carryover of disallowed deduction from line 13 of your 2006 Form 4562	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instrs)	11	4,636.
12	Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12	3,077.
13	Carryover of disallowed deduction to 2008. Add lines 9 and 10, less line 12	13	0.

**Note:** Do not use Part II or Part III below for listed property. Instead, use Part V.**Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.)** (See instructions.)

14	Special allowance for qualified New York Liberty or Gulf Opportunity Zone property (other than listed property) and cellulosic biomass ethanol plant property placed in service during the tax year (see instructions)	14	
15	Property subject to section 168(f)(1) election	15	
16	Other depreciation (including ACRS)	16	

**Part III MACRS Depreciation (Do not include listed property.)** (See instructions)**Section A**

17	MACRS deductions for assets placed in service in tax years beginning before 2007	17	715.
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here <input type="checkbox"/>		

**Section B — Assets Placed in Service During 2007 Tax Year Using the General Depreciation System**

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only — see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property						
c 7-year property		9,348.	7.0	HY	200DB	1,335.
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs		S/L	
h Residential rental property			27.5 yrs	MM	S/L	
			27.5 yrs	MM	S/L	
i Nonresidential real property			39 yrs	MM	S/L	
				MM	S/L	

**Section C — Assets Placed in Service During 2007 Tax Year Using the Alternative Depreciation System**

20a Class life					S/L	
b 12-year			12 yrs		S/L	
c 40-year			40 yrs	MM	S/L	

**Part IV Summary** (see instructions)

21	Listed property. Enter amount from line 28	21	
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations — see instructions	22	2,050.
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	



**Part V Listed Property** (Include automobiles, certain other vehicles, cellular telephones, certain computers, and property used for entertainment, recreation, or amusement.)

**Note:** For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete **only** 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

**Section A – Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)**

24a Do you have evidence to support the business/investment use claimed? <input type="checkbox"/> Yes <input type="checkbox"/> No										24b If "Yes," is the evidence written? <input type="checkbox"/> Yes <input type="checkbox"/> No	
(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/Convention	(h) Depreciation deduction	(i) Elected section 179 cost			
25 Special allowance for qualified Gulf Opportunity Zone property placed in service during the tax year and used more than 50% in a qualified business use (see instructions)							25				
26 Property used more than 50% in a qualified business use:											
27 Property used 50% or less in a qualified business use:											
28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1							28				
29 Add amounts in column (i), line 26. Enter here and on line 7, page 1							29				

**Section B – Information on Use of Vehicles**

Complete this section for vehicles used by a sole proprietor, partner, or other 'more than 5% owner,' or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
30 Total business/investment miles driven during the year ( <b>do not</b> include commuting miles)												
31 Total commuting miles driven during the year												
32 Total other personal (noncommuting) miles driven												
33 Total miles driven during the year. Add lines 30 through 32												
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
34 Was the vehicle available for personal use during off-duty hours?												
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use?												

**Section C – Questions for Employers Who Provide Vehicles for Use by Their Employees**

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who **are not** more than 5% owners or related persons (see instructions).

	Yes	No
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions.)		

**Note:** If your answer to 37, 38, 39, 40, or 41 is 'Yes,' do not complete Section B for the covered vehicles.

**Part VI Amortization**

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2007 tax year (see instructions):					
43 Amortization of costs that began before your 2007 tax year					43
44 <b>Total.</b> Add amounts in column (f). See the instructions for where to report					44

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**Schedule K-1**  
**(Form 1120S)****2007**Department of the Treasury  
Internal Revenue ServiceFor calendar year 2007, or tax  
year beginning \_\_\_\_\_, 2007  
ending \_\_\_\_\_☐ Final K-1☐ Amended K-1

OMB No. 1545-0130

**Shareholder's Share of Income, Deductions, Credits, etc.** ▶ See page 2 of form and separate instructions.**Part I** Information About the Corporation**A** Corporation's employer identification number  
06-0878467**B** Corporation's name, address, city, state, and ZIP code  
CHAFFEE WATER WORKS COMPANY, INC.  
13419 ALLEN ROAD  
CHAFFEE, NY 14030**C** IRS Center where corporation filed return  
Cincinnati, OH 45999-0013**Part II** Information About the Shareholder**D** Shareholder's identifying number  
134-56-5456**E** Shareholder's name, address, city, state, and ZIP code  
RODNEY FRANZ  
13419 ALLEN ROAD  
CHAFFEE, NY 14030**F** Shareholder's percentage of stock  
ownership for tax year \_\_\_\_\_ 100.00000 %FOR  
IRS  
USE  
ONLY**Part III** Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items

<b>1</b> Ordinary business income (loss) 4,636.	<b>13</b> Credits
<b>2</b> Net rental real estate income (loss)	
<b>3</b> Other net rental income (loss)	
<b>4</b> Interest income	
<b>5a</b> Ordinary dividends	
<b>5b</b> Qualified dividends	<b>14</b> Foreign transactions
<b>6</b> Royalties	
<b>7</b> Net short-term capital gain (loss)	
<b>8a</b> Net long-term capital gain (loss)	
<b>8b</b> Collectibles (28%) gain (loss)	
<b>8c</b> Unrecaptured section 1250 gain	
<b>9</b> Net section 1231 gain (loss)	
<b>10</b> Other income (loss)	<b>15</b> Alternative minimum tax (AMT) items A 738.
<b>11</b> Section 179 deduction 3,077.	<b>16</b> Items affecting shareholder basis
<b>12</b> Other deductions	
	<b>17</b> Other information N * STMT

\*See attached statement for additional information.

Schedule K-1 (Form 1120S) 2007

CHAFFEE WATER WORKS COMPANY, INC. 06-0878467

1

Form 1120S, Page 1, Line 19

**Other Deductions**

DUES AND SUBSCRIPTIONS	131.
LEGAL AND PROFESSIONAL	406.
MISCELLANEOUS	247.
OFFICE EXPENSE	467.
POSTAGE	203.
SECURITY	502.
SUPPLIES	860.
TELEPHONE	1,527.
UTILITIES	1,305.
TESTING	444.
FUEL	2,313.

← Vehicle

Total	8,405.
-------	--------

Form 1120S, Page 3, Schedule K, Line 17d

**Other Items and Amounts**

N NYS FRANCHISE TAX ADDBACK	100.
-----------------------------	------

Form 1120S, Page 4, Schedule M-2, Line 5

**Schedule M-2, Other Reductions**

SECTION 179 EXPENSE	3,077.	
Total	3,077.	

2007

CT-3-S

| Staple forms here |  
New York State Department of Taxation and Finance  
**New York S Corporation  
Franchise Tax Return**  
Tax Law – Articles 9-A and 22

All filers must enter tax period:

Final return ☒Amended return ☐

(see instructions)

beginning ☒ 01-01-07 ending ☒ 12-31-07

Employer identification number

File number

Business telephone number

☒ 06-0878467☒ AA1

716-496-7224

If you have any subsidiaries  
incorporated outside NYS,  
mark an **X** in the box ☐If you claim an  
overpayment, mark  
an **X** in the box ☐

Legal name of corporation

CHAFFEE WATER WORKS COMPANY,

Mailing name (if different from legal name above)

C/O

Number and street or PO box

13419 ALLEN ROAD

City

CHAFFEE

State ZIP code

NY 14030

Trade name/DBA

State or country of incorporation

Date received (Tax Department use only)

NY

Date of incorporation

05-29-96

Foreign corporations: date began  
business in NYS

NAICS business code number (from federal return)

☒ 221300If address above  
is new, mark an  
**X** in the box ☐If your name, employer identification number, address,  
or owner/officer information has changed, you must file  
Form DTF-95. If only your address has changed, you may  
file Form DTF-96. You can get these forms from our Web  
site, by phone, or by fax. See the *Need help?* in the  
instructions.

Audit (Tax Department use only)

Principal business activity WATER COMPANY

Has the corporation revoked its election to be treated as a New York S corporation?

Number of shareholders

Yes ☐No ☒

If Yes, enter effective date:

☐ 1

Payment enclosed

A Pay amount shown on line 48. Make check payable to: **New York State Corporation Tax**

Attach your payment here. Detach all check stubs. (see instructions for details.)

☒ A.

100.

**You must attach a copy of the following: (1) federal Form 1120S as filed; (2) Form CT-34-SH; (3) Form CT-3-S-ATT  
(if required, see instructions); and (4) any applicable credit claim forms.**

B If you filed a return(s) other than federal Form 1120S, enter the form number(s) here: ☐C If you included a qualified subchapter S subsidiary (QSSS) in this return, mark an **X** in the box and attach Form CT-60-QSSS ☒D Mark an **X** in the box **only if you need a tax packet** mailed to you next year (see instructions) ☒E Enter your business allocation percentage (if you did not complete Form CT-3-S-ATT, Schedule A, you must enter either 0 or 100) ☐ 100.0000 %F Enter your investment allocation percentage (if you did not complete Form CT-3-S-ATT, Schedule B, you must enter either 0 or 100) ☐ 100.0000 %G Did the S corporation make an IRC section 338 or 453 election? ☐ Yes ☐ No ☒ XH Did this entity have an interest in real property located in New York State during the last three years? ☐ Yes ☒ X ☐ NoI Has there been a transfer or acquisition of a controlling interest in this entity during the last three years? ☐ Yes ☐ No ☒ XJ If the IRS has completed an audit of any of your returns within the last five years, list years ☐K If this return is for a New York S termination year, mark an **X** in the appropriate box to indicate which method of accounting was used for the New York S short year (see instructions) ☐ Normal accounting rules ☐ Daily pro rata allocationL Issuer's allocation percentage (see instructions) ☐ 100.0000 %M Mark an **X** in the box if you are filing Forms CT-3-S as a result of the mandatory New York S election of Tax Law section 660(i) ☐

NYS0312 11/01/07

44001071030

CHAFFEE WATER WORKS COMPANY, INC. 06-0878467

**Provide the information for lines 1 through 10 from the corresponding lines on your federal Form 1120S, Schedule K, total amount column.** (Show any negative amounts with a minus (-) sign; do not use parentheses or brackets.)

1	Ordinary business income or loss	•	1.	4,636.
2	Net rental real estate income or loss	•	2.	
3	Other net rental income or loss	•	3.	
4	Interest income	•	4.	
5	Ordinary dividends	•	5.	
6	Royalties	•	6.	
7	Net short-term capital gain or loss	•	7.	
8	Net long-term capital gain or loss	•	8.	
9	Net section 1231 gain or loss	•	9.	
10	Other income or loss	•	10.	
11	Loans to shareholders (from federal Form 1120S, Schedule L, line 7, columns b and d)			

Beginning of tax year • End of tax year •

**12 Total assets** (from federal Form 1120S, Schedule L, line 15, columns b and d)

Beginning of tax year • 6,919. End of tax year • 14,989.

**13 Loans from shareholders** (from federal Form 1120S, Schedule L, line 19, columns b and d)

Beginning of tax year • 5,526. End of tax year • 12,037.

**Provide the information for lines 14 through 21 from the corresponding lines on your federal Form 1120S, Schedule M-2.** (Show any negative amounts with a minus (-) sign; do not use parentheses or brackets.)

	A	B	C
	Accumulated adjustments account	Other adjustments account	Shareholders' undistributed taxable income previously taxed
14 Balance at beginning of tax year	• -4,091. •	0. •	0.
15 Ordinary income from federal Form 1120S, page 1, line 21	• 4,636. •		
16 Other additions	• •		
17 Loss from federal Form 1120S, page 1, line 21	• •		
18 Other reductions	• 3,077. •		
19 Add lines 14 through 18	• -2,532. •	0. •	0.
20 Distributions other than dividend distributions	• •	•	
21 Balance at end of tax year. Subtract Ln 20 from Ln 19	• -2,532. •	0. •	0.

**Computation of tax** (see instructions)

You must enter an amount on lines 22, 23, and 24 below; if none, enter 0.

22	Gross payroll everywhere	• 22.	0.
23	Total receipts everywhere	• 23.	16,990.
24	Average value of gross assets everywhere	• 24.	10,954.
25	Fixed dollar minimum tax	• 25.	100.
26	Recapture of tax credits	• 26.	
27	Total tax after recapture of tax credits (add lines 25 and 26)	• 27.	100.
28	Special additional mortgage recording tax credit (from Form CT-43)	• 28.	
29	Tax due after tax credits (subtract line 28 from line 27)	■ 29.	100.

CHAFFEE WATER WORKS COMPANY, INC.

06-0878467

**Computation of tax** (continued)**First installment of estimated tax for the next tax period:**

30 Enter amount from line 29 ..... 30. 100.

31 If you filed a request for extension, enter amount from Form CT-5.4, line 2 ..... • 31.

32 If you did not file Form CT-5.4 and line 30 is over \$1,000, enter 25% (.25) of line 30; otherwise enter 0 ..... ■ 32.

33 Add line 30 and line 31 or 32 ..... 33. 100.

**Composition of prepayments:** (see instructions):

Date paid

Amount

34 Mandatory first installment ..... 34.

35 Second installment from Form CT-400 ..... 35.

36 Third installment from Form CT-400 ..... 36.

37 Fourth installment from Form CT-400 ..... 37.

38 Payment with extension request from Form CT-5.4 ..... 38.

39 Overpayment credited from prior years ..... 39.

40 Total prepayments (add lines 34 through 39) ..... • 40.

41 Balance (subtract line 40 from line 33; if line 40 is larger than line 33, enter 0) ..... 41. 100.

42 Penalty for underpayment of estimated tax (mark an X in the box if Form CT-222 is attached) ..... • 42. 0.

43 Interest on late payment ..... • 43.

44 Late filing and late payment penalties ..... • 44.

45 Balance (add lines 41 through 44) ..... 45. 100.

**Voluntary gifts/contributions** (see instructions):

46a Return a Gift to Wildlife ..... ■ 46a.

46b Breast Cancer Research and Education Fund ..... ■ 46b.

46c Prostate Cancer Research, Detection, and Education Fund ..... ■ 46c.

46d World Trade Center Memorial Foundation Fund ..... ■ 46d.

47 Add lines 33, 42, 43, 44, and 46a through 46d ..... 47. 100.

48 Balance due (if line 40 is less than line 47, subtract line 40 from line 47 and enter here. this is the amount due; enter your payment amount on line A on page 1) ..... ■ 48. 100.

49 Overpayment (if line 40 is more than line 47, subtract line 47 from line 40 and enter here. This is the amount of your overpayment; see instructions.) ..... 49.

50 Amount of overpayment to be credited to next period ..... ■ 50.

51 Refund of overpayment (subtract line 50 from line 49) ..... ■ 51.

52 If you claim a refund of unused special additional mortgage recording tax credit, enter the amount from Form CT-43, line 13 (see instructions) ..... ■ 52.

53 Amount of special additional mortgage recording tax credit to be applied as an overpayment to next period ..... ■ 53.

Third party

**designee** Do you want to allow another person to discuss this return with the Tax Dept? (see instructions)

Yes X

(complete the following)  
Personal identification  
number (PIN)

No

Designee's name Preparer

Designee's phone number

**Certification:** I certify that this return and any attachments are to the best of my knowledge and belief true, correct, and complete.

Signature of authorized person

Official title

Date

Signature of individual preparing this return

Firm's name (or yours if self-employed)

KENNETH S. FRANK, CPA

R.A. MERCER &amp; CO. P.C.

Address 12250 OLEAN RD P.O. BOX 218

City SARDINIA

State ZIP Code  
NY 14134ID number  
16-1207156Date  
02-13-08

See instructions for where to file.

NYS0334 11/01/07

44003071030

# **Computation and Allocation of Capital and Issuer's Allocation Percentage Worksheet**

2007

Name

CHAFFEE WATER WORKS COMPANY, INC.

Employer Identification Number

06-0878467

## **Computation and Allocation of Capital**

	<b>A</b> Beginning of year	<b>B</b> End of year	<b>C</b> Average value
<b>1</b> Total assets from federal return .....	<u>6,919.</u>	<u>14,989.</u>	<u>10,954.</u>
<b>2</b> Real property and marketable securities included on line 1 .....			
<b>3</b> Subtract line 2 from line 1 .....	<u>6,919.</u>	<u>14,989.</u>	<u>10,954.</u>
<b>4</b> Real property and marketable securities at fair market value .....			
<b>5</b> Adjusted total assets (add lines 3 and 4) .....	<u>6,919.</u>	<u>14,989.</u>	<u>10,954.</u>
<b>6</b> Total liabilities .....	<u>5,526.</u>	<u>12,037.</u>	<u>8,782.</u>
<b>7</b> Total capital (subtract line 6, column C, from line 5, column C) .....			<u>2,172.</u>
<b>8</b> Subsidiary capital (from line 17) .....			
<b>9</b> Business and investment capital (subtract line 8 from line 7) .....			<u>2,172.</u>
<b>10</b> Investment capital (from Form CT-3-ATT, pg 2, line 38, column E) .....			<u>0.</u>
<b>11</b> Business capital (subtract line 10 from line 9) .....			<u>2,172.</u>
<b>12</b> Allocated investment capital (multiply line 10 by <u>100.0000</u> % (from Form CT-3-ATT, pg 2, line 36)) .....			<u>0.</u>
<b>13</b> Allocated business capital (multiply line 11 by <u>100.0000</u> % (from Form CT-3-ATT, pg 1-2, lines 18, 32, or 34)) .....			<u>2,172.</u>
<b>14</b> Allocated subsidiary capital (from line 18) .....			
<b>15</b> Issuer's allocation percentage or license fee allocation percentage (add lines 12, 13, and 14, and divide by line 7; enter here and on page 1, line L of Form CT-3-S) ....	<b>15</b>	<u>100.0000</u> %	



**Computation and Allocation of Subsidiary Capital**

Include all corporations (except a DISC) in which you own more than 50% of the voting stock.

A Item	Description of subsidiary capital					EIN
	B Percentage Voting stock owned	C Average value	D Liabilities directly or indirectly attributable to investment capital	E Net average value (column C minus column D)	F Issuer's allocation percentage	G Value allocated to New York State (column E x column F)
A						
B						
C						
Amounts from attached list .....						
16	Totals (add amounts in columns C and D) .....					
17	Total net average value of subsidiary capital (add amounts in column E; enter here and on line 8) .....					
18	Allocated subsidiary capital (add column G amounts; enter here and on line 18)					18

**CT-34-SH**

2007

New York State Department of Taxation and Finance

Staple forms here

**New York S Corporation  
Shareholders' Information Schedule**  
Attachment to Form CT-3-S or CT-32-S

Name

CHAFFEE WATER WORKS COMPANY, INC.

Employer ID number

06-0878467

**Schedule A — Shareholders' New York State modifications and credits** (Enter the total amount reported by the New York S corporation on each line. Each shareholder must include his or her pro rata share of these amounts on his or her personal income tax return.)

**Part 1 — Total shareholder modifications related to S corporation items****Additions**

- 1 New York State franchise tax imposed under Article 9-A or Article 32 ..... 1.
- 2 Federal depreciation deduction from Form CT-399, if applicable (*see instructions*) ..... 2.
- 3 Other additions (*see instructions and attach explanation*) ..... 3.

**Subtractions**

- 4 Allowable New York depreciation from Form CT-399, if applicable (*see instructions*) ..... 4.
- 5 Other subtractions (*see instructions and attach explanation*) ..... 5.

**Other items** (*see instructions and attach explanation*)

- 6 Additions to federal itemized deductions ..... 6.
- 7 Subtractions from federal itemized deductions ..... 7.
- 8 New York State adjustments to federal tax preference items ..... 8.

**Part 2 — Total S corporation New York State credits and taxes on early dispositions****Credits and taxes on early dispositions**

- 9 Investment tax credit, retail enterprise tax credit, historic barn credit, and employment incentive credit (*attach Form CT-46 and, if applicable, Form CT-46-ATT*) ..... • 9.
- 10 Investment tax credit on research and development property (*attach Form CT-46*) ..... • 10.
- 11 Investment tax credit for financial services industry (*attach Form CT-44*) ..... • 11.
- 12 Tax on early dispositions — investment tax credit, retail enterprise tax credit, historic barn credit, investment tax credit on research and development property, or investment tax credit for financial services industry (*attach Form CT-44 or CT-46*) ..... • 12.

**Empire zone (EZ) tax credits**

- 13 EZ wage tax credit (*attach Form CT-601*) ..... • 13.
- EZ capital tax credit:**
- 14a Investments in certified EZ businesses (*from Form CT-602*) ..... • 14a.
- 14b Monetary contributions to EZ community development projects (*attach Form CT-602*) ..... • 14b.
- 15 EZ investment tax credit (*attach Form CT-603*) ..... • 15.
- 16 EZ investment tax credit for financial services industry (*attach Form CT-605*) ..... • 16.
- 17 Recaptured tax credit — EZ capital tax credit, EZ investment tax credit, or EZ investment tax credit for financial services industry (*attach Form CT-602, CT-603, or CT-605*) ..... • 17.

**Qualified empire zone enterprise (QEZE) tax credits** (*attach Forms CT-604 and CT-606; corporate partners, see instructions*)

- 18 QEZE real property tax credit allowed (*attach Form CT-606*) ..... • 18.
- 19 Net recapture of QEZE real property tax credit (*attach Form CT-606*) ..... • 19.
- QEZE tax reduction credit** (*attach Form CT-604*):
- 20 QEZE employment increase factor ..... • 20.
- 21 QEZE zone allocation factor ..... • 21.
- 22 QEZE benefit period factor ..... • 22.

**Part 2 — Total S corporation New York State credits and taxes on early dispositions** *(continued)***Farmers' school tax credit** *(see instructions)*

23	Total acres of qualified agricultural property .....	• 23.
24	Total amount of eligible school district property taxes paid .....	• 24.
25	Total acres of qualified agricultural property converted to nonqualified use .....	• 25.
26	Total acres of qualified conservation property .....	• 26.

**Other credits**

27a	Alternative fuels credit <i>(attach Form CT-40)</i> .....	• 27a.
27b	Recapture of alternative fuels credit <i>(attach Form CT-40)</i> .....	• 27b.
28	Credit for employment of persons with disabilities <i>(attach Form CT-41)</i> .....	• 28.
29	QETC employment credit <i>(attach Form DTF-621)</i> .....	• 29.
30	QETC capital tax credit <i>(attach Form DTF-622)</i> .....	• 30.
31	Recapture of QETC capital tax credit <i>(attach Form DTF-622)</i> .....	• 31.
32	Empire State commercial production credit <i>(attach Form CT-246)</i> .....	• 32.
33	Credit for purchase of an automated external defibrillator <i>(attach Form CT-250)</i> .....	• 33.
34	Low-income housing credit <i>(attach Form DTF-624)</i> .....	• 34.
35	Recapture of low-income housing credit <i>(attach Form DTF-626)</i> .....	• 35.
36	Green building credit <i>(attach Form DTF-630)</i> .....	• 36.
37	Long-term care insurance credit <i>(attach Form CT-249)</i> .....	• 37.
38	Empire state film production credit <i>(attach Form CT-248)</i> .....	• 38.
39a	Brownfield redevelopment tax credit — site preparation credit component <i>(attach Form CT-611)</i> .....	• 39a.
39b	Brownfield redevelopment tax credit — tangible property credit component <i>(attach Form CT-611)</i> .....	• 39b.
39c	Brownfield redevelopment tax credit — on-site ground water remediation credit component <i>(attach Form CT-611)</i> .....	• 39c.
40	Recapture of brownfield redevelopment credit <i>(attach Form CT-611)</i> .....	• 40.
41	Remediated brownfield credit for real property taxes <i>(attach Form CT-612)</i> .....	• 41.
42	Recapture of remediated brownfield credit for real property taxes <i>(attach Form CT-612)</i> .....	• 42.
43	Environmental remediation insurance credit <i>(attach Form CT-613)</i> .....	• 43.
44	Recapture of environmental remediation insurance credit <i>(attach Form CT-613)</i> .....	• 44.
45a	QETC research and development property credit component <i>(attach Form DTF-619)</i> .....	• 45a.
45b	QETC qualified research expenses credit component <i>(attach Form DTF-619)</i> .....	• 45b.
45c	QETC qualified high-technology training expenditures credit component <i>(attach Form DTF-619)</i> .....	• 45c.
46	Security officer training tax credit <i>(attach Form CT-631)</i> .....	• 46.
47	Fuel cell electric generating equipment tax credit <i>(attach Form CT-259)</i> .....	• 47.
48	Biofuel production credit <i>(attach Form CT-243)</i> .....	• 48.
49	Clean heating fuel tax credit <i>(attach Form CT-241)</i> .....	• 49.
50	Handicapped-accessible taxicabs and livery service vehicles credit <i>(attach Form CT-239)</i> .....	• 50.
51	Rehabilitation of historic properties credit <i>(attach Form CT-238)</i> .....	• 51.
52	Recapture of rehabilitation of historic properties credit <i>(attach Form CT-238)</i> .....	• 52.
53	Other tax credit(s) <i>(see instructions)</i> .....	• 53.

CHAFFEE WATER WORKS COMPANY, INC.

06-0878467

CT-34-SH (2007) Page 3 of 3

**Schedule B – Shareholders' identifying information**(Photocopy Schedule B, as needed, attach additional sheets, and mark an **X** in the box .)

<b>A</b> For each shareholder, enter last name, first name, middle initial on first line; enter home address on second, third, and fourth lines. (attach federal Schedule K-1 for each shareholder)	<b>B</b> Identifying number (SSN or EIN)	<b>C</b> Percentage of ownership	<b>D</b> Shareholder residency status (make only 1 entry) 1 for NY State 2 for city of NY 3 for city of Yonkers 4 for NYS nonres	<b>E</b> Shareholder entity status (make only 1 entry) I for individual F for estate or trust E for exempt organization
• 1. RODNEY FRANZ 13419 ALLEN ROAD  CHAFFEE NY 14030	• 1. 134-56-5456	• 100.0000	• 1	• I
• 2.	• 2.	•	•	•
• 3.	• 3.	•	•	•
• 4.	• 4.	•	•	•
• 5.	• 5.	•	•	•
• 6.	• 6.	•	•	•
• 7.	• 7.	•	•	•
• 8.	• 8.	•	•	•
• 9.	• 9.	•	•	•
• 10.	• 10.	•	•	•
• 11.	• 11.	•	•	•

**Schedule K-1****Form  
CT-3-S****New York Schedule K-1 Equivalent****For calendar year 2007 or tax year****2007****beginning****, 2007, and ending**

Shareholder's Identification Number

134-56-5456

Corporation's Identification Number

06-0878467

Shareholder's Name, Address and ZIP Code

RODNEY FRANZ  
13419 ALLEN ROAD  
CHAFFEE, NY 14030

Corporation's Name, Address and ZIP Code

CHAFFEE WATER WORKS COMPANY, INC.  
  
13419 ALLEN ROAD  
CHAFFEE, NY 14030

Check if NYS Nonresident

Number of shares:

1

From:

01-01-07

To:

12-31-07

Percentage of stock ownership:

100.00000

**Shareholders' Share of Income, Credits, Deductions, Etc****New York Amount  
(Nonresidents Only)****Federal  
K-1 Amount**

1	Ordinary business income (loss)		4,636.
2	Net rental real estate income (loss)		
3	Other net rental income (loss)		
4	Interest income		
5	Ordinary dividends		
6	Royalties		
7	Net short-term capital gain (loss)		
8	Net long-term capital gain (loss)		
9	Net section 1231 gain (loss)		
10	Other income (loss)		
11	Total income (loss) (add lines 1 through 10)		4,636.
12	Section 179 expense deduction		3,077.
13	Other deductions		
14	Total deductions (add lines 12 through 13)		3,077.
15	Investment interest expense		
16	Total foreign taxes paid		
17	Property distributions		
18	Repayment of loans from shareholders		

**Schedule A, Part I – Shareholders' Shares of Changes from Federal Items****Additions**

19	New York franchise tax imposed under Article 9-A	19	
20	Federal depreciation deduction (from Form CT-399)	20	
21	Other additions	21	

**Subtractions**

22	Allowable New York depreciation (from Form CT-399)	22	
23	Other subtractions	23	

**Other Items**

24	Additions to federal itemized deductions	24	
25	Subtractions from federal itemized deductions	25	
26	New York State adjustments to federal tax preference items	26	

**Schedule A, Part II – Shareholders' Shares of New York S Corporation's New York State Tax Credits and Taxes on Early Dispositions**

27	Investment Tax Credit, Retail Enterprise Tax Credit, Historic Barns Credit and Employment Incentive Credit	27	
28	Investment Tax Credit on research and development property at the optional rate	28	
29	Tax on early dispositions – Investment Tax Credit, Retail Enterprise Tax Credit, Historic Barn Credit, or Research and Development Tax Credit	29	
30	Investment Tax Credit for financial services industry	30	
31	EZ Wage Tax Credit	31	
32	Investments in certified EZ business	32	
33	Monetary contributions to EZ community development projects	33	
34	EZ Investment Tax Credit	34	
35	EZ Investment Tax Credit for financial services industry	35	
36	Recaptured tax credit - EZ capital tax credit, EZ investment tax credit, or EZ investment tax credit for financial service industry	36	
37	QEZE credit for real property tax credit allowed	37	
38	Recapture of QEZE real property tax credit	38	
39	QEZE employment increase factor	39	
40	QEZE zone allocation factor	40	
41	QEZE benefit period factor	41	
42	Total acres of qualified agricultural property	42	
43	Total amount of eligible taxes paid	43	

## Federal Column

NYSW0112 12/28/07

CHAFFEE WATER WORKS COMPANY, INC. 06-0878467

1

Form CT-3-S, Page 2, Line 18

**Other Reductions**

SECTION 179 EXPENSE	3,077.
---------------------	--------

Total	<u>3,077.</u>
-------	---------------

working log of receipts

[illegible]



[illegible]

[illegible]

Date	Check Number	Payee	P.D.	F.D.	Advertising	Auto/Travel (Miles)	Gas <del>Cleaning</del>	ADT <del>Commissions</del>	Electricity	Gardening/ Yardwork	AOL <del>+</del>	AAA Insurance	Church of Christ <del>+</del>	paper <del>Academy</del>
		total income							1794.05					
		17,200/yr				60							204.98	
						20								11.91
						10								8.88
						20								6.56
										35.63				
						20								10.80
						6				6.58				
						20								7.60
						20								1.07
						20								15.75
						15				10.00				
								458.28						
												112.62		
											286.80			
										542				
										43.30				
							4911.57							
		Leak fix												
		on Allen Rd												
		FRH Construction												
		4690.40												
Subtotal		Partially Deductible												
		Fully Deductible												
Balance Forward		Partially Deductible				(211)	4911.57	458.28	1794.05	100.93	286.80	112.62	204.98	62.57
		Fully Deductible												
Total		Partially Deductible												
		Fully Deductible												

\* Partially Deductible \*\* Fully Deductible

211 miles

4911.57 458.28 1794.05 100.93 286.80 112.62 204.98 62.57

✓

✓

✓

✓

✓

Total 7931.80



[illegible]

634.62

3031.37 5600<sup>00</sup>

11.051500

346.51

- \* Partially Deductible

• • Fully Deductible

1590.97

200.00

917.69

71.02

total 2779.08

## EXPENSES

Water camp 2006

Legal and Acc'ting	Manage- ment Fees	Office Supplies	Pest Control	REPAIRS							Salaries	Supplies	Taxes and Licenses	Telephone	<del>          </del>	Misc.
				Carpentry	Decorating	Electrical	Furnace	Painting	Plumbing	Roofing						
400.92																
2299.90																
		39.00														
													100.00			
													150.00			
																750.00 compo fixed to
													882.13			
													85.00			
																600.00 used compu
									214.71							
									15.64							
									29.86							
									123.90							
									20.62							
		148.00							39.48							
												32.47				
												14.71				
									27.50							
												23.76				
				4.85												Video 29.76
												5.19				
2700.82		187.00		4.85					471.71			76.13	1132.13			1379.76
2700.82		187.00		4.85					471.71			76.13	1132.13			1379.76

Total 5957 53



Water Com 2006

RENTAL

6

Date	Check Number	Payee	P.D. ✓	F.D. ✓	Advertising	Auto/Travel (Miles)	Cleaning	Commissions	Electricity	Gardening/ Yardwork	Heat	AOL <del>Insurance</del>	Interest	Bleed <del>Donor</del>
														36.50
														7.40
										18.53				
														88.78
														92.70
														18.01
														7.40
										7.07				
										32.60				
														32.63
														26.36
														22.19
														62.34
										29.63				
														44.37
										15.66				
										40.84				
														44.37
														3.68
														63.60
														24.94
														71.02
										2023.22				
		AOL										310.80		
Subtotal		Partially Deductible							2023.22	144.33		310.80		646.29
		Fully Deductible												
Balance Forward		Partially Deductible												
		Fully Deductible												
Total		Partially Deductible												
		Fully Deductible												

\* Partially Deductible \*\* Fully Deductible

2023.22 144.33

310.80

646.29

TOTAL 2124.64

total 662.24

2007

## Receipt log

Toll 559.92

paper	plow	steel
-------	------	-------

[illegible]

Gas

Insurance

1349.20

545.74

## CAPITAL EXPENDITURES

Total 6218.23

## EXPENSES

Legal and Acc'ting	Manage- ment Fees	Office Supplies	ADT Res. Control	REPAIRS						Supplies	Taxes and Licenses	Telephone	Wages	Water	Misc.
				Carpentry	Decorating	Electrical	Furnace	Painting	Plumbing	Roofing					
406.00															
												2306.60			
												2028.31			
			456.60												
											108.10				
	401.63														
		13.54													
		14.86													
		81.01													
		7.46													
		36.00													
														103.14	
					32.58										
									98.45						
													10.80		
		6.49													
		23.66													
		41.00													
					3.93										
									16.09						
		1.74													
					10.79										
		15.15													
406.00	401.63	235.21	456.60		47.30				114.54		108.10	4334.91	10.80		103.14
406.00	401.63	235.21	456.60		47.30				114.54		108.10	4334.91	10.80		103.14

Reed's Chattahoochee  
Water Co.

Total  
7149.63

Legal and Acc'ting	Manage- ment Fees	Office Supplies	<del>Control</del>	REPAIRS							Leak Supplies	Taxes and Licenses	Telephone	Wages	Water	Misc
				Carpentry	<del>Demolition</del>	Electrical	Furnace	Painting	Plumbing	<del>Roofing</del>						
													346.87			
													526.21			
													954.14			
													1227.03			
			203.40													
															223.11	
															123.52	
	170.00															
406.00													168.10			
										31.00						
													100.00			
										31.00						
																105.40
																91.00
																103.14
																25.00
															47.84	
					150.67											
										1099.96						
											209.33					
																167.87
100.00																
	75.00															
506.00		467.04	203.40		150.67					1099.96		209.33	208.10	3054.88	444.47	499.75

506.00	245.00	467.00	202.40
--------	--------	--------	--------

150.67

1099 9/16 620

209.33 700

Notes

44447 499 10

[illegible]



## RENTAL INCOME

[illegible]

## CAPITAL EXPENDITURES

Date	Description	Cost
	Air compressor	166.12
	regarding supplies	32.58
	pump	3077.11
	Air Compressor supplies	108.68
	Leak 11389	
	Olean Rd	5540.00
	Leak 11600	3500.00
	Olean Rd	
Total		12424.49

[illegible]



CT-34-SH

Staple forms here

New York State Department of Taxation and Finance

**New York S Corporation  
Shareholders' Information Schedule**  
Attachment to Form CT-3-S, CT-4-S, CT-3-S-A/C, or CT-32-S

Name <b>CHAFFEE WATER WORKS COMPANY, INC.</b>	Employer identification number <b>06-0878467</b>
--	---

**Schedule A – Shareholders' New York State modifications and credits** (Enter the total amount reported by the New York S corporation on each line. Each shareholder must include his or her pro rata share of these amounts on his or her personal income tax return.)

**Part I – Total shareholder modifications related to S corporation items**

**Additions**

- |  |    |      |
|--|----|------|
| 1 New York State franchise tax imposed under Article 9-A or Article 32 .....                       | 1. | 100. |
| 2 Federal depreciation deduction from Form CT-399, if applicable ( <i>see instructions</i> ) ..... | 2. |      |
| 3 Other additions ( <i>see instructions and attach explanation</i> ) .....                         | 3. |      |

**Subtractions**

- |   |    |  |
|---|----|--|
| 4 Allowable New York depreciation from Form CT-399, if applicable ( <i>see instructions</i> ) ..... | 4. |  |
| 5 Other subtractions ( <i>see instructions and attach explanation</i> ) .....                       | 5. |  |

**Other items** (*see instructions and attach explanation*)

- |  |    |  |
|--|----|--|
| 6 Additions to federal itemized deductions ( <i>see instructions</i> ) .....                   | 6. |  |
| 7 Subtractions from federal itemized deductions ( <i>see instructions</i> ) .....              | 7. |  |
| 8 New York State adjustments to federal tax preference items ( <i>see instructions</i> ) ..... | 8. |  |

**Part II – Total S corporation New York State credits and taxes on early dispositions**  
(do not complete if filing Form CT-4-S)

**Credits and taxes on early dispositions**

- |  |   |     |  |
|--|---|-----|--|
| 9 Investment tax credit, retail enterprise tax credit, historic barn credit, and employment incentive credit ( <i>attach Form CT-46 and, if applicable, Form CT-46-ATT</i> ) .....   | • | 9.  |  |
| 10 Investment tax credit on research and development property ( <i>attach Form CT-46</i> ) .....   | • | 10. |  |
| 11 Investment tax credit for financial services industry ( <i>attach Form CT-44</i> ) .....  | • | 11. |  |
| 12 Tax on early dispositions – investment tax credit, retail enterprise tax credit, historic barn credit, investment tax credit on research and development property, or investment tax credit for financial services industry ( <i>attach Form CT-44 or CT-46</i> ) ..... | • | 12. |  |

**Empire zone (EZ) tax credits**

- |  |   |      |  |
|--|---|------|--|
| 13 EZ wage tax credit ( <i>attach Form CT-601</i> ) .....  | • | 13.  |  |
| <b>EZ capital tax credit:</b>  |   |      |  |
| 14a Investments in certified EZ businesses ( <i>from Form CT-602</i> ) .....   | • | 14a. |  |
| 14b Monetary contributions to EZ community development projects ( <i>from Form CT-602</i> ) .....  | • | 14b. |  |
| 15 EZ investment tax credit ( <i>attach Form CT-603</i> ) .....  | • | 15.  |  |
| 16 EZ investment tax credit for financial services industry ( <i>attach Form CT-605</i> ) .....  | • | 16.  |  |
| 17 Recaptured tax credit – EZ capital tax credit, EZ investment tax credit, or EZ investment tax credit for financial services industry ( <i>attach Form CT-602, CT-603, or CT-605</i> ) ..... | • | 17.  |  |

**Qualified empire zone enterprise (QEZE) tax credits** (*attach Forms CT-604 and CT-606*)

- |   |   |     |  |
|---|---|-----|--|
| 18 QEZE real property tax credit allowed ( <i>attach Form CT-606</i> ) .....      | • | 18. |  |
| 19 Recapture of QEZE real property tax credit ( <i>attach Form CT-606</i> ) ..... | • | 19. |  |
| <b>QEZE tax reduction credit:</b>   |   |     |  |
| 20 QEZE employment increase factor ( <i>from Form CT-604</i> ) .....              | • | 20. |  |
| 21 QEZE zone allocation factor ( <i>from Form CT-604</i> ) .....                  | • | 21. |  |
| 22 QEZE benefit period factor ( <i>from Form CT-604</i> ) .....                   | • | 22. |  |

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(continued)

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**Part II – Total S corporation New York State credits and taxes on early dispositions**  
(do not complete if filing Form CT-4-S) (continued)**Farmers' school tax credit**

23	Total acres of qualified agricultural property .....	•	23.	
24	Total amount of eligible taxes paid .....	•	24.	
25	Total acres of qualified agricultural property converted to nonqualified use .....	•	25.	
26	Total acres of qualified conservation property .....	•	26.	

**Other credits**

27	Recapture of alternative fuels credit (attach Form CT-40) .....	•	27.	
28	Credit for employment of persons with disabilities (attach Form CT-41) .....	•	28.	
29	QETC employment credit (attach Form DTF-621) .....	•	29.	
30	QETC capital tax credit (attach Form DTF-622) .....	•	30.	
31	Recapture of QETC capital tax credit (attach Form DTF-622) .....	•	31.	
32	Industrial or manufacturing business (IMB) credit (attach Form DTF-623) .....	•	32.	
33	Credit for purchase of an automated external defibrillator (attach Form CT-250) .....	•	33.	
34	Low-income housing credit (attach Form DTF-624) .....	•	34.	
35	Recapture of low-income housing credit (attach Form DTF-626) .....	•	35.	
36	Green building credit (attach Form DTF-630) .....	•	36.	
37	Long-term care insurance credit (attach Form CT-249) .....	•	37.	
38	Empire state film production credit (attach Form CT-248) .....	•	38.	
39a	Brownfield redevelopment credit – site preparation credit component (attach Form CT-611) .....	•	39a.	
39b	Brownfield redevelopment credit – tangible property credit component (attach Form CT-611) .....	•	39b.	
39c	Brownfield redevelopment credit – on-site ground water remediation credit component (attach Form CT-611) .....	•	39c.	
40	Recapture of brownfield redevelopment credit (attach Form CT-611) .....	•	40.	
41	Remediated brownfield credit for real property taxes (attach Form CT-612) .....	•	41.	
42	Recapture of remediated brownfield credit for real property taxes (attach Form CT-612) .....	•	42.	
43	Environmental remediation insurance credit (attach Form CT-613) .....	•	43.	
44	Recapture of environmental remediation insurance credit (attach Form CT-613) .....	•	44.	
45	QETC facilities, operations, and training credit (attach Form DTF-619) .....	•	45.	
46	Other tax credit(s) .....	•	46.	
	(see instructions)			
	.....			
	.....			

**Schedule B – Shareholders' identifying information**

(Photocopy Schedule B, as needed, attach additional sheets, and mark an X in the box . . . . .)

<b>A</b> For each shareholder, enter last name, first name, middle initial on first line; enter home address on second and third lines.  (attach federal Schedule K-1 for each shareholder)	<b>B</b> Identifying number (SSN or EIN)	<b>C</b> Percentage of ownership	<b>D</b> Shareholder residency status (make only 1 entry) 1 - NY State 2 - city of NY 3 - city of Yonkers 4 - NYS nonresident	<b>E</b> Shareholder entity status (make only 1 entry) 1 - individual F - estate or trust E - exempt organization
• 1. RODNEY FRANZ 13419 ALLEN ROAD CHAFFEE NY 14030	• 1. 134-56-5456	• 100.000	• 1	• I
• 2.	• 2.	•	•	•
• 3.	• 3.	•	•	•
• 4.	• 4.	•	•	•
• 5.	• 5.	•	•	•
• 6.	• 6.	•	•	•
• 7.	• 7.	•	•	•
• 8.	• 8.	•	•	•
• 9.	• 9.	•	•	•
• 10.	• 10.	•	•	•
• 11.	• 11.	•	•	•



## CT-3-S-ATT

[ Staple forms here ]

New York State Department of Taxation and Finance

Schedules A, B, C, D, and E –  
Attachment to Form CT-3-S

Name <b>CHAFFEE WATER WORKS COMPANY, INC.</b>	Employer identification number <b>06-0878467</b>
--	---

Attach to Form CT-3-S, New York S Corporation Franchise Tax Return.

**Schedule A – Business allocation percentage** (see instructions)**Part I – Computation of business allocation percentage** (see instructions)Did you make an election to use fair market value in your property factor? ..... Yes ☐ No ☒ XIf this is your first tax year, are you making the election to use fair market value in your property factor? ..... Yes ☐ No ☐**Average value of property** (see instructions)

		A. New York State	B. Everywhere
1 Real estate owned .....	1.		
2 Real estate rented (attach list) .....	2.		
3 Inventories owned .....	3.		
4 Tangible personal property owned .....	4.		
5 Tangible personal property rented .....	5.		
6 Total (add lines 1 through 5) .....	6.		
7 New York State property factor (divide line 6, column A, by line 6, column B) .....	7.		%

**Receipts in the regular course of business from:**

8 Sales of New York State tangible personal property .....	8.		
9 All sales of tangible personal property .....	9.		
10 Services performed .....	10.		
11 Rentals of property .....	11.		
12 Royalties .....	12.		
13 Other business receipts .....	13.		
14 Total (add lines 8 through 13) .....	14.		
15 New York State business receipts factor (divide line 14, column A, by line 14, column B) .....	15.		%

**Payroll**

16 Total wages and other compensation of employees except general executive officers .....	16.		
17 New York State payroll factor (divide line 16, column A, by line 16, column B) .....	17.		%
18 Total New York State factors (add lines 7, 15, and 17) .....	18.		%
19 Business allocation percentage (see instructions) .....	19.		100.0000 %

**Part II – Computation of business allocation percentage for aviation corporations** (see instructions)

		A. New York State	B. Everywhere
20a Revenue aircraft arrivals and departures .....	20a.		
20b Adjustment per Tax Law section 210.3(a)(7)(A) .....	20b.	.60	
20c Adjusted NYS revenue aircraft arrivals and departures (in column A, multiply line 20a by line 20b (.60)) .....	20c.		
21 New York percentage (divide line 20c, column A, by line 20a, column B) .....	21.		%
22a Revenue tons handled .....	22a.		
22b Adjustment per Tax Law section 210.3(a)(7)(A) .....	22b.	.60	
22c Adjusted NYS revenue tons handled (in column A, multiply line 22a by line 22b (.60)) .....	22c.		
23 New York percentage (divide line 22c, column A, by line 22a, column B) .....	23.		%
24a Originating revenue .....	24a.		
24b Adjustment per Tax Law section 210.3(a)(7)(A) .....	24b.	.60	
24c Adjusted NYS originating revenue (in column A, multiply line 24a by line 24b (.60)) .....	24c.		
25 New York percentage (divide line 24c, column A, by line 24a, column B) .....	25.		%
26 Total (add lines 21, 23, and 25) .....	26.		%
27 Business allocation percentage (divide line 26 by three; use to compute line 42 and Form CT-3-S, line 20) .....	27.		%

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CHAFFEE WATER WORKS COMPANY, INC.

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Form CT-3-S-ATT (2005) Page 2

**Part III – Computation of business allocation percentage for trucking and railroad corporations** (see instructions)

	A. New York State	B. Everywhere
28 Revenue miles (see instructions) • 28.		
29 Business allocation percentage (divide line 28, column A, by line 28, column B; use to compute line 42 and Form CT-3-S, line 20) • 29.		%

**Schedule B – Computation and allocation of capital** (enter whole dollars for lines 30 through 35; see instructions)

Complete Schedule B if the New York S corporation has subsidiary capital, investment capital, is incorporated in a state other than New York State, or had a business allocation percentage of less than 100% on Schedule A.

	A. Beginning of year	B. End of year	C. Average value
30 Total assets from federal return • 30.	6,276.	6,976.	6,626.
31 Real property and marketable securities included on line 30 • 31.			
32 Subtract line 31 from line 30 • 32.	6,276.	6,976.	6,626.
33 Real property and marketable securities at fair market value • 33.			
34 Adjusted total assets (add lines 32 and 33) • 34.	6,276.	6,976.	6,626.
35 Total liabilities (see instructions) • 35.	0.	1,525.	763.
36 Total capital (subtract line 35, column C, from line 34, column C) • 36.			5,863.
37 Subsidiary capital (from line 46) • 37.			
38 Business and investment capital (subtract line 37 from line 36) • 38.			5,863.
39 Investment capital (from line 55, column E) • 39.			0.
40 Business capital (subtract line 39 from line 38) • 40.			5,863.
41 Allocated investment capital (multiply line 39 by 100.0000 % (from line 53)) • 41.			0.
42 Allocated business capital (multiply line 40 by 100.0000 % (from line 19, 27, or 29)) • 42.			5,863.
43 Allocated subsidiary capital (from line 47) • 43.			
44 Issuer's allocation percentage or license fee allocation percentage (add lines 41, 42, and 43, and divide by line 36; enter here and on page 4 of Form CT-3-S) • 44.		100.0000 %	

**Schedule C – Computation of subsidiary capital and subsidiary income** – Complete Schedule C, Part I and Part II, if the New York S corporation has subsidiary capital. Attach separate sheets, as necessary, displaying this information as formatted below.**Part I – Computation and allocation of subsidiary capital** – Include all corporations (except a DISC) in which you own more than 50% of the voting stock.

Item	A Description of subsidiary capital and employer identification number					
A						
B						
C						
A Item	B % Voting stock owned	C Average value	D Liabilities directly or indirectly attributable to subsidiary capital	E Net average value (column C - column D)	F Issuer's allocation %	G Value allocated to New York State (column E x column F)
A						
B						
C						
Amounts from attached list						
45 Totals (add amounts in columns C and D) • 45.						
46 Total net average value of subsidiary capital (add amounts in column E; enter here and on line 37) • 46.						
47 Allocated subsidiary capital (add column G amounts; enter here and on line 43) • 47.						

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CHAFFEE WATER WORKS COMPANY, INC.

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Form CT-3-S-ATT (2005) Page 3

**Part II – Income attributable to subsidiary capital**

48	Interest from subsidiary capital (attach list)	•	48.
49	Dividends from subsidiary capital (attach list)	•	49.
50	Capital gains from subsidiary capital (see instrs; attach list)	•	50.
51	Total (add lines 48 through 50; enter here and on Form CT-3-S, ln 9)	•	51.

**Schedule D – Computation of investment capital and investment income** – Complete Schedule D, Parts I and II, if the New York S Corporation has investment capital. Attach separate sheets, as necessary, displaying this information formatted as below.

**Part I – Computation of investment capital and investment allocation percentage****Section I – Corporate and governmental debt instruments**

**A** – Description of investment (identify each item; for each debt instrument, complete columns B through G on the corresponding lines below)

Item	Debt instrument					
A						
B						
C						
A Item	B Maturity date (mm/dd/yy)	C Average value	D Liabilities directly or indirectly attributable to investment capital	E Net average value (column C - column D)	F Issuer's allocation %	G Value allocated to New York State (column E x column F)
A						
B						
C						
Amounts from attached list						
Totals of Section I						

**Section II – Corporate stock, stock rights, stock warrants, and stock options**

**A** – Description of investment (identify each investment here; for each investment, complete columns B through G on the corresponding lines below)

Item	Investment					
A						
B						
C						
A Item	B Number of shares	C Average value	D Liabilities directly or indirectly attributable to investment capital	E Net average value (column C - column D)	F Issuer's allocation %	G Value allocated to New York State (column E x column F)
A						
B						
C						
Amounts from attached list						
Totals of Section II						

52 Total (add totals of Sections I and II, columns C, D, E, and G)

• 52. • • • •

53 Investment allocation percentage without cash (divide line 52, column G, by line 52, column E).  
Use to complete line 41 and Form CT-3-S, line 19.

• 53. %

54 Cash (optional) • 54. • • •

55 Investment capital (add lines 52 and 54, in columns C, D, and E). Enter column E total here and on line 39

• 55. • • •

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CHAFFEE WATER WORKS COMPANY, INC.

06-0878467

Form CT-3-S-ATT (2005) Page 4

**Part II – Computation of investment income for allocation**

56	Interest income from investment capital in Schedule D, Part I, Section I	•	56.	
57	Interest income from bank accounts	•	57.	0.
58	All other interest income from investment capital	•	58.	
59	Dividend income from investment capital	•	59.	
60	Net capital gain or loss from investment capital	•	60.	
61	Investment income other than interest, dividends, capital gains, or capital losses	•	61.	
62	Total investment income (add lines 56 through 61)	•	62.	0.
63	Interest deductions directly attributable to investment capital (see instructions)	•	63.	0.
64	Noninterest deductions directly attributable to investment capital (see instructions)	•	64.	0.
65	Interest deductions indirectly attributable to investment capital (see instructions)	•	65.	0.
66	Noninterest deductions indirectly attributable to investment capital (see instructions)	•	66.	0.
67	Total deductions (add lines 63 through 66)		67.	0.
68	Balance (subtract line 67 from line 62)	•	68.	
69	Apportioned New York net operating loss deduction (NOLD) (see instructions)	•	69.	
70	Investment income for allocation (subtract line 69 from line 68; enter here and on Form CT-3-S, line 17)	•	70.	0.

**Schedule E – Qualified public utilities and transferees, qualified power producers, and qualified pipeline corporations****Part I – Adjustments for qualified public utilities and transferees**

(See the line instructions for each item below before completing this schedule.)

**Other additions**

71	Federal depreciation deduction for transition property	•	71.	
72	Federal loss on the sale of transition property	•	72.	
73	New York gain on the sale of transition property	•	73.	
74	Add lines 71, 72, and 73 (enter here and include on Form CT-3-S, line 7)	•	74.	

**Other subtractions**

75	New York depreciation deduction for transition property	•	75.	
76	New York loss on the sale of transition property	•	76.	
77	Federal gain on the sale of transition property	•	77.	
78	Transition property basis adjustment carryover to gain transactions	•	78.	
79	Transition property basis adjustment carryover to loss transactions	•	79.	
80	New York regulatory asset deduction	•	80.	
81	Add lines 75 through 80 (enter here and include on Form CT-3-S, line 14)	•	81.	

**Part II – Adjustments for qualified power producers and qualified pipeline corporations****Other additions**

82	Federal depreciation deduction for transition property (enter here and include on Form CT-3-S, line 7)	•	82.	
----	--	---	-----	--

**Other subtractions**

83	New York depreciation deduction for transition property (enter here and include on Form CT-3-S, line 14)	•	83.	
----	--	---	-----	--



**Schedule K-1**

Form

**CT-3-S or CT-4-S****New York Schedule K-1 Equivalent**

For calendar year 2005 or tax year

beginning , 2005, and ending ,

**2005**

Shareholder's Identification Number

134-56-5456

Corporation's Identification Number

06-0878467

Shareholder's Name, Address and ZIP Code

RODNEY FRANZ  
13419 ALLEN ROAD  
CHAFFEE, NY 14030

Corporation's Name, Address and ZIP Code

CHAFFEE WATER WORKS COMPANY, INC.  
  
13419 ALLEN ROAD  
CHAFFEE, NY 14030

Check if NYS Nonresident ☐

Number of shares:

1

From:

01-01-05

To:

12-31-05

**Shareholders' Share of Income, Credits, Deductions, Etc****New York Amount  
(Nonresidents Only)****Federal  
K-1 Amount**

1 Ordinary business income (loss)		-825.
2 Net rental real estate income (loss)		
3 Other net rental income (loss)		
4 Interest income		
5 Ordinary dividends		
6 Royalties		
7 Net short-term capital gain (loss)		
8 Net long-term capital gain (loss)		
9 Net section 1231 gain (loss)		
10 Other income (loss)		
11 Total income (loss) (add lines 1 through 10)		-825.
12 Section 179 expense deduction		
13 Other deductions		
14 Total deductions (add lines 12 through 13)		
15 Investment interest expense		
16 Total foreign taxes paid		
17 Property distributions		
18 Repayment of loans from shareholders		

**Schedule A, Part I – Shareholders' Shares of Changes from Federal Items****Additions**

19 New York franchise tax imposed under Article 9-A	19	100.
20 Federal depreciation deduction (from Form CT-399)	20	
21 Other additions	21	

**Subtractions**

22 Allowable New York depreciation (from Form CT-399)	22	
23 Other subtractions	23	

**Other Items**

24 Additions to federal itemized deductions	24	
25 Subtractions from federal itemized deductions	25	
26 New York State adjustments to federal tax preference items	26	

**Schedule A, Part II – Shareholders' Shares of New York S Corporation's New York State Tax Credits and Taxes on Early Dispositions**

27 Investment Tax Credit, Retail Enterprise Tax Credit, Historic Barns Credit and Employment Incentive Credit	27	
28 Investment Tax Credit on research and development property at the optional rate	28	
29 Tax on early dispositions – Investment Tax Credit, Retail Enterprise Tax Credit, Historic Barn Credit, or Research and Development Tax Credit	29	
30 Investment Tax Credit for financial services industry	30	
31 EZ Wage Tax Credit	31	
32 Investments in certified EZ business	32	
33 Monetary contributions to EZ community development projects	33	
34 EZ Investment Tax Credit	34	
35 EZ Investment Tax Credit for financial services industry	35	
36 Recaptured tax credit - EZ capital tax credit, EZ investment tax credit, or EZ investment tax credit for financial service industry	36	
37 QEZE credit for real property tax credit allowed	37	
38 Recapture of QEZE real property tax credit	38	
39 QEZE employment increase factor	39	
40 QEZE zone allocation factor	40	
41 QEZE benefit period factor	41	
42 Total acres of qualified agricultural property	42	
43 Total amount of eligible taxes paid	43	

RODNEY FRANZ

134-56-5456

Page 2

44	Total acres of qualified agricultural property converted to nonqualified use .....	44	
45	Total acres of qualified conservation property .....	45	
46	Recapture of Alternative Fuels Credit .....	46	
47	Credit for employment of persons with disabilities .....	47	
48	QETC employment credit .....	48	
49	QETC capital tax credit .....	49	
50	Recapture of QETC capital tax credit .....	50	
51	Industrial or manufacturing business (IMB) credit .....	51	
52	Credit for purchase of an automated external defibrillator .....	52	
53	Low-income housing credit .....	53	
54	Recapture of low-income housing credit .....	54	
55	Green building credit .....	55	
56	Long-term care insurance credit .....	56	
57	Empire state film production credit .....	57	
58	Brownfield redevelopment credit — site preparation credit component .....	58	
59	Brownfield redevelopment credit — tangible property credit component .....	59	
60	Brownfield redevelopment credit — on-site ground water remediation credit component .....	60	
61	Recapture of brownfield redevelopment credit .....	61	
62	Remediated brownfield credit for real property taxes .....	62	
63	Recapture of remediated brownfield credit for real property taxes .....	63	
64	Environmental remediation insurance credit ( <i>attach form CT-613</i> ) .....	64	
65	Recapture of environmental remediation insurance credit ( <i>attach form CT-613</i> ) .....	65	
66	QETC facilities, operations, and training credit ( <i>attach Form DTF-619</i> ) .....	66	
67	Other tax credits .....	67	

**Supplemental Information**

Supplemental information required to be reported by each shareholder:

New York  
ColumnFederal  
Column

Form CT-3-S  
or CT-4-S  
Line 1

**Federal Taxable Income Before Net  
Operating Loss and Special Deductions**  
(Attach to Form CT-3-S or CT-4-S)

2005

Statement Ln 1

Name

CHAFFEE WATER WORKS COMPANY, INC.

Employer Identification No.

06-0878467

**Income (loss)**

1	Ordinary income (loss) from trade or business activities .....	1	-825.
2	Net income (loss) from rental real estate activities .....	2	
3	Net income (loss) from other rental activities .....	3	
4	Interest income .....	4	
5	Dividend income .....	5	
6	Royalty income .....	6	
7	Net short-term capital gain .....	7	
8	Net long-term capital gain .....	8	
9	Net gain (loss) under Section 1231 (other than casualty or theft) .....	9	
10	Other income (loss):		
	.....		
	.....		
	.....		
	Total other income (loss) .....	10	
11	Total income (loss) .....	11	-825.

**Deductions**

12	Interest expense on investment debts .....	12	
13	Section 59(e)(2) expenditures .....	13	
14	Other deductions:		
	.....		
	.....		
	.....		
	Total other deductions .....	14	
15	Foreign taxes .....	15	
16	Depletion (oil and gas) .....	16	
17	Total deductions .....	17	
18	Net income before adjustments .....	18	-825.
19	Section 179 expense deduction .....	19	0.
20	Charitable contributions (limited to 10% of taxable income) .....	20	0.
21	<b>Total Federal Taxable Income</b> .....	21	-825.

Form **1120S**  
Department of the Treasury  
Internal Revenue Service**U.S. Income Tax Return for an S Corporation**

▶ Do not file this form unless the corporation has filed  
Form 2553 to elect to be an S corporation.  
▶ See separate instructions.

OMB No. 1545-0130

**2005**

For calendar year 2005, or tax year beginning , 2005, and ending

<b>A</b> Effective date of S election 01/01/01	<b>Use the IRS label. Otherwise, print or type.</b>	Name CHAFFEE WATER WORKS COMPANY, INC.	<b>C</b> Employer identification number 06-0878467
<b>B</b> Business code number (see instructions) 221300		Number, street, and room or suite no. (If a P.O. box, see instructions.) 13419 ALLEN ROAD	<b>D</b> Date incorporated 05/29/96
		City or town, state, and ZIP code CHAFFEE NY 14030	<b>E</b> Total assets (see instructions) \$ 6,976.

**F** Check applicable boxes: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change (5) ☐ Amended return

**G** Enter number of shareholders in the corporation at end of the tax year ▶ 1

**Caution:** Include **only** trade or business income and expenses on lines 1a through 21. See the instructions for more information.

<b>I N C O M E</b>	<b>1a</b> Gross receipts or sales	17,200.	<b>b</b> Less returns and allowances		<b>c</b> Bal ▶	<b>1c</b>	17,200.
	<b>2</b> Cost of goods sold (Schedule A, line 8)					<b>2</b>	
	<b>3</b> Gross profit. Subtract line 2 from line 1c					<b>3</b>	17,200.
	<b>4</b> Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)					<b>4</b>	
	<b>5</b> Other income (loss) (attach statement)					<b>5</b>	
	<b>6</b> Total income (loss). Add lines 3 through 5					<b>6</b>	17,200.
<b>D E D U C T I O N S</b>	<b>7</b> Compensation of officers					<b>7</b>	
	<b>8</b> Salaries and wages (less employment credits)					<b>8</b>	
	<b>9</b> Repairs and maintenance					<b>9</b>	5,386.
	<b>10</b> Bad debts					<b>10</b>	
	<b>11</b> Rents					<b>11</b>	
	<b>12</b> Taxes and licenses					<b>12</b>	150.
	<b>13</b> Interest					<b>13</b>	
	<b>14a</b> Depreciation (attach Form 4562)	14a	562.				
	<b>b</b> Depreciation claimed on Schedule A and elsewhere on return	14b					
	<b>c</b> Subtract line 14b from line 14a					<b>14c</b>	562.
<b>S U M M A R Y I N S T R U C T I O N S</b>	<b>15</b> Depletion (Do not deduct oil and gas depletion.)					<b>15</b>	
	<b>16</b> Advertising					<b>16</b>	32.
	<b>17</b> Pension, profit-sharing, etc., plans					<b>17</b>	
	<b>18</b> Employee benefit programs					<b>18</b>	
	<b>19</b> Other deductions (attach statement) * STMT					<b>19</b>	11,895.
	<b>20</b> Total deductions. Add the amounts shown in the far right column for lines 7 through 19					<b>20</b>	18,025.
	<b>21</b> Ordinary business income (loss). Subtract line 20 from line 6					<b>21</b>	-825.
	<b>22</b> Tax: <b>a</b> Excess net passive income tax (attach statement)	22a					
	<b>b</b> Tax from Schedule D (Form 1120S)	22b					
	<b>c</b> Add lines 22a and 22b (see the instructions for additional taxes)					<b>22c</b>	
<b>T A X A N D P A Y M E N T S</b>	<b>23</b> Payments: <b>a</b> 2005 estimated tax payments and amount applied from 2004 return	23a					
	<b>b</b> Tax deposited with Form 7004	23b					
	<b>c</b> Credit for Federal tax paid on fuels (attach Form 4136)	23c					
	<b>d</b> Add lines 23a through 23c					<b>23d</b>	
	<b>24</b> Estimated tax penalty (see instructions). Check if Form 2220 is attached					<b>24</b>	
	<b>25</b> Tax due. If line 23d is smaller than the total of lines 22c and 24, enter amount owed					<b>25</b>	
	<b>26</b> Overpayment. If line 23d is larger than the total of lines 22c and 24, enter amount overpaid					<b>26</b>	
<b>27</b> Enter amount of line 26 you want: <b>Credited to 2006 estimated tax</b> ▶ <b>Refunded</b> ▶					<b>27</b>		

**Sign Here**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer

Date

Title

May the IRS discuss this return with the preparer shown below (see instructions)?

☒ Yes ☐ No
**Paid Preparer's Use Only**

Preparer's signature

KENNETH S. FRANK, CPA

Date

02/20/06

Check if self-employed

Preparer's SSN or PTIN

P00109668

Firm's name (or yours if self-employed), address, and ZIP code

R.A. MERCER &amp; CO. P.C.

12250 OLEAN RD P.O. BOX 218

SARDINIA

NY 14134-0218

EIN 16-1207156

Phone no. (716) 496-5028

**Schedule A Cost of Goods Sold** (see instructions)

1	Inventory at beginning of year	1	
2	Purchases	2	
3	Cost of labor	3	
4	Additional section 263A costs (attach statement)	4	
5	Other costs (attach statement)	5	
6	<b>Total.</b> Add lines 1 through 5	6	
7	Inventory at end of year	7	
8	<b>Cost of goods sold.</b> Subtract line 7 from line 6. Enter here and on page 1, line 2	8	

**9a** Check all methods used for valuing closing inventory:

(i) ☐ Cost as described in Regulations section 1.471-3

(ii) ☐ Lower of cost or market as described in Regulations section 1.471-4

(iii) ☐ Other (specify method used and attach explanation) \_\_\_\_\_

**b** Check if there was a writedown of subnormal goods as described in Regulations section 1.471-2(c) ☐ Yes ☐ No

**c** Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ☐ Yes ☐ No

**d** If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO **9d** \_\_\_\_\_

**e** If property is produced or acquired for resale, do the rules of Section 263A apply to the corporation? ☐ Yes ☐ No

**f** Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If 'Yes,' attach explanation ☐ Yes ☐ No

**Schedule B Other Information** (see instructions)

	Yes	No
1 Check method of accounting: (a) <input checked="" type="checkbox"/> Cash (b) <input type="checkbox"/> Accrual (c) <input type="checkbox"/> Other (specify) _____		
2 See the instructions and enter the:		
(a) Business activity <u>WATER COMPANY</u> (b) Product or service <u>WATER</u>		
3 At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If 'Yes,' attach a statement showing: (a) name, address, and employer identification number and (b) percentage owned		X
4 Was the corporation a member of a controlled group subject to the provisions of section 1561?		X
5 Has this corporation filed, or is it required to file, a return under section 6111 to provide information on any reportable transaction?		X
6 Check this box if the corporation issued publicly offered debt instruments with original issue discount. If checked, the corporation may have to file <b>Form 8281</b> , Information Return for Publicly Offered Original Issue Discount Instruments. <input type="checkbox"/>		
7 If the corporation: (a) was a C corporation before it elected to be an S corporation or the corporation acquired an asset with a basis determined by reference to its basis (or the basis of any other property) in the hands of a C corporation and (b) has net unrealized built-in gain (defined in section 1374(d)(1)) in excess of the net recognized built-in gain from prior years, enter the net unrealized built-in gain reduced by net recognized built-in gain from prior years _____ \$ <input checked="" type="checkbox"/>		
8 Check this box if the corporation had accumulated earnings and profits at the close of the tax year <input checked="" type="checkbox"/>		
9 Are the corporation's total receipts (see instructions) for the tax year and its total assets at the end of the tax year less than \$250,000? If 'Yes,' the corporation is not required to complete Schedules L and M-1	X	

**Note:** If the corporation had assets or operated a business in a foreign country or U.S. possession, it may be required to attach **Schedule N (Form 1120)**, Foreign Operations of U.S. Corporations, to this return. See Schedule N for details.

**Schedule K Shareholders' Shares of Income, Deductions, Credits, etc**

Shareholders' Pro Rata Share Items		Total amount
1	Ordinary business income (loss) (page 1, line 21)	1 -825.
2	Net rental real estate income (loss) (attach Form 8825)	2
3a	Other gross rental income (loss)	3a
3b	Expenses from other rental activities (attach statement)	3b
3c	Other net rental income (loss). Subtract line 3b from line 3a	3c
4	Interest income	4
5a	Dividends: a Ordinary dividends	5a
5b	b Qualified dividends	5b
6	Royalties	6
7	Net short-term capital gain (loss) (attach Schedule D (Form 1120S))	7
8a	Net long-term capital gain (loss) (attach Schedule D (Form 1120S))	8a
8b	b Collectibles (28%) gain (loss)	8b
8c	c Unrecaptured section 1250 gain (attach statement)	8c
9	Net section 1231 gain (loss) (attach Form 4797)	9
10	Other income (loss) (see instructions)	10

	Shareholders' Pro Rata Share Items (continued)	Total amount
<b>Deductions</b>	<b>11</b> Section 179 deduction ( <i>attach Form 4562</i> )	<b>11</b>
	<b>12a</b> Contributions	<b>12a</b>
	<b>b</b> Investment interest expense	<b>12b</b>
	<b>c</b> Section 59(e)(2) expenditures <b>(1)</b> Type <b>(2)</b> Amount	<b>12c (2)</b>
	<b>d</b> Other deductions ( <i>see instructions</i> ) Type	<b>12d</b>
<b>Credits and Credit Recapture</b>	<b>13a</b> Low-income housing credit (section 42(j)(5))	<b>13a</b>
	<b>b</b> Low-income housing credit (other)	<b>13b</b>
	<b>c</b> Qualified rehabilitation expenditures (rental real estate) ( <i>attach Form 3468</i> )	<b>13c</b>
	<b>d</b> Other rental real estate credits ( <i>see instrs</i> ) Type	<b>13d</b>
	<b>e</b> Other rental credits ( <i>see instrs</i> ) Type	<b>13e</b>
	<b>f</b> Credit for alcohol used as fuel ( <i>attach Form 6478</i> )	<b>13f</b>
	<b>g</b> Other credits and credit recapture ( <i>see instrs</i> ) Type	<b>13g</b>
<b>Foreign Transactions</b>	<b>14a</b> Name of country or U.S. possession	<b>14b</b>
	<b>b</b> Gross income from all sources	<b>14b</b>
	<b>c</b> Gross income sourced at shareholder level	<b>14c</b>
	<i>Foreign gross income sourced at corporate level:</i>	
	<b>d</b> Passive	<b>14d</b>
	<b>e</b> Listed categories ( <i>attach statement</i> )	<b>14e</b>
	<b>f</b> General limitation	<b>14f</b>
	<i>Deductions allocated and apportioned at shareholder level:</i>	
	<b>g</b> Interest expense	<b>14g</b>
	<b>h</b> Other	<b>14h</b>
	<i>Deductions allocated and apportioned at corporate level to foreign source income:</i>	
	<b>i</b> Passive	<b>14i</b>
	<b>j</b> Listed categories ( <i>attach statement</i> )	<b>14j</b>
	<b>k</b> General limitation	<b>14k</b>
	<i>Other information:</i>	
	<b>l</b> Total foreign taxes (check one): <input type="checkbox"/> Paid <input type="checkbox"/> Accrued	<b>14l</b>
<b>m</b> Reduction in taxes available for credit ( <i>attach statement</i> )	<b>14m</b>	
<b>n</b> Other foreign tax information ( <i>attach statement</i> )		
<b>Alternative Minimum Tax (AMT) Items</b>	<b>15a</b> Post-1986 depreciation adjustment	<b>15a</b> 385.
	<b>b</b> Adjusted gain or loss	<b>15b</b>
	<b>c</b> Depletion (other than oil and gas)	<b>15c</b>
	<b>d</b> Oil, gas, and geothermal properties – gross income	<b>15d</b>
	<b>e</b> Oil, gas, and geothermal properties – deductions	<b>15e</b>
	<b>f</b> Other AMT items ( <i>attach statement</i> )	<b>15f</b>
<b>Items Affecting Shareholder Basis</b>	<b>16a</b> Tax-exempt interest income	<b>16a</b>
	<b>b</b> Other tax-exempt income	<b>16b</b>
	<b>c</b> Nondeductible expenses	<b>16c</b>
	<b>d</b> Property distributions	<b>16d</b>
	<b>e</b> Repayment of loans from shareholders	<b>16e</b>
<b>Other Information</b>	<b>17a</b> Investment income	<b>17a</b>
	<b>b</b> Investment expenses	<b>17b</b>
	<b>c</b> Dividend distributions paid from accumulated earnings and profits	<b>17c</b>
	<b>d</b> Other items and amounts ( <i>attach statement</i> ) * . STMT.	
	<b>e</b> <b>Income/loss reconciliation.</b> (Required only if Schedule M-1 must be completed.) Combine the amounts on lines 1 through 10 in the far right column. From the result, subtract the sum of the amounts on lines 11 through 12d and lines 14l	<b>17e</b> -825.

BAA

Form 1120S (2005)

**Note:** The corporation is not required to complete Schedules L and M-1 if question 9 of Schedule B is answered 'Yes'.

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1	Cash .....		1,848.		78.
2a	Trade notes and accounts receivable .....				
b	Less allowance for bad debts .....				
3	Inventories .....				
4	U.S. government obligations .....				
5	Tax-exempt securities .....				
6	Other current assets (attach stmt) .....				
7	Loans to shareholders .....		1,674.		0.
8	Mortgage and real estate loans .....				
9	Other investments (attach statement) .....				
10a	Buildings and other depreciable assets .....	22,449.		27,154.	
b	Less accumulated depreciation .....	21,045.	1,404.	21,606.	5,548.
11a	Depletable assets .....				
b	Less accumulated depletion .....				
12	Land (net of any amortization) .....		1,350.		1,350.
13a	Intangible assets (amortizable only) .....				
b	Less accumulated amortization .....				
14	Other assets (attach stmt) .....				
15	Total assets .....		6,276.		6,976.
<b>Liabilities and Shareholders' Equity</b>					
16	Accounts payable .....				
17	Mortgages, notes, bonds payable in less than 1 year .....				
18	Other current liabilities (attach stmt) .....				
19	Loans from shareholders .....				1,525.
20	Mortgages, notes, bonds payable in 1 year or more .....				
21	Other liabilities (attach statement) .....				
22	Capital stock .....		2,000.		2,000.
23	Additional paid-in capital .....		884.		884.
24	Retained earnings .....		3,392.		2,567.
25	Adjustments to shareholders' equity (att stmt) .....				
26	Less cost of treasury stock .....				
27	Total liabilities and shareholders' equity .....		6,276.		6,976.

Schedule M-1		Reconciliation of Income (Loss) per Books With Income (Loss) per Return		
1	Net income (loss) per books .....	-825.	5	Income recorded on books this year not included on Schedule K, lines 1 through 10 (itemize):
2	Income included on Schedule K, lines 1, 2, 3c, 4, 5a, 6, 7, 8a, 9, and 10, not recorded on books this year (itemize):		a	Tax-exempt interest . \$ _____
	-----			-----
3	Expenses recorded on books this year not included on Schedule K, lines 1 through 12, and 14l (itemize):		6	Deductions included on Schedule K, lines 1 through 12, and 14l, not charged against book income this year (itemize):
a	Depreciation ..... \$ _____		a	Depreciation .... \$ _____
b	Travel and entertainment . \$ _____			-----
	-----		7	Add lines 5 and 6 .....
4	Add lines 1 through 3 .....	-825.	8	Income (loss) (Schedule K, ln 17e). Ln 4 less ln 7 ..
				-825.

Schedule M-2 Analysis of Accumulated Adjustments Account, Other Adjustments Account, and Shareholders' Undistributed Taxable Income Previously Taxed (see instructions)		(a) Accumulated adjustments account	(b) Other adjustments account	(c) Shareholders' undistributed taxable income previously taxed
1	Balance at beginning of tax year .....	792.	0.	0.
2	Ordinary income from page 1, line 21 .....			
3	Other additions .....			
4	Loss from page 1, line 21 .....	825.		
5	Other reductions .....			
6	Combine lines 1 through 5 .....	-33.	0.	0.
7	Distributions other than dividend distributions .....			
8	Balance at end of tax year. Subtract line 7 from line 6 .....	-33.	0.	0.

Form **4562**  
(Rev January 2006)  
Department of the Treasury  
Internal Revenue Service

**Depreciation and Amortization**  
**(Including Information on Listed Property)**

▶ See separate instructions. ▶ Attach to your tax return.

OMB No. 1545-0172

**2005**Attachment  
Sequence No. **67**

Name(s) shown on return

CHAFFEE WATER WORKS COMPANY, INC.

Identifying number

06-0878467

Business or activity to which this form relates

Form 1120S Line 21

**Part I Election To Expense Certain Property Under Section 179****Note:** If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount. See the instructions for a higher limit for certain businesses	1	\$105,000.
2	Total cost of section 179 property placed in service (see instructions)	2	
3	Threshold cost of section 179 property before reduction in limitation	3	\$420,000.
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	
6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
7	Listed property. Enter the amount from line 29	7	
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	
9	Tentative deduction. Enter the <b>smaller</b> of line 5 or line 8	9	
10	Carryover of disallowed deduction from line 13 of your 2004 Form 4562	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instrs)	11	
12	Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12	
13	Carryover of disallowed deduction to 2006. Add lines 9 and 10, less line 12	13	

**Note:** Do not use Part II or Part III below for listed property. Instead, use Part V.**Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.)** (See instructions.)

14	Special allowance for certain aircraft, certain property with a long production period, and qualified New York Liberty or GO Zone property (other than listed property) placed in service during the tax year (see instrs)	14	
15	Property subject to section 168(f)(1) election	15	
16	Other depreciation (including ACRS)	16	

**Part III MACRS Depreciation (Do not include listed property.)** (See instructions.)**Section A**

17	MACRS deductions for assets placed in service in tax years beginning before 2005	17	386.
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here <input type="checkbox"/>		

**Section B — Assets Placed in Service During 2005 Tax Year Using the General Depreciation System**

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only — see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property						
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property		4,705.	20	HY	150DB	176.
g 25-year property			25 yrs		S/L	
h Residential rental property			27.5 yrs	MM	S/L	
i Nonresidential real property			27.5 yrs	MM	S/L	
			39 yrs	MM	S/L	

**Section C — Assets Placed in Service During 2005 Tax Year Using the Alternative Depreciation System**

20a Class life					S/L	
b 12-year			12 yrs		S/L	
c 40-year			40 yrs	MM	S/L	

**Part IV Summary** (see instructions)

21	Listed property. Enter amount from line 28	21	
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations — see instructions	22	562.
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	



**Part V Listed Property** (Include automobiles, certain other vehicles, cellular telephones, certain computers, and property used for entertainment, recreation, or amusement.)

**Note:** For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete **only** 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

**Section A – Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)**

24a Do you have evidence to support the business/investment use claimed?		Yes	No	24b If 'Yes,' is the evidence written?		Yes	No	
(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/Convention	(h) Depreciation deduction	(i) Elected section 179 cost
25 Special allowance for certain aircraft, certain property with a long production period, and qualified New York Liberty or GO Zone property placed in service during the tax year and used more than 50% in a qualified business use (see instructions) ..... 25								
26 Property used more than 50% in a qualified business use:								
27 Property used 50% or less in a qualified business use:								
28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1 ..... 28								
29 Add amounts in column (i), line 26. Enter here and on line 7, page 1 ..... 29								

**Section B – Information on Use of Vehicles**

Complete this section for vehicles used by a sole proprietor, partner, or other 'more than 5% owner,' or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

	(a) Vehicle 1	(b) Vehicle 2	(c) Vehicle 3	(d) Vehicle 4	(e) Vehicle 5	(f) Vehicle 6
30 Total business/investment miles driven during the year (do not include commuting miles) .....						
31 Total commuting miles driven during the year .....						
32 Total other personal (noncommuting) miles driven .....						
33 Total miles driven during the year. Add lines 30 through 32 .....						
	Yes	No	Yes	No	Yes	No
34 Was the vehicle available for personal use during off-duty hours? .....						
35 Was the vehicle used primarily by a more than 5% owner or related person? .....						
36 Is another vehicle available for personal use? .....						

**Section C – Questions for Employers Who Provide Vehicles for Use by Their Employees**

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons (see instructions).

	Yes	No
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees? .....		
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners .....		
39 Do you treat all use of vehicles by employees as personal use? .....		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received? .....		
41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions) .....		

**Note:** If your answer to 37, 38, 39, 40, or 41 is 'Yes,' do not complete Section B for the covered vehicles.

**Part VI Amortization**

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2005 tax year (see instructions):					
43 Amortization of costs that began before your 2005 tax year ..... 43					
44 <b>Total.</b> Add amounts in column (f). See instructions for where to report ..... 44					

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**Schedule K-1**  
**(Form 1120S)****2005**☐ Final K-1☐ Amended K-1

OMB No. 1545-0130

Department of the Treasury  
Internal Revenue ServiceFor calendar year 2005, or tax  
year beginning \_\_\_\_\_, 2005  
ending \_\_\_\_\_**Shareholder's Share of Income, Deductions,  
Credits, etc.** ▶ See page 2 of form and separate instructions.**Part III** **Shareholder's Share of Current Year Income,  
Deductions, Credits, and Other Items**

<b>1</b> Ordinary business income (loss)	<b>13</b> Credits & credit recapture
-825.	
<b>2</b> Net rental real estate income (loss)	
<b>3</b> Other net rental income (loss)	
<b>4</b> Interest income	
<b>5a</b> Ordinary dividends	
<b>5b</b> Qualified dividends	<b>14</b> Foreign transactions
<b>6</b> Royalties	
<b>7</b> Net short-term capital gain (loss)	
<b>8a</b> Net long-term capital gain (loss)	
<b>8b</b> Collectibles (28%) gain (loss)	
<b>8c</b> Unrecaptured section 1250 gain	
<b>9</b> Net section 1231 gain (loss)	
<b>10</b> Other income (loss)	<b>15</b> Alternative minimum tax (AMT) items
	A 385.
<b>11</b> Section 179 deduction	<b>16</b> Items affecting shareholder basis
<b>12</b> Other deductions	
	<b>17</b> Other information
	N * STMT

**Part I** **Information About the Corporation**

- A** Corporation's employer identification number  
06-0878467
- B** Corporation's name, address, city, state, and ZIP code  
CHAFFEE WATER WORKS COMPANY, INC.  
13419 ALLEN ROAD  
CHAFFEE, NY 14030
- C** IRS Center where corporation filed return  
Cincinnati, OH 45999-0013
- D** ☐ Tax shelter registration number, if any
- E** ☐ Check if Form 8271 is attached

**Part II** **Information About the Shareholder**

- F** Shareholder's identifying number  
134-56-5456
- G** Shareholder's name, address, city, state, and ZIP code  
RODNEY FRANZ  
13419 ALLEN ROAD  
CHAFFEE, NY 14030
- H** Shareholder's percentage of stock  
ownership for tax year 100.00000 %

FOR  
IRS  
USE  
ONLY

\*See attached statement for additional information.

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

	Code	Enter on
<b>1 Ordinary business income (loss).</b> You must first determine whether the income (loss) is passive or nonpassive. Then enter on your return as follows:		
Passive loss	Enter on	
Passive income	See the Shareholder's Instructions	
Nonpassive loss	Schedule E, line 28, column (g)	
Nonpassive income	Schedule E, line 28, column (h)	
	Schedule E, line 28, column (j)	
<b>2 Net rental real estate income (loss)</b>	See the Shareholder's Instructions	
<b>3 Other net rental income (loss)</b>		
Net income	Schedule E, line 28, column (g)	
Net loss	See the Shareholder's Instructions	
<b>4 Interest income</b>	Form 1040, line 8a	
<b>5a Ordinary dividends</b>	Form 1040, line 9a	
<b>5b Qualified dividends</b>	Form 1040, line 9b	
<b>6 Royalties</b>	Schedule E, line 4	
<b>7 Net short-term capital gain (loss)</b>	Schedule D, line 5, column (f)	
<b>8a Net long-term capital gain (loss)</b>	Schedule D, line 12, column (f)	
<b>8b Collectibles (28%) gain (loss)</b>	28% Rate Gain Worksheet, line 4 (Schedule D instructions)	
<b>8c Unrecaptured section 1250 gain</b>	See the Shareholder's Instructions	
<b>9 Net section 1231 gain (loss)</b>	See the Shareholder's Instructions	
<b>10 Other income (loss)</b>		
Code		
<b>A</b> Other portfolio income (loss)	See the Shareholder's Instructions	
<b>B</b> Involuntary conversions	See the Shareholder's Instructions	
<b>C</b> 1255 contracts and straddles	Form 6781, line 1	
<b>D</b> Mining exploration costs recapture	See Pub 535	
<b>E</b> Other income (loss)	See the Shareholder's Instructions	
<b>11 Section 179 deduction</b>	See the Shareholder's Instructions	
<b>12 Other deductions</b>		
<b>A</b> Cash contributions (50%)	Schedule A, line 15a	
<b>B</b> Cash contributions (30%)	Schedule A, line 15a	
<b>C</b> Noncash contributions (50%)	Schedule A, line 16	
<b>D</b> Noncash contributions (30%)	Schedule A, line 16	
<b>E</b> Capital gain property to a 50% organization (30%)	Schedule A, line 16	
<b>F</b> Capital gain property (20%)	Schedule A, line 16	
<b>G</b> Cash contributions (100%)	See the Shareholder's Instructions	
<b>H</b> Investment interest expense	Form 4952, line 1	
<b>I</b> Deductions — royalty income	Schedule E, line 18	
<b>J</b> Section 59(e)(2) expenditures	See the Shareholder's Instructions	
<b>K</b> Deductions — portfolio (2% floor)	Schedule A, line 22	
<b>L</b> Deductions — portfolio (other)	Schedule A, line 27	
<b>M</b> Reforestation expense deduction	See the Shareholder's Instructions	
<b>N</b> Preproductive period expenses	See the Shareholder's Instructions	
<b>O</b> Commercial revitalization deduction from rental real estate activities	See Form 5852 Instructions	
<b>P</b> Domestic production activities information	See Form 8903 Instructions	
<b>Q</b> Qualified production activities income	Form 8903, line 7	
<b>R</b> Employer's W-2 wages	Form 8903, line 13	
<b>S</b> Other deductions	See the Shareholder's Instructions	
<b>13 Credits and credit recapture</b>		
<b>A</b> Low-income housing credit (section 42(j)(5))	Form 8586, line 4	
<b>B</b> Low-income housing credit (other)	Form 8586, line 4	
<b>C</b> Qualified rehabilitation expenditures (rental real estate)	Form 3468, line 1	
<b>D</b> Qualified rehabilitation expenditures (other than rental real estate)	Form 3468, line 1	
<b>E</b> Basis of energy property	See the Shareholder's Instructions	
<b>F</b> Other rental real estate credits	See the Shareholder's Instructions	
<b>G</b> Other rental credits	See the Shareholder's Instructions	
<b>H</b> Undistributed capital gains credit	Form 1040, line 70, box a	
<b>I</b> Credit for alcohol used as fuel	Form 6478, line 4	
<b>J</b> Work opportunity credit	Form 5884, line 3	
<b>K</b> Welfare-to-work credit	Form 8861, line 3	
<b>L</b> Disabled access credit	Form 8825, line 7	
<b>M</b> Empowerment zone and renewal community employment credit	Form 8844, line 3	
<b>N</b> Credit for increasing research activities	Form 6765, line 42	
<b>O</b> New markets credit	Form 8874, line 2	
<b>P</b> Credit for employer social security and Medicare taxes	Form 8846, line 5	
<b>Q</b> Backup withholding	Form 1040, line 64	
<b>R</b> Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8	
<b>S</b> Recapture of low-income housing credit (other)	Form 8611, line 8	
<b>T</b> Recapture of investment credit	See Form 4255	
<b>U</b> Other credits	See the Shareholder's Instructions	
<b>V</b> Recapture of other credits	See the Shareholder's Instructions	
<b>14 Foreign transactions</b>		
<b>A</b> Name of country or U.S. possession	Form 1116, Part I	
<b>B</b> Gross income from all sources	Form 1116, Part I	
<b>C</b> Gross income sourced at shareholder level	Form 1116, Part I	
<b>Foreign gross income sourced at corporate level</b>		
<b>D</b> Passive	Form 1116, Part I	
<b>E</b> Listed categories	Form 1116, Part I	
<b>F</b> General limitation	Form 1116, Part I	
<b>Deductions allocated and apportioned at shareholder level</b>		
<b>G</b> Interest expense	Form 1116, Part I	
<b>H</b> Other	Form 1116, Part I	
<b>Deductions allocated and apportioned at corporate level to foreign source income</b>		
<b>I</b> Passive	Form 1116, Part I	
<b>J</b> Listed categories	Form 1116, Part I	
<b>K</b> General limitation	Form 1116, Part I	
<b>Other information</b>		
<b>L</b> Total foreign taxes paid	Form 1116, Part II	
<b>M</b> Total foreign taxes accrued	Form 1116, Part II	
<b>N</b> Reduction in taxes available for credit	Form 1116, line 12	
<b>O</b> Foreign trading gross receipts	Form 8873	
<b>P</b> Extraterritorial income exclusion	Form 8873	
<b>Q</b> Other foreign transactions	See the Shareholder's Instructions	
<b>15 Alternative minimum tax (AMT) items</b>		
<b>A</b> Post-1986 depreciation adjustment	See the Shareholder's Instructions and the instructions for Form 6251	
<b>B</b> Adjusted gain or loss		
<b>C</b> Depletion (other than oil & gas)		
<b>D</b> Oil, gas, & geothermal — gross income		
<b>E</b> Oil, gas, & geothermal — deductions		
<b>F</b> Other AMT items		
<b>16 Items affecting shareholder basis</b>		
<b>A</b> Tax-exempt interest income	Form 1040, line 8b	
<b>B</b> Other tax-exempt income	See the Shareholder's Instructions	
<b>C</b> Nondeductible expenses	See the Shareholder's Instructions	
<b>D</b> Property distributions	See the Shareholder's Instructions	
<b>E</b> Repayment of loans from shareholders	See the Shareholder's Instructions	
<b>17 Other information</b>		
<b>A</b> Investment income	Form 4952, line 4a	
<b>B</b> Investment expenses	Form 4952, line 5	
<b>C</b> Look-back interest — completed long-term contracts	See Form 8697	
<b>D</b> Look-back interest — income forecast method	See Form 8865	
<b>E</b> Dispositions of property with section 179 deductions	See the Shareholder's Instructions	
<b>F</b> Recapture of section 179 deduction		
<b>G</b> Section 453(l)(3) information		
<b>H</b> Section 453A(c) information		
<b>I</b> Section 1260(b) information		
<b>J</b> Interest allocable to production expenditures		
<b>K</b> CCF nonqualified withdrawal		
<b>L</b> Information needed to figure depletion — oil and gas		
<b>M</b> Amortization of reforestation costs		
<b>N</b> Other information		

CHAFFEE WATER WORKS COMPANY, INC. 06-0878467

1

Sch K-1, (RODNEY FRANZ) Attachment

**Sch K-1, Supplemental Information**

BOX 17, CODE N:

NYS FRANCHISE TAX ADDBACK

100.

CHAFFEE WATER WORKS COMPANY, INC. 06-0878467

1

Form 1120S, Page 1, Line 19

**Other Deductions**

ACCOUNTING	395.
AUTOMOBILE AND TRUCK EXPENSE	4,912.
MISCELLANEOUS	243.
OFFICE EXPENSE	1,144.
PERMITS AND FEES	113.
SECURITY	458.
SUPPLIES	209.
TELEPHONE	1,482.
UTILITIES	1,794.
TESTING	1,145.
Total	<u>11,895.</u>

Form 1120S, Page 3, Schedule K, Line 17d

**Other Items and Amounts**

N NYS FRANCHISE TAX ADDBACK	100.
-----------------------------	------

2005

| Staple forms here |

2005

CT-3-S

New York State Department of Taxation and Finance

**New York S Corporation  
Franchise Tax Return**

Tax Law — Articles 9-A and 22

**All filers must enter tax period:**

Final return

Amended return

beginning ☒ 01-01-05ending ☒ 12-31-05

Employer identification number

File number

Business telephone number

If you have any subsidiaries  
incorporated outside NYS,  
mark an ☒ in the boxIf you claim an  
overpayment, mark  
an ☒ in the box☒ 06-0878467☒ AA1

716-496-7224

Legal name of corporation

Trade name/DBA

CHAFFEE WATER WORKS COMPANY,

Mailing name (if different from legal name above)

State or country of incorporation

Date received (Tax Department use only)

C/O

NY

Number and street or PO box

Date of incorporation

13419 ALLEN ROAD

05-29-96

City

State ZIP code

Foreign corporations: date began  
business in New York State

CHAFFEE

NY 14030

NAICS business code number (see instructions)

If address above  
is new, mark an  
☒ in the box

Audit (Tax Department use only)

☒ 221300

Principal business activity

If your name, employer identification number, address,  
or owner/officer information has changed, you must file  
Form DTF-95. If only your address has changed, you may  
file Form DTF-96. You can get these forms from our Web  
site, by phone, or by fax. See the *Need help?* section below.

WATER COMPANY

Has the corporation revoked its election to be treated as a New York S corporation?

Number of shareholders

Yes ☐No ☒

If Yes, enter effective date:

☐ 1**A** Pay amount shown on line 50. Make check payable to: **New York State Corporation Tax**

Payment enclosed

**←** Attach your payment here. Detach all check stubs.☒ A.

100.

**B** You must attach **both** a copy of your federal **pro forma Form 1120** and a copy of your **actual federal Form 1120S** filed (see *instructions for line 1*). If you filed a return other than federal Form 1120S, enter the form number here:**C** Attach Form CT-34-SH, *New York S Corporation Shareholders' Information Schedule*, and Form CT-3-S-ATT, *Schedules A, B, C, D, and E — Attachment to Form CT-3-S***D** If you included a qualified subchapter S subsidiary (QSSS) in this return, mark an ☒ in the box and attach Form CT-60-QSSS**E** Mark an ☒ in the box **only if you need a tax packet** mailed to you next year (see *instructions*)**Need Help?****Internet access:** [www.nystax.gov](http://www.nystax.gov)  
(for information, forms, and publications)**Fax-on-demand forms:**

1 800 748-3676

**Business Tax Information Center:**

From areas outside the U.S. and outside Canada:

1 800 972-1233

(518) 485-6800

**Hearing and speech impaired** (telecommunications  
device for the deaf (TDD) callers only):

1 800 634-2110

Mail all pages of your return along with any required attachments to  
one of the following addresses:**With payment**NYS CORPORATION TAX  
PROCESSING UNIT  
PO BOX 22092  
ALBANY NY 12201-2092**Without payment**NYS CORPORATION TAX  
PROCESSING UNIT  
PO BOX 22096  
ALBANY NY 12201-2096

NYS0312 01/11/06

44001051030

**Computation of entire net income (ENI) base**

1	Federal taxable income (FTI) before net operating loss (NOL) and special deductions . See Ln. 1 stmt	1.	-825.
2	Interest income on federal, state, municipal, and other obligations not included on line 1	2.	
3a	Interest deductions directly attributable to subsidiary capital (see instructions)	3a.	0.
3b	Noninterest deductions directly attributable to subsidiary capital (see instructions)	3b.	0.
4a	Interest deductions indirectly attributable to subsidiary capital (see instructions)	4a.	0.
4b	Noninterest deductions indirectly attributable to subsidiary capital (see instructions)	4b.	0.
5	New York State and other state and local taxes deducted on your federal return (see instrs)	5.	100.
6	Federal depreciation from Form CT-399, if applicable (see instructions)	6.	
7	Other additions (attach list; see instructions)	7.	
8	Add lines 1 through 7	8.	-725.
9	Income from subsidiary capital (from Form CT-3-S-ATT, line 51)	9.	
10	Fifty percent of dividends from nonsubsidiary corporations (see instructions)	10.	
11	Foreign dividends gross-up not included on lines 9 and 10	11.	
12	New York net operating loss deduction (NOLD) (attach federal and NYS computations)	12.	
13	Allowable New York State depreciation from Form CT-399, if applicable (see instructions)	13.	
14	Other subtractions (attach list; see instructions)	14.	
15	Total subtractions (add lines 9 through 14)	15.	
16	ENI (subtract line 15 from line 8; show loss with a minus (-) sign)	16.	-725.
17	Investment income for allocation (from Form CT-3-S-ATT, line 70, but not more than the amount on line 16)	17.	0.
18	Business income for allocation (subtract line 17 from line 16)	18.	-725.
19	Allocated investment income (multiply line 17 by 100.0000 % (from Form CT-3-S-ATT, line 53))	19.	0.
20	Allocated business income (multiply line 18 by 100.0000 % (from Form CT-3-S-ATT, line 19, line 27, or line 29))	20.	-725.
21	ENI base (add lines 19 and 20)	21.	-725.

NYS0312 01/11/06

**Computation of tax**

22	Gross payroll	22.	0.
23	Total receipts	23.	17,200.
24	Average value of gross assets	24.	6,626.
25	Fixed dollar minimum tax (see instructions)	25.	100.
26	Recapture of tax credits (see instructions)	26.	
27	Total tax after recapture of tax credits (add lines 25 and 26)	27.	100.
28	Special additional mortgage recording tax credit (from Form CT-43)	28.	
29	Tax due after tax credits (subtract line 28 from line 27)	29.	100.
30			
31			
32			
33			

CHAFFEE WATER WORKS COMPANY, INC.

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**First installment of estimated tax for the next tax period:**

<b>34</b> Enter amount from line 29 .....	<b>34.</b>	100.
<b>35a</b> If you filed a request for extension, enter amount from Form CT-5.4, line 2 .....	• <b>35a.</b>	
<b>35b</b> If you did not file Form CT-5.4 and line 34 is over \$1,000, enter 25% (.25) of line 34; otherwise enter 0 .....	■ <b>35b.</b>	
<b>36</b> Add line 34 and line 35a or 35b .....	<b>36.</b>	100.
<b>Composition of prepayments:</b>		
	Date paid	Amount
<b>37</b> Mandatory first installment .....	<b>37.</b>	
<b>38</b> Second installment from Form CT-400 .....	<b>38.</b>	
<b>39</b> Third installment from Form CT-400 .....	<b>39.</b>	
<b>40</b> Fourth installment from Form CT-400 .....	<b>40.</b>	
<b>41</b> Payment with extension request from Form CT-5.4 .....	<b>41.</b>	
<b>42</b> Overpayment credited from prior years .....	<b>42.</b>	
<b>43</b> Total prepayments (add lines 37 through 42) .....	• <b>43.</b>	
<b>44</b> Balance (subtract line 43 from line 36; if line 43 is larger than line 36, enter 0) .....	<b>44.</b>	100.
<b>45</b> Penalty for underpayment of estimated tax (mark an <b>X</b> in the box if Form CT-222 is attached) .....	• <b>45.</b>	0.
<b>46</b> Interest on late payment (see instructions) .....	• <b>46.</b>	
<b>47</b> Late filing and late payment penalties (see instructions) .....	• <b>47.</b>	
<b>48</b> Balance (add lines 44 through 47) .....	<b>48.</b>	100.
<b>Voluntary gifts/contributions (see instructions)</b>		
<b>49a</b> Return a Gift to Wildlife .....	■ <b>49a.</b>	
<b>49b</b> Breast Cancer Research and Education Fund .....	■ <b>49b.</b>	
<b>49c</b> Prostate Cancer Research, Detection, and Education Fund .....	■ <b>49c.</b>	
<b>49d</b> World Trade Center Memorial Foundation Fund .....	■ <b>49d.</b>	
<b>50</b> Balance due (if line 43 is less than the total of lines 36, 45, 46, 47, and 49a through 49d, the difference is the amount due; <b>enter payment here and on line A on page 1</b> ) .....	■ <b>50.</b>	100.
<b>51</b> Overpayment (if line 43 is more than the total of lines 36, 45, 46, 47, and 49a through 49d, the difference is the amount overpaid) .....	■ <b>51.</b>	
<b>52</b> Amount of overpayment to be credited to next period .....	■ <b>52.</b>	
<b>53</b> Refund of overpayment (subtract line 52 from line 51) .....	■ <b>53.</b>	
<b>54</b> If you claim a refund of unused special additional mortgage recording tax credit, enter the amount from Form CT-43, line 13 (see instructions) .....	■ <b>54.</b>	
<b>55</b> Amount of special additional mortgage recording tax credit to be applied as an overpayment to next period .....	■ <b>55.</b>	

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CHAFFEE WATER WORKS COMPANY, INC.

06-0878467

**Additional information** — Mark an **X** in the boxes for any tax credits claimed by the New York S corporation or its shareholders (see Form CT-34-SH-I, Instructions for Form CT-34-SH) and attach forms.

CT-40 •	CT-41 •	CT-43 •	CT-44 •	CT-46 •
CT-248 •	CT-249 •	CT-250 •	CT-601 •	CT-601.1 •
CT-602 •	CT-603 •	CT-604 •	CT-605 •	CT-606 •
CT-611 •	CT-612 •	CT-613 •	DTF-619 •	DTF-621 •
DTF-622 •	DTF-623 •	DTF-624 •	DTF-630 •	Other credits •

Interest deducted in computing FTI ..... •

If the IRS has completed an audit of any of your returns within the last five years, list years:

If this return is for a New York S termination year, mark an X in the appropriate box to indicate which method of accounting was used for the New York S short year (see Form CT-3-S/4-S-I, Instructions for Forms CT-3-S, CT-4-S, and CT-3-S-ATT).

Normal accounting rules

Daily pro rata allocation

#### NOL carryback election

If line 16 is a loss (**without** regard to the deduction on line 12), mark an **X** in the appropriate box below to indicate whether or not you elect to carry back the first \$10,000 of the loss.

Yes I elect to carry back the first \$10,000.

No **X** I do **not** elect to carry back the first \$10,000.

If the first \$10,000 of the loss is not carried back, it is carried forward. Once made, this election is irrevocable for the loss year.

#### Issuer's allocation percentage

If you completed Form CT-3-S-ATT, enter percentage from Form CT-3-S-ATT, line 44. If you did not complete Form CT-3-S-ATT, enter **100** ..... • 100.0000 %

**Note:** Tax Law Article 27, section 1085, provides for a \$500 penalty for failure to provide this information.

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**Third-party designee** Do you want to allow another person to discuss this return with the Tax Dept? (see instructions)

Yes **X** (complete the following) No

Designee's name

Designee's phone number

Personal identification number (PIN)

Preparer

**Certification:** I certify that this return and any attachments are to the best of my knowledge and belief true, correct, and complete.

Signature of authorized person

Official title

Date

Signature of individual preparing this return

Firm's name (or yours if self-employed)

**Paid preparer use only**

KENNETH S. FRANK, CPA R.A. MERCER & CO. P.C.

Address

12250 OLEAN RD P.O. BOX 218

City

SARDINIA

State ZIP Code

NY 14134-0218

ID number

16-1207156

Date

02-20-06

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