

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC JOINT APPLICATION OF)
GRAYSON COUNTY WATER DISTRICT)
AND THE CITY OF CANEYVILLE FOR)
AN ORDER APPROVING THE TRANSFER)
OF OWNERSHIP OF THE CITY OF)
CANEYVILLE’S WATER SYSTEM AND) CASE NO. 2021-00387
APPROVING GRAYSON COUNTY)
WATER DISTRICT’S ASSUMPTION OF)
CERTAIN DEBT OBLIGATIONS OF THE)
CITY OF CANEYVILLE PURSUANT TO)
THE PROVISIONS OF KRS 278.020, KRS)
278.300, AND 807 KAR 5:001)

JOINT APPLICATION

Grayson County Water District (“Grayson District”) and the City of Caneyville, Kentucky (the “City”) (collectively, the “Joint Applicants”), file this Petition, pursuant to KRS 278.020, KRS 278.300, 807 KAR 5:001, and all other applicable laws and regulations, and request the Kentucky Public Service Commission (the “Commission”) to enter an Order: (i) authorizing Grayson District to acquire the City’s Water System pursuant to the Asset Purchase Agreement (the “Agreement”); (ii) approving the Agreement between Grayson District and the City; and (iii) authorizing Grayson District to assume the City’s outstanding Rural Development (“RD”) debt obligations.

In support of the Joint Application, and in compliance with the rules and regulations of the Commission, the Joint Applicants state as follows:¹

GENERAL INFORMATION

1. The full name and post office address of Grayson District is: Grayson County Water District, 21 Shull White Road, Leitchfield, Kentucky 42754. Its email address is jwoosley@graysonwater.com.
2. The full name and post office address of the City is: City of Caneyville, Kentucky, 304 East Maple Street, Caneyville, Kentucky 42721. Its email address is cityclerkcaneyville@yahoo.com.
3. Grayson District is a water district organized pursuant to the provisions of KRS Chapter 74. Grayson District is also a governmental agency within the meaning of KRS 82.083(4)(a). Grayson District is now, and has been since its inception, regulated by the Commission. All records and proceedings of the Commission with reference to Grayson District are incorporated in this Joint Application by reference.
4. Grayson District is not a corporation, limited liability company, or

¹ To facilitate the Public Service Commission's initial review of this Joint Application, Grayson District has attached to this Joint Application two "Filings Requirements Lists," one regarding the proposed asset transfer from the City to Grayson District (**Exhibit 1**) and the other regarding Grayson District's assumption of the City's debt regarding its Water System (**Exhibit 2**). The Filings Requirements Lists set forth each relevant statutory and regulatory requirement and identifies the exhibit or paragraph of the Joint Application that satisfies the requirement. In the electronic version of this Joint Application, the listed exhibit or paragraph is linked to the page location or exhibit and can be immediately accessed and viewed by clicking on the listed page or exhibit number.

limited partnership. It has no articles of incorporation or partnership agreements.

5. The governing body of Grayson District is its Board of Commissioners. The Board of Commissioners is a public body corporate, with power to make contracts in furtherance of its lawful and proper purposes as provided in KRS 74.070 and all other applicable laws.

6. A general description of Grayson District's water system property, together with a statement of the original cost, is contained in Grayson District's Annual Report for 2020 which is on file with the Commission. The Annual Report is incorporated herein by reference.

7. The City is a duly organized and existing municipal corporation and a city of the home rule class of the Commonwealth of Kentucky.

8. The governing body of the City is its City Commission.

9. A general description of the City's Water System assets is contained in paragraphs 2 and 4 of the Agreement.

10. Pursuant to 807 KAR 5:001, Section 4(8), copies of all orders, pleadings, and other communications related to this proceeding should be directed to:²

² On October 7, 2021, the Joint Applicants' Notice of Election of Use of Electronic Filing Procedures, pursuant to 807 KAR 5:001, Section 8, was filed on the Commission's website.

Grayson County Water District

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BACKGROUND

11. Grayson District currently owns and operates both water treatment and water distribution facilities. It is engaged in the distribution and sale of water in Grayson County, Kentucky. As of December 31, 2020, Grayson District provided retail water service to approximately 6,974 customers and provided wholesale water service to the City.³

12. As of December 31, 2021, Grayson District provided retail water service to approximately 7,078 customers and provided wholesale water service to the City.

13. The City currently owns and operates water distribution facilities as well as wastewater collection and treatment facilities and is engaged in the distribution and sale of water in Grayson County, Kentucky. As of December 31, 2021, the City provided retail water service to approximately 774 customers in Grayson County, Kentucky.

14. Grayson District's water treatment and water distribution facilities are interconnected with the City's Water System.

15. The City is a wholesale water customer of Grayson District and currently purchases all its water from Grayson District.

16. A map depicting the respective service areas of Grayson District

³ Annual Report at 27.

and the City is attached hereto and incorporated herein by reference as **Exhibit 3**.

17. Both Grayson District's Board of Commissioners and the City Commission of Caneyville have determined that combining and consolidating the City's water system with Grayson District's system will result in economies of scale, and it will enable Grayson District to manage, operate, and maintain the combined system in a more cost-effective manner.

18. Grayson District and the City executed a Statement of Intent dated April 5, 2021, in which Grayson District expressed its intent to acquire the City's Water System and the City expressed its intent to transfer and convey its Water System to Grayson District. A copy of the Statement of Intent is attached hereto and incorporated herein by reference as **Exhibit 4**.

19. Furthermore, Grayson District and the City executed an Operating Agreement, effective April 12, 2021, in which Grayson District commenced managing, operating, repairing, and maintaining the City's Water System on April 12, 2021, and will continue to provide these services until the Closing. A copy of the Operating Agreement is attached hereto and incorporated herein by reference as **Exhibit 5**.

20. On September 13, 2021, Grayson District and the City entered into an Asset Purchase Agreement (the "Agreement") whereby the City will transfer and convey certain water system assets to Grayson District in exchange for the

assumption by Grayson District of certain debt obligations incurred by the City for the purpose of constructing extensions and improvements to the City's water system. A copy of the Agreement is attached hereto and incorporated herein by reference as **Exhibit 6**.

21. On July 26, 2021, Grayson District adopted Resolution No. 2021-07-01 authorizing the acquisition of the City's Water System and approving the Agreement. A copy of Grayson District's Resolution is attached hereto and incorporated herein by reference as **Exhibit 7**.

22. On September 13, 2021, the City adopted Ordinance No. 9-13-21 authorizing the transfer of its Water System to Grayson District and approving the Agreement. A copy of the City's Ordinance is attached hereto and incorporated herein by reference as **Exhibit 8**.

23. Pursuant to the Commission's Order dated June 19, 2020, in Bluegrass Water Utility Operating Company (PSC Case No. 2020-00028), the Commission has jurisdiction to approve the proposed acquisition of the City's water system by Grayson District.

24. Furthermore, Grayson District cannot assume the City's long-term debt obligations without Commission approval pursuant to KRS 278.300.

THE PROPOSED TRANSACTION

25. The Agreement provides that the City shall transfer and convey to Grayson District its Water System and related assets.⁴ The assets being transferred to Grayson District (“the City’s Water System Assets”) include, but are not limited to the following:

- A. The Windy Ridge Tank, altitude valve, appurtenances, and the parcel of real estate on which the tank is located;
- B. The Hwy 62 Tank, altitude valve, appurtenances, and the parcel of real estate on which the tank is located;
- C. The Post Tousey Tank, altitude valve, appurtenances, and the parcel of real estate on which the tank is located;
- D. The Hwy 79 Tank, altitude valve, appurtenances, and the parcel of real estate on which the tank is located;
- E. The Do-Stop pump station that distributes water to the Windy Ridge water storage tank, including the pump and all other appurtenances associated therewith and the parcel of real estate on which the pump station is located;
- F. The Highway 79 pump station, which is currently out of service, including the pump and all other appurtenances associated

⁴ Asset Purchase Agreement (“Agreement”) at 3-6, paragraph 2.

therewith and the parcel of real estate on which the pump station is located;

- G. All other real estate easements and the improvements thereon, licenses, encroachment permits, rights-of-way, or other interests in real estate owned by the City and used in the operation of the City's water system; PROVIDED, HOWEVER, to the extent that any existing easement provides access to the City for sewer or other utilities, the City shall be legally entitled to reserve an interest in such easement for joint use by the City and Grayson District;
- H. The City's entire water distribution system including, but not limited to, the following: all transmission mains, distribution lines, valves, meter vaults, meters, fire hydrants, flush hydrants, tap installations, fittings, spare parts, and all other tools, equipment, and inventory presently owned by the City and utilized in the operation of its water distribution system;
- I. All maps, drawings, operating manuals, engineering reports and "As Built" plans pertaining to the City's water system;
- J. All business records pertaining to the City's water system, including, but not limited to, all customer records and customer agreements;

- K. Any and all other tangible and intangible rights, permits, licenses or authorizations owned by the City and utilized in the operation of its water system;
 - L. The 1992 Chevrolet C24 truck; and
 - M. The water meters, tools, equipment, and other miscellaneous items of personal property listed in **Exhibit 1** to the Agreement.
26. The assets excluded from the transfer⁵ include:
- A. City Lake;
 - B. All the real property, buildings, and other facilities associated with Caneyville's old water treatment plant;
 - C. 2019 GMC truck;
 - D. 2006 GMC truck;
 - E. 1996 Case backhoe;
 - F. Balance of funds in the City's utility Operating Account;
 - G. Balance of funds in the City's utility Revenue Account;
 - H. Portion of funds in the City's Reserve Account which must be maintained by the City to comply with the covenants in its Sewer Bonds; and

⁵ Agreement at 8-9, paragraph 4.

I. Portion of Customer Deposit Account attributable to sewer customers.

27. There will be **no** cash consideration paid by Grayson District. Instead, as consideration for the transfer of the City's Water System Assets, Grayson District, at closing, shall assume and shall become solely responsible for the payment of the outstanding debt obligations incurred by the City for the purpose of constructing extensions and improvements to its water system.⁶ These debt obligations are evidenced by two (2) different series of revenue bonds issued by the City, purchased by U.S.D.A., Rural Development ("RD"), and still held by RD, which have an outstanding principal balance of **\$224,500**. Additionally, Grayson District expresses its intent to assume the additional two (2) RD Loans related to the City's FY20 Water System Rehab Project if the City successfully completes the construction of the FY20 Water System Rehab Project. **Exhibit 9**, which is attached hereto and incorporated herein by reference, contains a description and amounts of the debt obligations Grayson District has agreed to assume.

28. Once the Statement of Intent was executed, Grayson District undertook a thorough analysis, review, and evaluation of the City's Water System. Grayson District selected Kentucky Engineering Group, PLLC

⁶ Agreement at 6-8, paragraph 3.

(“KEG”) to perform the following services: (a) to evaluate the physical assets of the City’s Water System; (b) to provide a recommendation of assets from the City’s Water System that may become redundant when the system is merged with Grayson District’s system; (c) to provide an opinion of the status, maintenance required, and life expectancy of each asset; and (d) to provide a cost estimate for repairing or replacing any of the assets of the City’s Water System. KEG also developed a computerized hydraulic model of Grayson District’s system and combined the major components of the City’s Water System to the hydraulic model to determine whether any improvements are necessary for the merger.

29. Following its evaluation, KEG prepared a comprehensive report, “Asset Inventory & Identified Projects for System Merger: Acquisition of Caneyville Water System” (“KEG Report”), which is attached hereto and incorporated herein by reference as **Exhibit 10**. In this report, KEG has, among other things, included future recommended projects to upgrade the City’s Water System.

FINANCIAL INFORMATION

30. Grayson District has the financial, technical, and managerial abilities to provide reasonable water service for the existing water customers of the City without placing a financial burden on those customers or Grayson District’s existing customers or adversely affecting the quality of service

presently afforded the existing customers of Grayson District or the City.

31. The financial schedules and other information necessary for the Financial Exhibit required by 807 KAR 5:001, Section 12, and the other information required by 807 KAR 5:001, Section 18, are contained in the 2020 Annual Report which is on file with the Commission. The Annual Report is incorporated herein by reference.

32. Grayson District had gross annual operating revenues of \$3,544,715 during the 2020 calendar year.⁷ Consequently, the provisions of 807 KAR 5:001, Section 12(1)(b) are applicable.

33. There have been no negative material changes to Grayson District's financial condition since the end of the twelve (12) month period contained in its most recent Annual Report on file with the Commission. There has been a positive change, however. On December 14, 2021, in Case No. 2021-00191, the Commission granted Grayson District a 5.25% rate adjustment. This rate adjustment will increase Grayson District's revenues by approximately \$191,337 per year.

34. Pursuant to KAR 5:001, Section 12, Grayson District hereby states as follows:

A. **Section 12(2)(a) Stock Authorized:** None. Grayson District is a Water District. Therefore, this provision is not applicable;

⁷ Annual Report at 27.

- B. **Section 12(2)(b) Stock Issued & Outstanding:** None. Grayson District is a Water District. Therefore, this provision is not applicable;
- C. **Section 12(2)(c) Preferred Stock Preference:** None. Grayson District is a Water District. Therefore, this provision is not applicable;
- D. **Section 12(2)(d) Mortgages:** None. Grayson District does not have any mortgages or trust deeds in effect as of the date hereof;
- E. **Section 12(2)(e) Bonds:** A schedule setting forth all bonds which have been authorized and issued by Grayson District and which are still outstanding is set forth as **Exhibit 11**. Grayson District is the public entity which issued these revenue bonds (the “Bonds”). The Bonds are all secured by a pledge of Grayson District’s water system revenues. The total amount of interest paid by Grayson District during the calendar year 2020 was **\$151,740**. **Exhibit 11** also itemizes the amount of interest paid on each separate Bond issue;
- F. **Section 12(2)(f) Notes Outstanding:** Grayson District does not have any notes outstanding as of the date hereof;
- G. **Section 12(2)(g) Other Indebtedness:** None;
- H. **Section 12(2)(h) Dividends:** None. Grayson District is a Water District. Therefore, this provision is not applicable; and
- I. **Section 12(2)(i) Income Statement & Balance Sheet:** Grayson District’s detailed Income Statement for the twelve (12) month period ending on December 31, 2020 and Grayson District’s Balance Sheet, as of December 31, 2020, are attached hereto and incorporated herein by reference as **Exhibits 12 and 13** respectively.

35. A copy of Grayson District's audited financial statements for the years ended December 31, 2020 and 2019 is attached hereto and incorporated herein by reference as **Exhibit 14**.

36. As a result of the proposed acquisition, Grayson District will incur an additional debt of only \$1,422,500 (see **Exhibit 9**). When the new debt is combined with Grayson's District existing debt of \$7,206,278 (see **Exhibit 11**), it results in a combined debt of only \$8,628,778. **Exhibit 15**, which is attached hereto, displays Grayson District's existing debt, the new debt it will be assuming from the City, the combined debt after the proposed acquisition, and the debt per customer. Grayson District's debt per customer will only be \$1,099 following the acquisition. This is an exceptionally low debt per customer.

37. Pursuant to KAR 5:001, Section 18, Grayson District hereby states as follows:

- A. **Section 18(1)(b) Applicant's Property:** A general description of Grayson District's water system property, together with a statement of the original cost, is contained in Grayson District's Annual Report for 2020 which is on file with the Commission. The Annual Report is incorporated herein by reference.
- B. **Section 18(1)(c) Stock to be Issued:** None. Grayson District does not propose to issue any stock.
- C. **Section 18(1)(d) Use of Proceeds:** As further explained in paragraph 27 and set out in **Exhibit 9**, Grayson District proposes to assume the debt obligations incurred by the City for the purpose of constructing extensions and improvements to its water system. All of the City's bonds being assumed by Grayson District will be used to acquire the City's Water System Assets. None of the bonds being assumed will be used for the construction, completion, extension, or improvement of facilities, the improvement of service, the maintenance of

service, or the discharge or refunding of obligations.

- D. **Section 18(1)(e) Property to be Acquired:** Grayson District is acquiring the City's Water System Assets. A detailed description of the property being acquired is set forth in the Agreement (see paragraphs 2 and 4 of the Agreement). The book value of the property being acquired is **\$3,870,014**. A schedule itemizing the book value of each of the major components of the City's Water System Assets is set forth in **Exhibit 16**;
- E. **Section 18(1)(f):** This sub-section is not applicable because no portion of the bonds being assumed by Grayson District will be used to discharge or refund the obligations of the City.
- F. **Section 18(1)(g) State Local Debt Officer Notification:** Attached as **Exhibit 17** is Grayson District's letter dated December 12, 2021, to the State Local Debt Officer. This letter, together with the attachments, constitute Grayson District's written notification to the State Local Debt Officer and compliance with KRS 65.117;
- G. **Section 18(2)(a) Financial Exhibit:** See paragraph 34 of this Joint Application for Grayson District's Financial Exhibit;
- H. **Section 18(2)(b) Trust Deeds or Mortgages:** None. Grayson District does not have any mortgages or trust deeds in effect as of the date hereof;
- I. **Section 18(2)(b) Bond Ordinance:** The City's 2021A and 2021B Bonds are the City's most recently issued bonds, which the City issued pursuant to its Bond Ordinance enacted on September 14, 2021. A copy of this Bond Ordinance is attached hereto and incorporated herein by reference as **Exhibit 18**. This Bond Ordinance supersedes, or incorporates by reference, all the City's prior Bond Authorizing Ordinances. Therefore, the 2021 Bond Ordinance is the only Bond Ordinance that needs to be filed with the Commission;
- J. **Section 18(2)(c) Map:** The Map, which is attached hereto and incorporated herein by reference as **Exhibit 19**, depicts the

location of the major properties (e.g. water storage tanks and pump stations) that Grayson District will be acquiring from the City; and

K. Section 18(2)(c) USOA Account Number: This provision is not applicable because Grayson District is not proposing to construct any new facilities. **Exhibit 16** sets forth the book value of each of the major components of the City's Water System Assets which are being acquired by Grayson District.

38. Grayson District believes that the financial information submitted with this Joint Application is sufficient to enable the Commission to adequately, effectively, and efficiently review this Joint Application.

39. No rate adjustment for Grayson District's existing customers will be necessary. The proposed acquisition will generate a substantial, positive cash flow, which will enable Grayson District to pay all operational and maintenance expenses incurred for the City's water system, to make bond payments, and to set aside additional reserves.

RATES

40. Grayson District will be acquiring assets with a Book Value of \$3,870,014 (see **Exhibit 16**) while only incurring \$1,422,500 in new debts. This will strengthen Grayson District's Balance Sheet by over \$2,400,000.

41. No new employees will need to be hired by Grayson District to operate the City's Water Assets. Furthermore, Grayson District is not contractually obligated under the Agreement to hire any of the City's current employees. Grayson District has been managing, operating, repairing, and

maintaining the City's Water System since April 12, 2021, by utilizing Grayson District's existing employees.

42. Grayson District employs a total of eleven (11) operators who hold valid water certification licenses issued by the Kentucky Board of Certification of Water System Operators. Three (3) are certified as both Water Distribution System Operators and as Water Treatment Operators. Five (5) are certified as only Water Distribution System Operators. The remaining three (3) are certified as only Water Treatment Operators. A list of the names, qualifications, and license numbers of Grayson District's Certified Water Operators is attached as **Exhibit 20** to this Joint Application.

43. Following the Closing, the rates to be charged by Grayson District to all its water customers, including those currently served by the City, shall be the same. **Exhibit 21** sets forth the City's current water rates. It should be noted that the City's existing "Outside City" rates are substantially higher than its "Inside City" rates. Approximately two-thirds of the City's water customers live outside the City's corporate limits and pay the higher water rates. Once the proposed acquisition is finalized, these "Outside City" customers will realize a very substantial decrease in their monthly water bills.

44. **Exhibit 22** sets forth Grayson District's current rates, which the Commission approved by Order dated December 14, 2021.

45. The current water rates for each declining block tier of usage for

the City and Grayson District are combined in a side-by-side comparison in **Exhibit 23**. The information in **Exhibit 23** was used to calculate a monthly water bill comparison for different usage amounts. This water bill comparison is depicted in **Exhibit 24**. All City customers who pay a minimum bill (1,500 gallons or less per month) will experience a decrease in rates once they become customers of Grayson District. The “Outside City” minimum bill customers will see a decrease of \$6.13 per month (23% decrease).

46. The average City customer uses only 2,900 gallons per month. The “Inside City” average usage customer will receive a slight decrease after they start paying the lower Grayson District rates. Furthermore, the “Outside City” average usage customer will receive a very significant decrease of \$8.36 per month (20% decrease).

BENEFITS OF CONSOLIDATION

47. The public policy of the Commonwealth, as declared in KRS 224A.300(1) and KRS 74.361(1) and (10) is to encourage regionalization, consolidation, and merger of water utilities wherever feasible. Grayson District’s proposed acquisition of the City’s Water System is consistent with, and in furtherance of, this public policy.

48. Combining and consolidating the City’s Water System with Grayson District’s water system will result in economies of scale and will allow the combined systems to be managed, operated, and maintained in a more cost-

effective manner.

49. Grayson District, pursuant to KRS 74.100 and other applicable laws, is authorized to expand its existing water system by acquiring the City's Water System.

50. Both the Caneyville City Commission and Grayson District's Board of Commissioners have determined that it is economically feasible, desirable, and beneficial and in the best interests of the City's customers, Grayson District's customers, and the general public for the proposed transfer of assets to take place.

51. Grayson District has the financial, technical, and managerial abilities to provide reasonable water service to the City's existing customers without causing a financial burden on Grayson District's existing customers or adversely affecting the quality of service presently afforded the existing customers of Grayson District or the City.

52. Furthermore, the KEG Report concludes that Grayson District is in a position both financially and managerially to accept this endeavor. Furthermore, KEG concluded that the merger is consistent with the Kentucky Division of Water's efforts of regionalization and the merger is financially beneficial to both the City's customers and Grayson District's customers.

53. The assumption of the City's debt obligations will **not** be a burden on Grayson District's existing customers. Following the acquisition, Grayson

will owe \$8,628,778 and will have 7,852 customers. This equates to a debt of \$1,099 per customer, which is an exceptionally low debt per customer.

54. Grayson District's proposed acquisition of the City's water system will not adversely impact Grayson District's ability to provide adequate, reasonable, and reliable service to its existing customers. Indeed, just the opposite is true. The proposed acquisition will enhance Grayson District's financial strength.

55. The closing of the proposed acquisition of the City's water system will take place when all requirements set forth in paragraph 22 of the Agreement have been satisfied.

56. No rate adjustment will be necessary for Grayson District's existing customers.

57. All the Exhibits which are attached hereto are hereby incorporated herein by reference.

WHEREFORE, the Joint Applicants respectfully request that the Commission take the following actions:

1. Place this Joint Application to issue securities by Grayson District at the head of the docket as provided by KRS 278.300(2);
2. Authorize Grayson District to acquire the City's Water System pursuant to the Asset Purchase Agreement;

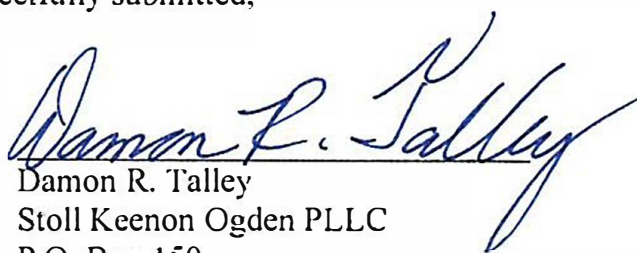
and the City;

4. Authorize Grayson District to assume the City's outstanding Rural Development ("RD") debt obligations; and

5. Grant Grayson District any and all other appropriate relief.

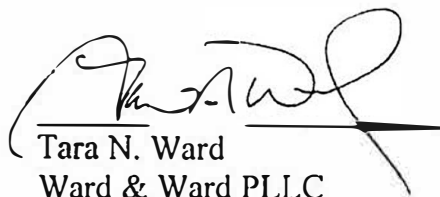
Dated: February 12, 2022

Respectfully submitted,



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*Counsel for the City of Caneyville,
Kentucky*

GRAYSON DISTRICT'S VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF GRAYSON)

The undersigned, Nancy Cain, being duly sworn, deposes and states that she is the Chairman of Grayson County Water District, one of the Joint Applicants in the above proceeding; that she has read this Verified Joint Application and has noted its contents; that the same is true of her own knowledge, except as to those matters which are therein stated on information or belief, and as to those matters, she believes same to be true.

IN TESTIMONY WHEREOF, witness the signature of the undersigned on this 10th day of February 2022.

Nancy Cain
Nancy Cain, Chairman
Grayson County Water District

Subscribed and sworn to before me, a Notary Public in and for said County and State, by Nancy Cain, in her capacity as Chairman of Grayson County Water District, on this 10 day of February 2022.

James M. [Signature]
Notary Public, State at Large
Notary ID: KYNP9428

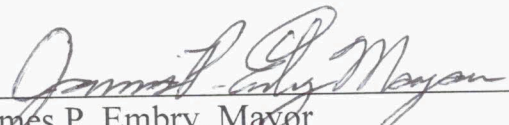
My Commission expires: July 1, 2024

THE CITY'S VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF GRAYSON)

The undersigned, James P. Embry, being duly sworn, deposes and states that he is the Mayor of the City of Caneyville, Kentucky, one of the Joint Applicants in the above proceeding; that he has read this Verified Joint Application and has noted its contents; that the same is true of his own knowledge, except as to those matters which are therein stated on information or belief, and as to those matters, he believes same to be true.

IN TESTIMONY WHEREOF, witness the signature of the undersigned on this 15 day of February 2022.



James P. Embry, Mayor
City of Caneyville, Kentucky

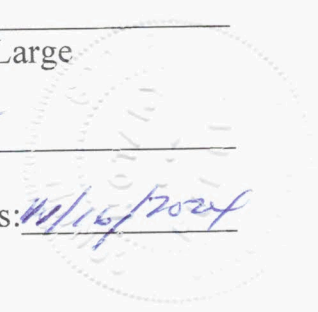
Subscribed and sworn to before me, a Notary Public in and for said County and State, by James P. Embry, in his capacity as Mayor of the City of Caneyville, Kentucky, on this 15 day of February 2022.



Notary Public, State at Large

Notary ID: 17704

My Commission expires: 11/16/2024



CERTIFICATE OF SERVICE

In accordance with the Commission's Order of July 22, 2021 in Case No. 2020-00085 (Electronic Emergency Docket Related to the Novel Coronavirus COVID-19), this is to certify that the electronic filing has been transmitted to the Commission on February 16, 2022; and that there are currently no parties in this proceeding that the Commission has excused from participation by electronic means.


Damon R. Talley

TABLE OF EXHIBITS

Exhibit No.	Description
1.	Filing Requirements Checklist – Transfer of Assets
2.	Filing Requirements Checklist – Assumption of Debt
3.	Map – City and Grayson District’s Service Areas
4.	Statement of Intent
5.	Operating Agreement
6.	Asset Purchase Agreement
7.	Resolution of Grayson District Approving Asset Purchase Agreement
8.	Ordinance of City Approving Asset Purchase Agreement
9.	Schedule of City’s Water Revenue Bonds to be Assumed by Grayson District
10.	Asset Evaluation Report Prepared by KEG
11.	Schedule of Grayson District’s Outstanding Bonds
12.	Income Statement of Grayson District
13.	Balance Sheet of Grayson District
14.	Audit Report of Grayson District for Calendar Year Ending 12-31-20
15.	Total Grayson District Debt After Acquisition
16.	Book Value of Property Being Acquired Using USoA Account Numbers
17.	Notification to State Local Debt Officer
18.	Ordinance of Caneyville Authorizing Bonds

19. Map – City’s Assets
20. Schedule of Certified Operators
21. Schedule of City’s Water Rates
22. Schedule of Grayson District’s Current Water Rates
23. Schedule of City’s and Grayson District’s Current Water Rates
24. Bill Comparison Using City’s and Grayson District’s Current Water Rates

EXHIBIT 1

**FILING REQUIREMENTS LIST FOR AN APPLICATION FOR
AUTHORITY TO TRANSFER OWNERSHIP OR CONTROL**

Source Authority	Requirement	Location
807 KAR 5:001 § 14(1)	Applicant’s name, mailing address, and e-mail address	Page 2, Paras 1 and 2
807 KAR 5:001 § 14(1)	Statutory reference – KRS 278.020(5) or (6)	Page 1
807 KAR 5:001 § 4(3)	Signature of Applicant’s attorney	Page 22
807 KAR 5:001 § 4(3)	Name, address, telephone number, fax number, and e-mail address of Applicant’s attorney	Page 22
807 KAR 5:001 § 14(2)	If Applicant is corporation: State and date of incorporation, attestation of good standing in state of incorporation, statement regarding authorization to transact business in Kentucky	Pages 2-3, Paras 3-8 Not Applicable
807 KAR 5:001 § 14(3)	If Applicant is a limited liability company: State and date of organization, attestation of good standing in state of incorporation, statement regarding authorization to transact business in Kentucky	Pages 2-3, Paras 3-8 Not Applicable
807 KAR 5:001 § 14(4)	If the Applicant is a limited partnership: a certified copy of limited partnership agreement and all amendments or statement identifying prior Commission proceedings in which limited partnership agreement and all amendments filed	Pages 2-3, Paras 3-8 Not Applicable
Not required but recommended	Signed Purchase/Sale Agreement, or other writing memorializing the terms of transfer	Exhibit 6
KRS 278.020(5)	The names and qualifications of operating personnel, and any other evidence to show new owners have financial, technical, and managerial abilities to operate system, e.g. income tax records, financial statements, etc.	Pages 12-13, Paras 30-31 Page 18, Para 42 Exhibits 12, 13, 14, 15, and 20
KRS 278.020(6)	Application verified by oath or affirmation.	Pages S-1 and S-2

EXHIBIT 2

**FILING REQUIREMENTS LIST FOR AN APPLICATION FOR
AUTHORITY TO ISSUE SECURITIES OR EVIDENCES OF INDEBTEDNESS**

Source Authority	Requirement	Location
807 KAR 5:001 § 14(1)	Applicant’s name, mailing address, and e-mail address	Page 2 , Paras 1 and 2
807 KAR 5:001 § 14(1)	Statutory reference – KRS 278.300	Page 1
807 KAR 5:001 § 4(3)	Signature of Applicant’s attorney	Page 22
807 KAR 5:001 § 4(3)	Name, address, telephone number, fax number, and e-mail address of Applicant’s attorney	Page 22
807 KAR 5:001 § 14(2)	If Applicant is corporation: State and date of incorporation, attestation of good standing in state of incorporation, statement regarding authorization to transact business in Kentucky	Pages 2-3 , Paras 3-8 Not Applicable
807 KAR 5:001 § 14(3)	If Applicant is a limited liability company: State and date of organization, attestation of good standing in state of incorporation, statement regarding authorization to transact business in Kentucky	Pages 2-3 , Paras 3-8 Not Applicable
807 KAR 5:001 § 14(4)	If the Applicant is a limited partnership: a certified copy of limited partnership agreement and all amendments or statement identifying prior Commission proceedings in which limited partnership agreement and all amendments filed	Pages 2-3 , Paras 3-8 Not Applicable
KRS 278.300(2)	Application is made under oath and signed on utility’s behalf by its president, or by a vice president, auditor, comptroller or other executive officer having knowledge of the matters set forth and duly designated by the utility	Pages S-1 and S-2
807 KAR 5:001 § 18(1)(a)	Information required by 807 KAR 5:001 § 14	See above

Source Authority	Requirement	Location
807 KAR 5:001 § 18(1)(b)	Description of Applicant's property and the field of its operation	Page 3, Paras 6 and 9 Exhibits 3 and 19
807 KAR 5:001 § 18(1)(b)	Statement of original cost of Applicant's property and the cost to the Applicant, if different	Page 3, Paras 6 and 9 Exhibit 16
807 KAR 5:001 § 18(1)(c)	Description of amount and kinds of stock to be issued	Page 15, Para 37(B) Not Applicable
807 KAR 5:001 § 18(1)(c)	Description of amount, terms and interest rate of bond or note	Page 15, Para 36 Exhibits 9, 11, 15
807 KAR 5:001 § 18(1)(c)	Description of how bond or note will be secured	Page 15, Para 36
807 KAR 5:001 § 18(1)(d)	Statement of how proceeds are to be used	Pages 15-16, Para 37(C) Exhibit 9
807 KAR 5:001 § 18(1)(e)	If proceeds will be used to acquire, construct, improve, or extend property: a detailed description of property and all contracts	Page 16, Para 37(D) Exhibit 16
807 KAR 5:001, § 18(1)(f)	(If proceeds are to refund outstanding obligations) Statement of nature and description of obligation	Page 16, Para 37(E) Not Applicable
807 KAR 5:001 § 18(1)(f)	(If proceeds are to refund outstanding obligations) Statement of par value of original obligations	Page 16, Para 37(E) Not Applicable
807 KAR 5:001 § 18(1)(f)	(If proceeds are to refund outstanding obligations) Statement of the amount for which original obligation sold	Page 16, Para 37(E) Not Applicable
807 KAR 5:001 § 18(1)(f)	(If proceeds are to refund outstanding obligations) Statement of associated expenses	Page 16, Para 37(E) Not Applicable
807 KAR 5:001 § 18(1)(f)	(If proceeds are to refund outstanding obligations) Statement of the application of proceeds from the sale	Page 16, Para 37(E) Not Applicable
807 KAR 5:001 § 18(1)(f)	(If proceeds are to refund outstanding notes) Time the original obligation held	Page 16, Para 37(E) Not Applicable

Source Authority	Requirement	Location
807 KAR 5:001 § 18(1)(f)	(If proceeds are to refund outstanding notes) Interest rate of original obligation	Page 16, Para 37(E) Not Applicable
807 KAR 5:001 § 18(1)(f)	(If proceeds are to refund outstanding notes) Payee	Page 16, Para 37(E) Not Applicable
807 KAR 5:001 § 18(1)(g)	Applicant's written notification to state local debt officer regarding proposed issuance	Page 16, Para 37(F) Exhibit 17
807 KAR 5:001 § 18(2)(a) 807 KAR 5:001 § 12(1)	Financial Exhibit	Pages 13-14, Para 34
807 KAR 5:001 § 18(2)(a) 807 KAR 5:001 § 12(2)(a)-(c)	Financial Exhibit – Information regarding stock	Pages 13-14, Paras 34(A) – 34(C) Not Applicable
807 KAR 5:001 § 18(2)(a) 807 KAR 5:001 § 12(2)(d)	Financial Exhibit – Description of mortgage	Page 14, Para 34(D)
807 KAR 5:001 § 18(2)(a) 807 KAR 5:001 § 12(2)(e)	Financial Exhibit – Description of bonds	Page 14, Para 34(E) Exhibit 11
807 KAR 5:001 § 18(2)(a) 807 KAR 5:001 § 12(2)(f)	Financial Exhibit – Statement regarding outstanding notes	Page 14, Para 34(F)
807 KAR 5:001 § 18(2)(a) 807 KAR 5:001 § 12(2)(g)	Financial Exhibit – Statement regarding other indebtedness	Page 14, Para 34(G)
807 KAR 5:001 § 18(2)(a) 807 KAR 5:001 § 12(2)(h)	Financial Exhibit – Statement regarding dividends	Page 14, Para 34(H) Not Applicable
807 KAR 5:001 § 18(2)(a) 807 KAR 5:001 § 12(2)(i)	Financial Exhibit – Detailed income statement and balance sheet	Page 14, Para 34(I) Exhibits 12 and 13
807 KAR 5:001 § 18(2)(b)	Copies of trust deeds or mortgages	Page 16, Para 37(H)
807 KAR 5:001 § 18(2)(c)	If property acquired: maps and plans of property	Pages 16-17, Para 37(J) Exhibit 19
807 KAR 5:001 § 18(2)(c)	If property acquired: detailed estimates by USOA account number	Page 17, Para 37(K) Exhibit 16

EXHIBIT 3

Grayson County Water District

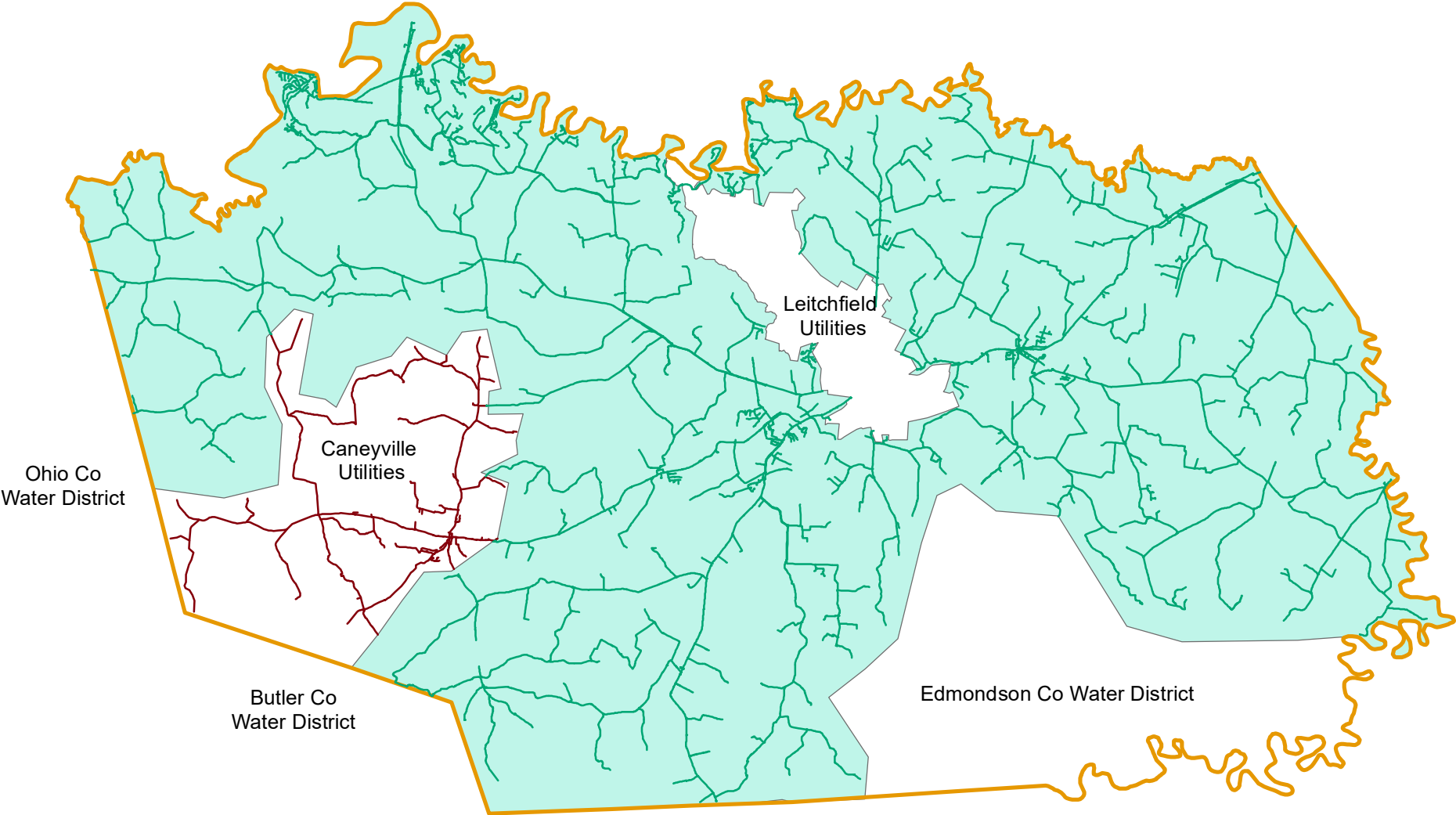


EXHIBIT 4

STATEMENT OF INTENT

This Statement of Intent, having an effective date of April 5, 2021, is made and entered into by and between the **CITY OF CANEYVILLE, KENTUCKY** (“Caneyville”) and the **GRAYSON COUNTY WATER DISTRICT** (the “District”) (collectively, the “Parties”):

WITNESSETH

WHEREAS, Caneyville is a municipal corporation and a city of the home rule class of the Commonwealth of Kentucky;

WHEREAS, Caneyville currently owns and operates water distribution facilities (the “Caneyville Water System”) as well as wastewater collection and treatment facilities (the “Caneyville Wastewater System”);

WHEREAS, the District is a water district organized under the provisions of KRS Chapter 74 and is also a governmental agency within the meaning of KRS 82.083(4)(a);

WHEREAS, the District currently owns and operates both water treatment and water distribution facilities (the “District’s System”);

WHEREAS, the District’s System is interconnected with the Caneyville Water System;

WHEREAS, Caneyville is a wholesale water customer of the District and currently purchases all its water from the District;

WHEREAS, it appears that combining and consolidating the Caneyville Water System with the District's System will result in economies of scale. Furthermore, it will enable the District to manage, operate, and maintain the combined system in a more cost-effective manner;

WHEREAS, it appears that the District has the financial, technical, and managerial abilities to provide adequate and reliable water service to Caneyville's existing water customers without adversely affecting the quality of service presently afforded the District's existing customers;

WHEREAS, certain representatives of Caneyville and certain representatives of the District have negotiated the preliminary terms of a Statement of Intent whereby Caneyville expresses its intent to transfer and convey its Water System to the District and the District expresses its intent to acquire the Caneyville Water System, subject to the approval and execution of the Statement of Intent by the governing bodies of Caneyville and the District; and

WHEREAS, Caneyville desires to state its intention to transfer and convey its Water System to the District, and the District desires to state its intention to acquire the Caneyville Water System, subject to the terms, conditions, and provisions hereinafter set forth.

NOW, THEREFORE, FOR AND IN CONSIDERATION of the mutual benefits to be derived from combining and consolidating the Caneyville Water System with the District's System, Caneyville and the District state as follows:

1. **Agreement.** Caneyville and the District formally declare and state their intent to negotiate the terms of, and enter into, an Asset Purchase Agreement (the "Agreement"). The Agreement will contain the detailed provisions for the transfer of the Caneyville Water System and its related assets to the District.

2. **Transfer of Assets.** Subject to the terms and conditions of the Agreement, Caneyville hereby states its intent to transfer and convey to the District and the District hereby states its intent to acquire from Caneyville, the Water System owned and operated by Caneyville. The Caneyville Wastewater System will **not** be transferred to the District.

3. **Excluded Assets.** The Parties acknowledge and agree that some of the Caneyville Water System assets will either not be needed by the District or are not deemed to be a critical Water System asset, and, therefore, will be retained by Caneyville and excluded from the proposed transaction. These **excluded** assets are listed below:

- a. City Lake;
- b. All the real property, buildings, and other facilities associated with Caneyville's old water treatment plant;

- c. 2019 GMC truck;
- d. 1996 Case backhoe;
- e. Balance of funds in Caneyville's utility Operating Account;
- f. Balance of funds in Caneyville's utility Revenue Account;
- g. Portion of funds in Caneyville's Reserve Account which must be maintained by Caneyville to comply with the covenants in its Sewer Bonds; and
- h. Portion of Customer Deposit Account attributable to sewer customers.

4. **Consideration.** As consideration for the transfer of the Caneyville Water System and its related assets, the District states its intent to pay at the time of the closing, or assume, the debt obligations incurred by Caneyville for the purpose of constructing extensions and improvements to its Water System. These debt obligations are evidenced by two (2) different series of revenue bonds issued by Caneyville, purchased by U.S.D.A., Rural Development ("RD"), and still held by RD (the "Outstanding Water Bonds"), which have an approximate outstanding principal balance of **\$226,350**. The District is aware that Caneyville has obtained funding for, and is in the process of undertaking, a major water system improvement project (the "2021 Project") for the purpose of replacing old, asbestos-cement ("A/C") water lines in downtown Caneyville and making other improvements to its Water System. RD has issued its Letter of Conditions dated January 16, 2020 whereby it proposes to make a loan in the amount of **\$818,000** to Caneyville. The

total estimated cost of the 2021 Project, including contingencies, is \$1,625,000. The District expresses its intent to assume this new RD loan if Caneyville successfully completes the construction of the 2021 Project.

5. **Employees.** The Parties acknowledge and agree that Caneyville will need to retain the services of its current employees to operate its Wastewater System and other public works.

6. **Operating Agreement.** The Parties believe that it will be mutually advantageous if the District will commence, starting on May 1, 2021, managing, operating, repairing, and maintaining the Caneyville Water System while the Parties are negotiating the detailed terms of the Agreement and awaiting approval of the proposed transfer of the Caneyville Water System assets by RD and the Kentucky Public Service Commission. The Parties contemplate entering into a written Operating Agreement whereby Caneyville will continue to read its water meters, perform the billing and collection functions as it currently does, and collect and retain the water revenues. The District will, at its own expense, provide a certified water distribution system operator, prepare and file the required Monthly Operating Reports, and will be responsible for providing the labor and equipment to perform the necessary maintenance of the Caneyville Water System until the Closing. The Operating Agreement shall terminate once ownership of the Water Assets have been formally transferred to the District at the Closing.


7. **Exclusive Negotiations.** Caneyville and the District agree to engage in good faith negotiations exclusively with each other, and that neither Caneyville nor the District shall engage in talks, discussions, communications, or the like with any other water utility or entity concerning the proposed transfer of the Caneyville Water System.

8. **Cooperation.** Caneyville and the District agree: (a) to cooperate and assist each other with engineering studies and any other evaluations of the Caneyville Water System that the District may need to conduct, but such cooperation does not require any financial obligation by Caneyville; (b) to facilitate and expedite negotiations which are intended to result in a mutually advantageous Agreement and the ultimate transfer of the Caneyville Water System and its related assets to the District as contemplated by this Statement of Intent; (c) to exchange information; and (d) to promptly take all other necessary actions.


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IN TESTIMONY WHEREOF, this Statement of Intent has been approved by the City Commission of Caneyville and the Board of Commissioners of the District. It has been executed by the duly authorized officers of both parties.

CITY OF CANEYVILLE

By: 
James P. Embry, Mayor

Date: 4-5-2021

Attest: 
Connie Gootee, City Clerk

GRAYSON COUNTY WATER DISTRICT

By: 
John Tomes, Chairman

Date: 3-22-2021

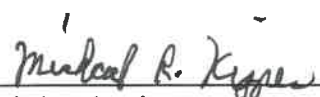
Attest: 
Michael Kipper, Secretary

EXHIBIT 5

OPERATING AGREEMENT
Table of Contents

	Page
1. Defined Terms.....	3
2. Affirmation of Preamble.....	3
3. General Benefits.....	3
4. Ownership of Assets.....	4
5. Closing.....	4
6. Term.....	4
7. Transition Period.	5
8. Operation and Maintenance of Assets.....	5
9. Compensation.....	5
10. Revenues.....	6
11. Caneyville’s Duties and Responsibilities.....	6
12. District’s Duties and Responsibilities.....	8
13. FY20 Water System Rehab Project.....	9
14. District to Serve as Construction Manager.....	10
15. Utilities.....	10
16. Debt Service.....	11
17. Other Capital Improvements.....	11
18. Cooperation.....	11
19. Customer Deposits.....	12
20. Insurance.....	12
21. Indemnification.....	12
22. No Transfer of Ownership or Control.....	13
23. No Assignment.....	13

OPERATING AGREEMENT

This is an Operating Agreement, having an effective date of April 12, 2021, made and entered into by and between the **CITY OF CANEYVILLE, KENTUCKY**, 304 East Maple Street, Caneyville, Kentucky 42721, hereinafter referred to as “Caneyville” or the “City”; and **GRAYSON COUNTY WATER DISTRICT**, 21 Shull White Road, Leitchfield, Kentucky 42754, hereinafter referred to as the “District,” collectively referred to as the “Parties”;

WITNESSETH

WHEREAS, Caneyville is a municipal corporation and a city of the home rule class of the Commonwealth of Kentucky;

WHEREAS, Caneyville currently owns and operates water distribution facilities (the “Caneyville Water System”) as well as wastewater collection and treatment facilities (the “Caneyville Wastewater System”);

WHEREAS, the District is a water district organized under the provisions of KRS Chapter 74 and is also a governmental agency within the meaning of KRS 82.083(4)(a);

WHEREAS, the District currently owns and operates both water treatment and water distribution facilities (the “District’s System”);

WHEREAS, the District’s System is interconnected with the Caneyville Water System;

WHEREAS, Caneyville is a wholesale water customer of the District and currently purchases all its water from the District;

WHEREAS, on April 5, 2021, the Parties executed a Statement of Intent whereby Caneyville declared and stated its intent to transfer and convey its Water System to the District and the District declared and stated its intent to acquire Caneyville's entire Water System, subject to the terms, conditions, and provisions set forth in the Statement of Intent;

WHEREAS, KRS 74.414 authorizes the Board of Commissioners of a water district to contract with a city to provide for the operation of that city's water system regardless of whether the water district has or will acquire any ownership rights in the water system;

WHEREAS, subject to the limitations contained in this Operating Agreement, the District is willing, pursuant to KRS 74.414, to manage, operate, repair, and maintain the Caneyville Water System until the assets of the Caneyville Water System have been formally transferred to the District at the Closing;

WHEREAS, as set forth in paragraph 6 of the Statement of Intent, the Parties believe it will be mutually advantageous if the District will commence, starting on April 12, 2021, managing, operating, repairing, and maintaining the Caneyville Water System while the Parties are negotiating the detailed terms of the Asset Purchase Agreement and awaiting approval of the proposed transfer of the

Caneyville Water System assets by U.S.D.A. Rural Development (“RD”) and the Kentucky Public Service Commission (the “PSC”);

WHEREAS, it is uncertain when approval of the proposed transfer by RD and the PSC will be obtained;

WHEREAS, the District has made plans and taken steps to commence managing and operating the Caneyville Water System on April 12, 2021; and

WHEREAS, the Parties desire for the District to manage, operate, repair, and maintain the Caneyville Water System beginning April 12, 2021.

NOW, THEREFORE, FOR AND IN CONSIDERATION of the mutual promises, covenants, and conditions contained herein and in the Statement of Intent, the Parties agree as follows:

1. **Defined Terms.** The terms used in this Operating Agreement and not defined herein shall have the meanings assigned to them in the Statement of Intent.

2. **Affirmation of Preamble.** The facts, recitals, and statements contained in the foregoing preamble of this Operating Agreement are true and correct and are hereby affirmed and incorporated as a part of this Operating Agreement.

3. **General Benefits.** In accordance with KRS 74.414, the City Commission of Caneyville and the Board of Commissioners of the District have each independently determined, and do hereby declare, that it is necessary, desirable, in

the public interest, in the best interests of their customers, and mutually advantageous for the City and the District for the City to contract with the District to manage, operate, repair, and maintain the Caneyville Water System before the Caneyville Water System is transferred and conveyed to the District.

4. **Ownership of Assets.** During the Term of this Operating Agreement, Caneyville shall retain ownership of all its Water System assets.

5. **Closing.** Transfer of ownership of the Caneyville Water System Assets and final closing of the transaction contemplated by the Statement of Intent (the “Closing”) cannot take place until: (a) the Parties negotiate and execute an Asset Purchase Agreement; (b) RD approves the proposed transfer of Caneyville Water System Assets; (c) the PSC approves the proposed transfer of Caneyville Water System Assets; and (d) certain other Closing requirements have been satisfied.

6. **Term.** The Term of this Operating Agreement shall commence on April 12, 2021, and shall continue until the Closing as defined in the preceding paragraph of this Operating Agreement; PROVIDED, HOWEVER, that if the Parties have not successfully negotiated and executed an Asset Purchase Agreement by June 30, 2021, this Operating Agreement shall expire on that date, unless the Parties negotiate a new Operating Agreement; and PROVIDED FURTHER, in the event no Closing occurs before April 30, 2022, this Operating Agreement shall expire on that date unless the Parties negotiate a new Operating Agreement.

7. **Transition Period.** In the event the Parties are unable to obtain the necessary regulatory or other approvals in a timely manner and in the event that the Parties are unable to negotiate a new Operating Agreement as provided in paragraph 6 of this Operating Agreement, it would cause an extreme hardship on Caneyville and its water customers if this Operating Agreement were to terminate abruptly. Therefore, to avoid this abrupt termination, the District agrees to extend the Term of this Operating Agreement for an additional transition period of 60 days after its scheduled expiration. This transition period should provide sufficient time for Caneyville to secure the services of a certified water distribution operator and other needed personnel, to make plans for the orderly transition of the duties that were performed by the District during the Term of this Operating Agreement, and to provide adequate notice to Caneyville's water customers.

8. **Operation and Maintenance of Assets.** Subject to the limitations set forth below, the District shall manage, operate, repair, and maintain the Caneyville Water System beginning on April 12, 2021 and continuing throughout the Term of this Operating Agreement. The District shall be responsible, except as stated below in this Operating Agreement, for all expenses it incurs in the management, operation, repair, and maintenance of the Caneyville Water System.

9. **Compensation.** The District shall **not** be compensated for managing, operating, repairing, and maintaining the Caneyville Water System during the Term

of this Operating Agreement, except as set forth in subsections j and l of paragraph 11 and subsections b, j, k, and l of paragraph 12 of this Operating Agreement.

10. **Revenues.** Caneyville shall continue to receive all revenues for water services rendered during the Term of this Operating Agreement.

11. **Caneyville's Duties and Responsibilities.** During the Term of this Operating Agreement, Caneyville shall:

- a. Read its water meters, bill its customers, and collect the water revenues;
- b. Open new customer accounts;
- c. Answer customer inquiries and respond to customer complaints;
- d. Perform all other customer service functions;
- e. Perform routine service work, including, but not limited to:
 - (1) Re-connect and disconnect meters;
 - (2) Investigate low or high pressure issues;
 - (3) Investigate calls about water leaks; and
 - (4) Replace damaged meters.
- f. Collect daily chlorine residuals for monthly reporting and deliver the results to the District. Four (4) samples shall be collected from different parts of the distribution system: north, south, east, and west (one sample from each section);
- g. Perform normal system maintenance of water storage tanks, pump stations, meters, other facilities, and City-owned properties and grounds;

- h. Assist the District (be on site) while the District repairs leaks or makes other repairs. The City employees will help locate water lines, valves, etc. and be the City's interface with the customers in the event water must be temporarily turned-off for a group of customers during repairs;
- i. Maintain an inventory of meters, repair materials, and other parts;
- j. Furnish new meters and all other materials and parts needed by the District for new installation of meters, line repairs, tank maintenance, and any other predictive or preventative maintenance. In the event the City does not have the needed part or material in its inventory, the District will provide the material from its inventory and will invoice the City for the actual cost of the material without any "mark-up";
- k. Meet all obligations of the Kentucky Division of Water (the "DOW") until the Closing;
- l. Pay the District for any "major" repairs (e.g. road cave-in or wash-out which results in major water line damage, floods that cause several lengths of water line pipe to be replaced, etc.). As used in this section, "major" is defined as requiring more than eight (8) hours to make the necessary repairs.
- m. Pay the contractor for performing road bores needed to install new water meters, in the event the District is unable to make the road bore because its equipment is not capable to make the road bore;
- n. Grant permission for the City's billing software company to communicate with the District to enable a smooth transition of customer information (e.g. customer names, addresses, usage, payment history, etc.) and meter data to the District prior to the Closing; and
- o. Coordinate with the District concerning customer accounts to be transferred, customer deposit amounts, and other information necessary to enable a smooth transition from the City to the

District at Closing.

12. **District's Duties and Responsibilities.** During the Term of this Operating Agreement, the District shall:

- a. Provide, at its own expense, a certified water distribution system operator;
- b. Use its labor and equipment to install new water meters where it is necessary to "tap" into the main water line and to install a meter box, setter, meter, and service line from the main line to the meter. The District will use a new meter and other necessary materials from the City's inventory. In the event the City does not have a meter or other necessary materials in its inventory, the District will provide the meter or materials from its inventory and will invoice the City for the actual cost of the material without any "mark-up";
- c. Notify the City if the District's road boring equipment is not capable of making a road bore that is needed to install a new meter. In this event, the District will assist the City in finding a suitable contractor to make the road bore. In this event, the City shall be responsible for paying the contractor;
- d. Use its labor and equipment to repair leaks when notified by City employees;
- e. Use its labor and equipment to perform routine repair and maintenance services when notified by City employees;
- f. Prepare and submit Monthly Operating Reports;
- g. Collect and submit monthly Bacteriological samples;
- h. Collect and submit any other required regulatory samples, except for daily chlorine samples which will be collected by the City, to DOW;

- i. Assist the City in monitoring water loss by reporting to a City representative when abnormalities are noticed;
- j. Maintain an adequate inventory of distribution repair materials so that repairs can be completed when necessary. The District will provide the repair materials from its inventory and will invoice the City for the actual cost of the material without any “mark-up”;
- k. Notify the City if the District determines that any proposed repair or construction work is estimated to take more than eight (8) hours. If so, then the proposed repair will be deemed to be a “major” repair and the City shall be responsible for either compensating the District based upon the District’s published hourly rates for labor and different pieces of equipment or engaging the services of an outside contractor to perform the “major” repair;
- l. Offer District employees to “fill in” for City employees when City employees are off work due to scheduled vacation or illness at the rate of \$32.75 per hour for the employee and vehicle expense of \$12.30 per hour for a total of \$45.05 per hour; and
- m. Coordinate with the City concerning customer accounts to be transferred, customer deposit amounts, and other information necessary to enable a smooth transition from the City to the District at Closing.

13. **FY20 Water System Rehab Project.** The District is aware that Caneyville has obtained funding for, and is in the process of undertaking, a major water system improvement project (the “FY20 Water System Rehab Project”) for the purpose of replacing old, asbestos-cement (“A/C”) water lines in downtown Caneyville and making other improvements to its Water System. RD has issued its Letter of Conditions dated January 16, 2020 whereby it proposes to make a loan in

the amount of **\$818,000** to Caneyville. The total estimated cost of the FY20 Water System Rehab Project, including contingencies, is \$1,625,000. Caneyville shall remain responsible for the FY20 Water System Rehab Project during the Term of this Operating Agreement. The District expresses its intent to assume this new RD loan if Caneyville successfully completes the construction of the FY20 Water System Rehab Project. All leaks resulting from this project shall be the responsibility of the on-site contractor.

14. **District to Serve as Construction Manager.** The District shall act as Construction Manager for the City on its FY20 Water System Rehab Project, shall assume the following responsibilities, and perform the following duties:

- a. Attend progress meetings;
- b. Visit the construction site at least weekly;
- c. Coordinate with the City's consulting engineering firm on project development changes;
- d. Consult with a City representative regarding any change in the project that may result in a cost increase (only the City may approve Change Orders with the concurrence of RD); and
- e. Report to the City Commission monthly regarding progress of the construction project and Caneyville Water System acquisition.

15. **Utilities.** Caneyville shall continue to be responsible for the costs of all utility services incurred during the Term of this Operating Agreement.

16. **Debt Service.** During the Term of this Operating Agreement, Caneyville shall remain responsible for making: (a) all its required monthly or semi-annual debt service payments; (b) all required transfers to its Depreciation Reserve Fund and other Sinking Funds; and (c) all other transfers or payments required by its Bond Ordinances and loan agreements.

17. **Other Capital Improvements.** The District may commence, at its own expense, other major repairs and capital improvements (the “Capital Improvements”) to the Caneyville Water System during the Term of this Operating Agreement. Caneyville hereby consents to, and authorizes the District to make, these Capital Improvements. The District acknowledges that it will be making these Capital Improvements at its own risk and expense. The District shall not seek reimbursement from Caneyville for the cost of these Capital Improvements.

18. **Cooperation.** Caneyville and the District agree: (a) to cooperate and assist each other with engineering studies and any other evaluations of the Caneyville Water System that the District may need to conduct, but such cooperation does not require any financial obligation by Caneyville; (b) to facilitate and expedite negotiations which are intended to result in a mutually advantageous Asset Purchase Agreement and the ultimate transfer of the Caneyville Water System and its related assets to the District; (c) to exchange information; and (d) to promptly take all other necessary actions.

19. **Customer Deposits.** Caneyville shall **not** transfer any customer deposits attributable to its Water System to the District during the Term of this Operating Agreement.

20. **Insurance.** During the Term of this Operating Agreement, Caneyville shall, at its expense, keep the Assets insured with an insurance company or companies against fire and such other hazards as are included within extended coverage in an amount at least equal to the amount that Caneyville currently carries on the Assets. The District shall, at its expense, maintain comprehensive public liability insurance in an amount not less than \$1,000,000 combined single limits for each occurrence for claims for bodily injury or death and property damage along with excess liability coverage (umbrella policy) of not less than \$3,000,000. All such insurance policies shall name Caneyville as an additional insured or certificate holder.

21. **Indemnification.** The District hereby agrees to indemnify Caneyville for, and hold Caneyville harmless from, any and all losses, liabilities, costs, and expenses (including, but not limited to, reasonable attorneys' fees) incurred by Caneyville as a result of any negligence or willful misconduct by the District, its employees, contractors, and agents, arising from the District's management, operation, repair, and maintenance of the Assets pursuant to the provisions of this Operating Agreement. To that end, immediately upon notification by Caneyville,

the District shall assume, at its own cost, the defense of any such action or suit which may be brought against Caneyville because of the District's operation and maintenance of the Assets.


22. **No Transfer of Ownership or Control.** This Operating Agreement does not transfer ownership of any of Caneyville's Assets nor does it grant the District any right to control Caneyville as "control" is defined in KRS 278.020(6) and (7). Once the Parties negotiate the terms of the Asset Purchase Agreement and it has been approved by their respective governing bodies, the Parties shall file a joint Application with the PSC seeking approval of the transfer of ownership of the Caneyville Water System as described in paragraph 2 of the Statement of Intent.

23. **No Assignment.** The District shall not assign this Operating Agreement.


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IN TESTIMONY WHEREOF, this Operating Agreement has been executed in multiple counterparts, each of which is deemed to be an original, by the duly authorized officers and officials of the Parties, as of its effective date.

CITY OF CANEYVILLE, KENTUCKY

By: 
James P. Embry, Mayor

Date: 4-5-2021

Attest: 
Connie Gootee, City Clerk

GRAYSON COUNTY WATER DISTRICT

By: 
John Tomes, Chairman

Date: 4-7-2021

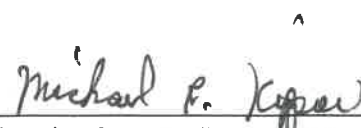
Attest: 
Michael Kipper, Secretary

EXHIBIT 6

ASSET PURCHASE AGREEMENT

BETWEEN

CITY OF CANEYVILLE,

KENTUCKY

AND

GRAYSON COUNTY

WATER DISTRICT

September 13, 2021

TABLE OF CONTENTS

City of Caneyville, Kentucky – Grayson County Water District

1.	Transfer of Certain Assets.....	3
2.	Assets Being Transferred.	3
3.	Consideration.....	6
4.	Excluded Assets.	8
5.	Customer Deposits.	9
6.	Liabilities Excluded.....	9
7.	Construction Work in Progress	9
8.	Grant Compliance.....	10
9.	Reserve Account.....	11
10.	Sinking Fund Payments.....	12
11.	Employees.	13
12.	Easement	14
13.	Uniform Rates.	14
14.	Continued Operation of System.	15
15.	No Transfer of Ownership or Control.	15
16.	Regulatory Agency Approvals.	15
17.	Representations and Warranties of Seller.	16
18.	Buyer’s Representations and Warranties.	22
19.	Closing.....	22
20.	Access to Books.	22
21.	Final Billing.....	23
22.	Closing Requirements.	23
23.	Conveyance and Transfers.	25
24.	Due at Closing	25
25.	Survival of Representations and Warranties.	28
26.	Responsible Parties.....	28
27.	Entire Agreement.	29

ASSET PURCHASE AGREEMENT

This is an Asset Purchase Agreement (“Agreement”), to be effective as of September 13, 2021, made and entered into by and between the **CITY OF CANEYVILLE, KENTUCKY**, a municipal corporation, 304 East Maple Street, Caneyville, Kentucky 42721, hereinafter referred to as the “SELLER”; and the **GRAYSON COUNTY WATER DISTRICT**, 21 Shull White Road, Leitchfield, Kentucky 42754, hereinafter referred to as the “BUYER” (collectively, the “Parties”).

WITNESSETH

WHEREAS, the SELLER is a duly organized and existing municipal corporation and city of the home rule class of the Commonwealth of Kentucky;

WHEREAS, the SELLER currently owns and operates water distribution facilities (the “SELLER’s Water System”) as well as wastewater collection and treatment facilities (the “SELLER’s Wastewater System”);

WHEREAS, the BUYER is a water district organized under the provisions of KRS Chapter 74 and is also a governmental agency within the meaning of KRS 82.083(4)(a);

WHEREAS, the BUYER currently owns and operates both water treatment and water distribution facilities (the “BUYER’s System”);

WHEREAS, the BUYER’s System is interconnected with the SELLER’s Water System;

WHEREAS, the SELLER is a wholesale water customer of the BUYER and currently purchases all its water from the BUYER;

WHEREAS, it appears that combining and consolidating the SELLER’s Water System with the BUYER’s System will result in economies of scale and will allow the combined systems to be managed, operated, and maintained in a more cost-effective manner;

WHEREAS, the BUYER has the financial, technical, and managerial abilities to provide adequate and reliable water service to the SELLER’s existing customers without adversely affecting the quality of service presently afforded the BUYER’s existing customers; and

WHEREAS, the SELLER desires to transfer and convey and the BUYER desires to acquire, subject to the terms, conditions, and provisions hereinafter set forth, the SELLER’s Water System;

NOW, THEREFORE, FOR AND IN CONSIDERATION of the mutual promises, covenants, and conditions contained herein, it is agreed by and between

the Parties as follows:

1. **TRANSFER OF CERTAIN ASSETS.** Subject to the terms and conditions of this Agreement, SELLER hereby agrees to transfer and convey to the BUYER and the BUYER hereby agrees to acquire from SELLER those assets described in paragraph 2 of this Agreement (the “Assets”) for the consideration set forth in paragraph 3 of this Agreement.

2. **ASSETS BEING TRANSFERRED.** At the Closing, SELLER shall transfer to the BUYER its Water System and related assets except for the excluded assets listed in paragraph 4 of this Agreement. Also, the SELLER’s Wastewater System shall **not** be transferred to the BUYER. The assets being transferred to the BUYER (the “Assets”) include, but are not limited to, the following:

A. The 123,000 gallon water storage tank designated as the Windy Ridge Tank, altitude valve, appurtenances, and the parcel of real estate on which the tank is located (See Deed Book 194, Page 554 and Deed Book 144, Page 550 of record in the Office of the Grayson County Clerk);

B. The 107,000 gallon water storage tank designated as the Hwy 62 Tank, altitude valve, appurtenances, and the parcel of real estate on which the tank is located (See Deed Book 316, Page 209 of

record in the Office of the Grayson County Clerk);

C. The 74,000 gallon water storage tank designated as the Post Tousey Tank, altitude valve, appurtenances, and the parcel of real estate on which the tank is located (See Deed Book 194, Page 556 and Deed Book 457, Page 65 of record in the Office of the Grayson County Clerk);

D. The 100,000 gallon water storage tank designated as the Hwy 79 Tank, which was taken out of commission when the Hwy 62 tank was constructed, and the altitude valve, appurtenances, and the parcel of real estate on which the tank is located (See Deed Book 92, Page 53 of record in the Office of the Grayson County Clerk);

E. The 50 gpm pump station designated as the Do-Stop pump station that distributes water to the Windy Ridge water storage tank, including the pump and all other appurtenances associated therewith and the parcel of real estate on which the pump station is located (See Deed Book 197, Page 66 of record in the Office of the Grayson County Clerk);

F. The Highway 79 pump station, which is currently out of service, including the pump and all other appurtenances associated

therewith and the parcel of real estate on which the pump station is located (See Deed Book 194, Page 552 of record in the Office of the Grayson County Clerk);

G. All other real estate easements and the improvements thereon, licenses, encroachment permits, rights-of-way, or other interests in real estate owned by the SELLER and used in the operation of the SELLER's Water System; PROVIDED, HOWEVER, to the extent that any existing easement provides access to the SELLER for sewer or other utilities, the SELLER shall be legally entitled to reserve an interest in such easement for joint use by the SELLER and the BUYER;

H. The SELLER's entire water distribution system including, but not limited to, the following: all transmission mains, distribution lines, valves, meter vaults, meters, fire hydrants, flush hydrants, tap installations, fittings, spare parts, and all other tools, equipment, and inventory presently owned by the SELLER and utilized in the operation of its water distribution system;

I. All maps, drawings, operating manuals, engineering reports and "As Built" plans pertaining to the SELLER's Water

System;

J. All business records pertaining to the SELLER's Water System, including, but not limited to, all customer records and customer agreements;

K. Any and all other tangible and intangible rights, permits, licenses or authorizations owned by the SELLER and utilized in the operation of its Water System;

L. The 1992 Chevrolet C24 truck; and

M. The water meters, tools, equipment, and other miscellaneous items of personal property listed in **Exhibit 1**, which is attached hereto and incorporated herein by reference.

3. **CONSIDERATION.** As consideration for the transfer of SELLER's Water System, the BUYER, at the Closing, shall assume and shall become solely responsible for the payment of the outstanding debt obligations incurred by the SELLER for the purpose of constructing extensions and improvements to its Water System. These debt obligations are evidenced by two (2) different series of revenue bonds issued by the SELLER, purchased by U.S.D.A., Rural Development ("RD"), and still held by RD (the "Outstanding Water Bonds"), which have an outstanding principal balance of **\$224,500**. The BUYER is aware that the SELLER has obtained

funding for, and is in the process of undertaking, a major water system improvement project (the “FY20 Water System Rehab Project”) for the purpose of replacing old, asbestos-cement (“A/C”) water lines in downtown Caneyville and making other improvements to its Water System. RD has issued its Letter of Conditions dated January 16, 2020 whereby it proposes to make a loan in the amount of **\$818,000** (the “New RD Loan”) to the SELLER. The original total estimated cost of the FY20 Water System Rehab Project, including contingencies, was \$1,625,000. Following the bid opening, the revised estimated project cost, including contingencies, is \$2,782,000. Because of the higher than expected bid prices, RD has agreed to make a second or supplemental loan (the “Subsequent RD Loan”) in the amount of \$380,000. RD has issued Amendment No. 1, dated August 20, 2021, to the original Letter of Conditions. The BUYER expresses its intent to assume the New RD Loan and the Subsequent RD Loan if the SELLER successfully completes the construction of the FY20 Water System Rehab Project. The New RD Loan has been designated as the 2021 Series A Bonds and the Subsequent RD Loan has been designated as the 2021 Series B Bonds. Together these bonds are designated the 2021 Bonds. **Exhibit 2**, which is attached hereto and incorporated herein by reference, contains a description of the Outstanding Water Bonds, the

2021 Series A Bonds, the 2021 Series B Bonds, and the current unpaid balance of each bond issue.

4. **EXCLUDED ASSETS.** The Parties acknowledge and agree that some of the Caneyville Water System assets will either not be needed by the District or are not deemed to be a critical Water System asset, and, therefore, will be retained by Caneyville and excluded from the proposed transaction. These **excluded** assets are listed below:

- A. City Lake;
- B. All the real property, buildings, and other facilities associated with Caneyville's old water treatment plant;
- C. 2019 GMC truck;
- D. 2006 GMC truck;
- E. 1996 Case backhoe;
- F. Balance of funds in Caneyville's utility Operating Account;
- G. Balance of funds in Caneyville's utility Revenue Account;
- H. Portion of funds in Caneyville's Reserve Account which must be maintained by Caneyville to comply with the covenants in its Sewer Bonds;
and
- I. Portion of Customer Deposit Account attributable to sewer

customers.

5. **CUSTOMER DEPOSITS.** SELLER represents that on August 17, 2021, it was holding customer deposits for its outside Caneyville water customers in the amount of \$26,020.00. Prior to Closing, SELLER shall furnish the BUYER a current list which shows the name, address, account number, and amount still on deposit for each outside Caneyville water customer. At the Closing, SELLER shall transfer to the BUYER a sum of money equal to the principal amount of customer deposits attributable to the outside Caneyville water customers only (not sewer customers) held by SELLER at the time of Closing plus any accrued, but unpaid, interest owed on the customer deposits. Thereafter, the BUYER shall be responsible for refunding customer deposits.

6. **LIABILITIES EXCLUDED.** The BUYER is not assuming nor paying any of SELLER's liabilities or debts, except for the Outstanding Water Bonds and the 2021 Bonds listed in **Exhibit 2** and the customer deposits as described in paragraph 5 of this Agreement.

7. **CONSTRUCTION WORK IN PROGRESS.** The Parties acknowledge that the SELLER is in the process of undertaking the FY20 Water System Rehab Project to replace old, A/C water lines in downtown Caneyville and to make other improvements to its Water System. The construction contract should

be substantially completed and the new water lines and other water improvements should be placed into service prior to the Closing. At the Closing, the SELLER shall assign the contractor's warranty to the BUYER. In addition, the SELLER shall require the contractor to provide the usual and customary Certificate of Payment certifying that the contractor has been paid to date and that all subcontractors and material providers have been paid to date in full. Also, the SELLER shall be responsible for making any and all remaining payments owed to the contractor and to its consulting engineer, Water Management Services. The BUYER will assume the New RD Loan and the Subsequent RD Loan for the FY20 Water System Rehab Project if the SELLER successfully completes the construction of the FY20 Water System Rehab Project.

8. **GRANT COMPLIANCE.** The SELLER is the recipient of a Community Development Block Grant in the amount of \$507,000 (the "Grant"). The Grant proceeds are being used to pay a portion of the FY20 Water System Rehab Project. To facilitate final closeout of the Grant and to ensure compliance with the Grant requirements, the SELLER shall be responsible for maintaining all files, books, and records regarding the Grant and the use of the Grant proceeds and BUYER shall be responsible for ongoing compliance.

9. **RESERVE ACCOUNT.** Pursuant to the provisions of its various bond ordinances, the SELLER has established and maintained its Funded Debt Reserve Account. (SELLER has designated this fund as the “Reserve Account”). SELLER represents that, as of July 31, 2021, the Reserve Account balance was **\$68,760.00**. Of this amount, \$42,600.00 must be maintained for its Water System and \$26,160.00 must be maintained for its Wastewater System. Until the Closing, the SELLER shall maintain its Reserve Account at this amount. Amendment No. 1 to the Letter of Conditions requires the SELLER to deposit the sum of \$340.00 per month into its Reserve Account until the Reserve Account has accumulated the sum of \$40,800.00, in addition to the amount required by the SELLER’s prior bond ordinances. The SELLER is not required to commence making this additional monthly deposit into its Reserve Account until the first full fiscal year following the completion of the FY20 Water System Rehab Project. Therefore, it is anticipated that the Closing of this Agreement shall take place before the SELLER will make any additional deposits into its Reserve Account. Nevertheless, should the Closing be delayed beyond its anticipated date, the SELLER might be obligated to commence making these monthly deposits. In any event, the SELLER acknowledges its obligation to comply with the terms of Amendment No. 1 to the Letter of Conditions. The BUYER acknowledges that the SELLER must retain a

portion of the funds in the Reserve Account sufficient to comply with the covenants in its Sewer Bonds. At the Closing, SELLER shall transfer to the BUYER the portion of the Reserve Account which is allocated to its Water System. The BUYER shall keep the funds received from the SELLER in a separate and distinct account from the BUYER's already established depreciation reserve funds. The BUYER shall designate the funds received from the SELLER as the "Caneyville Depreciation Reserve Fund." Any expenditure by the BUYER of the monies in the Caneyville Depreciation Reserve Fund shall be made in strict compliance with the provisions of the SELLER's applicable bond ordinances. In addition, the monies may be expended only for making extraordinary repairs, renewals, or replacements of water facilities located within the City of Caneyville's current water service area or for paying the cost of constructing improvements located within the City of Caneyville's current water service area if the improvements will provide a higher degree of service to the residents of Caneyville or to the water customers located within Caneyville's current water service area.

10. **SINKING FUND PAYMENTS.** Pursuant to the provisions of its various bond ordinances, the SELLER has established, maintained, and acknowledges its obligation to make monthly transfers to its Bond Sinking Fund. The amount of the monthly sinking fund payments equal one-sixth (1/6) of the

interest to become due on the next interest payment date plus one-twelfth (1/12) of the principal amount of all Outstanding Water Bonds. The current amount of the required monthly transfer to the Bond Sinking Fund is **\$9,734.00**. Until the month following the Closing, the SELLER shall continue making the required monthly transfers to its Bond Sinking Fund and shall use the accumulated funds to make the required principal and interest payments on its Outstanding Water Bonds, its KIA Fund B Loan, and its 1982 Revenue Bonds. At the Closing, SELLER shall transfer to the BUYER a sum of money equal to the portion of the Bond Sinking Fund attributable to the Outstanding Water Bonds. Within thirty (30) days following the Closing, the SELLER shall transfer to the BUYER the sum of **\$6,422.00** which represents the portion of the final monthly Bond Sinking Fund payment attributable to the Outstanding Water Bonds owed by the SELLER.

11. **EMPLOYEES.** Both the SELLER and the BUYER recognize the importance of maintaining employee morale and a stable workforce during the interim period from now until the actual transfer of assets takes place. The Parties acknowledge and agree that the SELLER will need to retain the services of its current employees to operate its Wastewater System and other public works. Therefore, the BUYER does not intend to employ any of SELLER's current employees.

12. **EASEMENT.** At the Closing, SELLER shall execute and deliver to the BUYER an easement granting the BUYER the right to repair, maintain, replace, and remove water pipelines, and related appurtenances under, across, along, and through city streets, roads, sidewalks, and other city property, including the right to cut or bore under said streets, roads, and sidewalks as directed by the SELLER; but subject to any and all of SELLER's ordinances, rules, and regulations regarding obtaining permits before cutting or boring under streets and sidewalks;

13. **UNIFORM RATES.** Following the Closing, the rates to be charged by BUYER to all its water customers, including those currently served by the SELLER, shall be the same. **Exhibit 3** sets forth the SELLER's current water rates. Pursuant to an order from the Kentucky Public Service Commission (the "PSC"), the BUYER has filed for a rate adjustment. It is not known whether the PSC will approve the rates proposed by the BUYER or whether the PSC will approve different rates. Also, it is not known when the new rates will become effective. **Exhibit 4** sets forth the BUYER's current and proposed rates. In the event the SELLER collects any water connection fees prior to the Closing but has not installed all the meters for which payment has been received (the "Pre-paid Connection Fees"), then the SELLER shall transfer the amount of the Pre-paid Connection Fees to the BUYER at the Closing.

14. **CONTINUED OPERATION OF SYSTEM.** The Parties have entered into an Operating Agreement, effective April 12, 2021, in which the BUYER commenced managing, operating, repairing, and maintaining the SELLER's Water System on April 12, 2021 and will continue to provide these services until the Closing.

15. **NO TRANSFER OF OWNERSHIP OR CONTROL.** The Operating Agreement dated April 12, 2021 does not transfer ownership of any of the SELLER's Water System nor does it grant the BUYER any right to control the SELLER, as "control" is defined in KRS 278.020(6) and (7). Once the Parties obtain approval from their respective governing bodies and execute this Agreement, the Parties shall file a joint Application with the PSC seeking approval of the transfer of ownership of the SELLER's Water System.

16. **REGULATORY AGENCY APPROVALS.** The BUYER shall be responsible for the following: (a) for obtaining all the necessary approvals from regulatory agencies, including the PSC and the Division of Water; (b) for obtaining the transfer of all other necessary permits and licenses from the SELLER to the BUYER; and (c) for taking other necessary actions to facilitate the transfer of the SELLER's Water System to the BUYER. The BUYER shall initiate all the proceedings to obtain these necessary approvals and transfers. The SELLER pledges

its full cooperation and assistance to expedite these matters and to ensure a smooth transition.

17. REPRESENTATIONS AND WARRANTIES OF SELLER.

SELLER represents and warrants to the BUYER as follows:

A. SELLER is a duly organized and validly existing municipal corporation and city of the home rule class of the Commonwealth of Kentucky. It has the requisite right, power, and authority: (1) to carry on its utility business as it is now being conducted; and (2) to own and operate its facilities which it currently owns and operates. SELLER has, and at all relevant times has had, full power and authority to own its facilities, including the Assets, and to conduct its utility business.

B. SELLER has full capacity, right, power, and authority to enter into, deliver, and perform this Agreement. This Agreement has been approved by its City Commission. All other consents, approvals, authorizations, or other requirements prescribed by law, rule, or regulation which must be obtained or satisfied by SELLER and which are necessary in order for it to enter into and perform this Agreement have been satisfied. This Agreement has been duly executed and

delivered by SELLER and constitutes a legal, valid, and binding obligation, enforceable against it in accordance with its terms.

C. The execution, delivery, performance, and the consummation of the transactions contemplated in this Agreement do not and will not: (1) conflict with or result in a violation or breach of any of the terms, conditions, or provisions of or constitute a default of any instrument, agreement, mortgage, judgment, order, writ, award, decree, or other restriction to which either SELLER is a Party, or to which any of SELLER's Assets are subject, or by which SELLER is bound or any statute or regulatory provision affecting SELLER; (2) require the approval, consent, or authorization of any federal, state, or local court, governmental authority, or regulatory body or of any creditor of SELLER or of any other person or entity, except for RD; nor (3) give any Party with rights under any instrument, agreement, mortgage, judgment, order, writ, award, decree, or other restriction the right to terminate, modify, or otherwise change SELLER's rights or obligations thereunder.

D. SELLER has complied with all existing laws, rules, regulations, ordinances, orders, judgments, and decrees now or

hereafter applicable to SELLER's Assets. SELLER is not aware of any proposed laws, rules, regulations, ordinances, orders, judgments, decrees, governmental takings, condemnations, or other proceedings which would be applicable to SELLER's Assets or which might adversely affect SELLER's Assets either before or after the date of this Agreement.

E. SELLER has not received any notice or notification from any court or governmental agency, authority, or body that it is in violation of, or not in compliance with, any federal, state, or local law, statute, ordinance, rule, regulation, decree, order, or permit relating to its Water System or that upon the passage of time it will be in violation of any of the foregoing.

F. SELLER is the true and lawful owner of the Assets and has good, marketable, and insurable title to all of the Assets. None of the Assets will, after Closing, be subject to any mortgage, pledge, lien, charge, security interest, encumbrance, restriction, lease, license, easement, liability, or adverse claim of any nature whatsoever, direct or indirect, whether accrued, absolute, contingent, or otherwise. All the Assets are in good operating condition and repair and are suitable for

the purposes used.

G. Upon execution and delivery of the necessary deeds, bills of sale, easements, assignments, and other instruments of transfer by the SELLER pursuant to this Agreement, the BUYER shall acquire good and valid title to the Assets, free and clear of all claims, liens, security interests, agreements, restrictions, charges, and encumbrances of any nature whatsoever.

H. No other person or entity, except for the BUYER, now has, nor at any time prior to the Closing will have, the right to purchase, own, use, or sell any of the Assets.

I. SELLER is not insolvent as of the date of this Agreement. SELLER is able to meet all business obligations as they become due and will not be insolvent or unable to meet its business obligations as a result of completing the transactions described herein.

J. With the exception of the matter listed in **Exhibit 5**, there is no claim, legal action, suit, arbitration, governmental investigation, or other legal or administrative proceeding, nor any order, decree, or judgment in progress, pending or in effect, or threatened, against or relating to the SELLER, its officers, commissioners, employees, or

utility business, the Assets, or the transactions contemplated by this Agreement, and SELLER neither knows nor has reason to be aware of any basis for the same.

K. Between the date of this Agreement and the Closing, BUYER shall operate the SELLER's Water System pursuant to the terms of the Operating Agreement dated April 12, 2021. Prior to the Closing, the SELLER shall not, without the BUYER'S prior written approval, change its rates or charges, institute any new methods of accounting or operation or engage in any transaction or activity, enter into any agreement or make any commitment with respect to its Water System, except in the ordinary course of business and consistent with past practice.

L. Prior to the Closing, the SELLER shall not permit any of the Assets to be subjected to a mortgage, pledge, lien, or encumbrance, without notice to, and approval of, the BUYER, and further shall not dispose of any of the Assets.

M. SELLER shall maintain until the Closing the insurance policies presently in effect on the Assets.

N. SELLER's current rates for water service are set forth in

Exhibit 3.

O. SELLER shall not perform any act or omit to perform any act or permit any act or omission that will cause a breach or default in this Agreement.

P. No representation or warranty by the SELLER in this Agreement, nor any statement or certificate furnished or to be furnished by it to the BUYER or its representatives in connection herewith or pursuant hereto, contains or will contain any untrue statement of material fact or will omit a statement of any material fact required to make the statements herein or therein contained not misleading. SELLER has disclosed to the BUYER in writing all material adverse facts known to it relating to the SELLER, its Water System, or the Assets. SELLER is not aware of any circumstances or facts which could be detrimental to its Water System other than those disclosed to the BUYER in writing.

Q. All minute books, books and records, and other documents maintained by the SELLER with respect to the Assets are true, complete, and accurate.

R. All representations and warranties of the SELLER

contained in this Agreement or in any certificate or other writing delivered pursuant hereto or in connection herewith shall be true as of the Closing as well as of the date of this Agreement.

18. **BUYER'S REPRESENTATIONS AND WARRANTIES.** The BUYER represents and warrants to SELLER as follows:

A. That it is a duly organized and existing water district.

B. That the execution and delivery of this Agreement and the consummation of the transactions herein contemplated have been duly authorized by its Board of Commissioners.

C. That it has the financial, technical, and managerial abilities to provide reasonable water service to SELLER's existing customers.

D. That its current rates and its proposed rates for water service are set forth in **Exhibit 4**.

19. **CLOSING.** The closing of this transaction (the "Closing") shall take place at a mutually convenient date, time, and place once all the Closing Requirements set forth in paragraph 22 of this Agreement are satisfied.

20. **ACCESS TO BOOKS.** Between the date of this Agreement and the Closing, the BUYER and its authorized representatives shall have the right to examine and to obtain copies of any and all pertinent books, plats, maps, plans, and

records of SELLER upon reasonable notice and at mutually convenient times.

21. **FINAL BILLING.** No later than two (2) weeks prior to the Closing, SELLER shall provide the BUYER with a current list of all names, addresses, meter identification numbers, and account numbers of the SELLER's water customers. At Closing, the SELLER shall also provide the BUYER with the last meter reading for each water customer. SELLER shall bill all its customers for water services rendered prior to the Closing. SELLER shall be entitled to all revenue derived from the final bill it sends its customers. The BUYER shall be entitled to all revenue derived from water services rendered on and after the date of the Closing.

22. **CLOSING REQUIREMENTS.** The obligations of the Parties are expressly conditioned on the following, each of which is a condition precedent to the validity and enforcement of this Agreement:

A. The representations and warranties of each of the Parties shall be true and correct as of the Closing, as though such representations and warranties were made at, and as of, the Closing.

B. Each of the Parties to this Agreement shall have performed and complied in all material respects with all of its respective obligations under this Agreement which are due to be performed or complied with by such Party prior to or at the Closing.

C. At and as of the Closing, no litigation, proceedings, investigations, or inquiries shall be pending or threatened by any person, firm, corporation, governmental agency, or governmental official to enjoin or prevent the consummation of this transaction.

D. The PSC shall have entered a final order: (1) approving the transfer of the SELLER's Water System to the BUYER without the addition of any requirement or condition which the SELLER or the BUYER deems objectionable; and (2) authorizing the BUYER to assume payment of the Outstanding Water Bonds of the SELLER as itemized in **Exhibit 2**, the 2021 Series A Bonds, and the 2021 Series B Bonds issued by the SELLER to finance a portion of the FY20 Water System Rehab Project.

E. RD shall have issued a Letter of Conditions authorizing the BUYER to assume payment of the Outstanding Water Bonds of the SELLER as itemized in **Exhibit 2**, the 2021 Series A Bonds, and the 2021 Series B Bonds issued by the SELLER to finance a portion of the FY20 Water System Rehab Project.

F. The Grayson County Judge/Executive shall have entered an Order expanding the territorial boundaries of the BUYER to include

all territory within the SELLER's corporate limits and its water service area outside its corporate limits.

23. **CONVEYANCE AND TRANSFERS.** SELLER shall not convey, lease, or in any other way dispose of the Assets until the Closing. At the Closing, SELLER shall execute and deliver to the BUYER such deeds, assignments, bills of sale, easements, and other instruments of transfer as are necessary or requested by the BUYER to vest the BUYER with good and marketable, unencumbered title to the Assets, without the need for further approval or consent by any other person or entity.

24. **DUE AT CLOSING.**

A. **DUE FROM SELLER TO BUYER:** Unless the BUYER provides a written waiver of any item listed herein, SELLER shall deliver to the BUYER at Closing the following:

- (1) General warranty deeds and an Assignment of Easements conveying SELLER's ownership interests in the real property described in paragraph 2 of this Agreement.
- (2) Such bills of sale, assignments, and other instruments of transfer, all dated the Closing Date, as shall be necessary or requested by the BUYER to vest the BUYER with good and marketable, unencumbered title to the Assets;

- (3) A schedule which contains a current listing of the name, address, account number, meter identification number, meter reading, and amount still on deposit for each water customer;
- (4) An easement granting the BUYER the right to repair, maintain, replace, and remove water pipelines and related appurtenances under, across, along and through city streets, roads, sidewalks, and other city property, including the right to cut or bore under said streets, roads, and sidewalks as directed by the SELLER; but subject to any and all of SELLER's ordinances, rules, and regulations regarding obtaining permits before cutting or boring under streets and sidewalks;
- (5) Duly certified copy of the Ordinance of the City Commission authorizing the execution, delivery, and performance of this Agreement by the SELLER, which Ordinance shall be in full force and effect at, and as of, the Closing;
- (6) An opinion from SELLER's counsel, dated the Closing Date and in a form satisfactory to the BUYER, as to the representations, warranties, and other matters set forth in paragraph 17 of this Agreement;
- (7) A certificate, signed by the Mayor of the SELLER and dated as of the Closing Date, representing and warranting to the BUYER (i) that the representations, warranties, and other matters set forth in paragraph 17 of this Agreement are true and correct as of the Closing, as though such representations and warranties were made at, and as of, the Closing, and (ii) that the Closing Requirements set forth in paragraph 22 of this Agreement have been fully satisfied;
- (8) All records for the water customers;

- (9) Possession of the Assets;
- (10) A certified or cashier's check for the amount of customer deposits due to be paid to the BUYER pursuant to paragraph 5 of this Agreement, plus any accrued, but unpaid, interest owed on the customer deposits, held by the SELLER;
- (11) A certified or cashier's check for the amount of any Pre-paid Connection Fees held by the SELLER;
- (12) A certified or cashier's check for the portion of the Reserve Account due to be paid to the BUYER pursuant to paragraph 9 of this Agreement;
- (13) A certified or cashier's check for the portion of the Bond Sinking Fund account due to be paid to the BUYER pursuant to paragraph 10 of this Agreement;
- (14) An assignment of the contractor's warranty on the construction contract referred to in paragraph 7 of this Agreement; and
- (15) Such other documents as may be necessary to effectuate the transactions contemplated by this Agreement.

B. DUE FROM BUYER TO SELLER: Unless the SELLER provides a written waiver of any item listed herein, the BUYER shall deliver to the SELLER at Closing the following:

- (1) Proof that the BUYER has assumed the Water Bonds described in paragraph 3 and set forth in **Exhibit 2** of this Agreement and the 2021 Bonds issued by the SELLER to finance a portion of the FY20 Water

System Rehab Project;

- (2) A certified copy of the BUYER's resolution approving this Agreement, authorizing the Chairman to execute and deliver this Agreement, and further authorizing the appropriate officials to take all actions necessary to consummate the transactions contemplated by this Agreement;
- (3) An opinion from Stoll Keenon Ogden, PLLC, special counsel to the BUYER, dated the Closing Date and in a form satisfactory to SELLER, as to the representations, warranties, and other matters set forth in paragraph 18 of this Agreement; and
- (4) Such receipts as may be reasonably requested by the SELLER and such other documents as may be necessary to effectuate the transactions contemplated by this Agreement.

25. SURVIVAL OF REPRESENTATIONS AND WARRANTIES.

The representations, warranties, and agreements of the Parties contained in this Agreement, or in any certificate or other writing delivered pursuant hereto, shall survive the making of this Agreement and the Closing.

26. RESPONSIBLE PARTIES. SELLER shall be solely responsible for any loss, claim, action, suit, proceeding, deficiency, or expense, including reasonable attorneys' fees, relating to or arising from or in connection with (a) any misrepresentation, breach of representation, warranty or obligation, covenant or agreement or default by SELLER under this Agreement, including the exhibits, or

any documents delivered to the BUYER in connection with this Agreement; (b) claims of negligence or strict liability arising from the operation of the Water System prior to the Closing; and (c) all contingent liabilities relating to SELLER, its Water System or the Assets with respect to any state of facts or occurrences existing at or prior to the Closing.

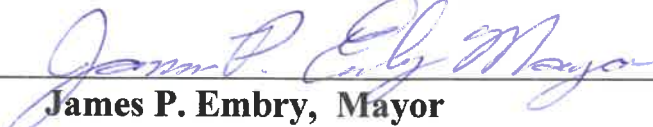
The BUYER shall be solely responsible for any loss, claim, action, suit, proceeding, deficiency, or expense, including reasonable attorneys' fees, relating to or arising from or in connection with (a) any misrepresentation, breach of representation, warranty or obligation, covenant or agreement or default by BUYER under this Agreement, including the exhibits, or any documents delivered to the SELLER in connection with this Agreement; and (b) claims of negligence or strict liability arising from the operation of the Water System after the Closing.

27. ENTIRE AGREEMENT. This Agreement, including all of its exhibits, which are hereby incorporated by reference, constitutes the entire agreement of the Parties with respect to the subject matter hereof and may not be modified or amended or terminated except by written agreement specifically referring to this Agreement, and signed by all of the Parties hereto.

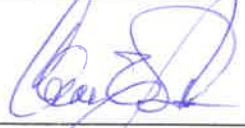
IN TESTIMONY WHEREOF, this Agreement has been executed in multiple counterparts, each of which is deemed to be an original, by the duly authorized officers of the Parties, as of the effective date of this Agreement.

SELLER:

CITY OF CANEYVILLE, KENTUCKY

BY: 
James P. Embry, Mayor

DATE: 9-13-2021

ATTEST: 
Connie Gootee, City Clerk

BUYER:

GRAYSON COUNTY WATER DISTRICT

BY: 
Nancy Cain, Chairman

DATE: 9-13-2021

ATTEST: 
Michael Kipper, Secretary

EXHIBIT 7

RESOLUTION 2021-04-01

RESOLUTION OF THE GRAYSON COUNTY WATER DISTRICT APPROVING THE OPERATING AGREEMENT BETWEEN THE CITY OF CANEYVILLE AND GRAYSON COUNTY WATER DISTRICT RELATING TO THE CANEYVILLE WATER SYSTEM; AND AUTHORIZING THE CHAIRMAN TO EXECUTE THE OPERATING AGREEMENT

WHEREAS, Grayson County Water District (the “District”) is a water district organized under the provisions of KRS Chapter 74 and is also a governmental agency within the meaning of KRS 82.083(4)(a);

WHEREAS, the District currently owns and operates both water treatment and water distribution facilities (the “District’s System”);

WHEREAS, the City of Caneyville, Kentucky (“Caneyville”) is a municipal corporation and a city of the home rule class of the Commonwealth of Kentucky;

WHEREAS, Caneyville currently owns and operates water distribution facilities (the “Caneyville Water System”) as well as wastewater collection and treatment facilities;

WHEREAS, the Caneyville Water System is interconnected with the District’s System;

WHEREAS, Caneyville is a wholesale water customer of the District and currently purchases all its water from the District;

WHEREAS, the District and Caneyville have executed a Statement of Intent dated April 5, 2021 in which the District expresses its intent to acquire the Caneyville Water System and Caneyville expresses its intent to transfer and convey its Water System to the District;

WHEREAS, paragraph 6 contained in the Statement of Intent states that the District and Caneyville contemplate entering into a written Operating Agreement in which the District will begin managing, operating, repairing, and maintaining the Caneyville Water System while the detailed terms of the Asset Purchase Agreement are being negotiated and while the relevant approvals are being sought;

WHEREAS, representatives from the District and representatives from Caneyville have negotiated the terms of the Operating Agreement; and

WHEREAS, the District desires to approve the Operating Agreement.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE GRAYSON COUNTY WATER DISTRICT AS FOLLOWS:

Section 1. The facts, recitals, and statements contained in the foregoing preamble of this Resolution are true and correct and are hereby affirmed and incorporated as a part of this Resolution.

Section 2. The Operating Agreement, in substantially the form submitted to the District with such minor modifications as the Chairman may subsequently approve, as evidenced by his signature thereon, is hereby approved, and the Chairman is authorized and directed to execute the Operating Agreement for and on behalf of the District.

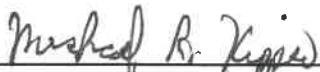
Section 3. This Resolution shall take effect upon its adoption.

Adopted by the Board of Commissioners of Grayson County Water District at a special meeting held on April 7, 2021, signed by the Chairman, and attested by the Secretary.



John Tomes, Chairman

ATTEST:




Michael Kipper, Secretary

CERTIFICATION

The undersigned Secretary of Grayson County Water District (the “District”) does hereby certify that the foregoing is a true copy of a Resolution duly adopted by the District’s Board of Commissioners at a meeting properly held on April 7, 2021, signed by the Chairman of the Board of Commissioners, attested by the Secretary of the Board of Commissioners, and is now in full force and effect.

WITNESS my hand this 7th day of April 2021.



Michael Kipper, Secretary

EXHIBIT 8

ORDINANCE NO. 9-13-21

AN ORDINANCE OF THE CITY OF CANEYVILLE, KENTUCKY AUTHORIZING THE TRANSFER OF ITS WATER SYSTEM TO GRAYSON COUNTY WATER DISTRICT; APPROVING THE ASSET PURCHASE AGREEMENT BETWEEN THE CITY OF CANEYVILLE, AS SELLER, AND GRAYSON COUNTY WATER DISTRICT, AS BUYER; AND AUTHORIZING THE MAYOR TO EXECUTE THE ASSET PURCHASE AGREEMENT AND OTHER DOCUMENTS NECESSARY TO CONSUMMATE THE TRANSFER

WHEREAS, the City of Caneyville, Kentucky (“Caneyville”) is a municipal corporation and a city of the home rule class of the Commonwealth of Kentucky;

WHEREAS, Caneyville currently owns and operates water distribution facilities (the “Caneyville Water System”) as well as wastewater collection and treatment facilities;

WHEREAS, Grayson County Water District (the “District”) is a water district organized under the provisions of KRS Chapter 74 and is also a governmental agency within the meaning of KRS 82.083(4)(a);

WHEREAS, the District currently owns and operates both water treatment and water distribution facilities (the “District’s System”);

WHEREAS, the Caneyville Water System is interconnected with the District's System;

WHEREAS, Caneyville is a wholesale water customer of the District and currently purchases all its water from the District;

WHEREAS, it appears that combining and consolidating the Caneyville Water System with the District's System will result in economies of scale. Furthermore, it will enable the District to manage, operate, and maintain the combined system in a more cost-effective manner;

WHEREAS, it appears that the District has the financial, technical, and managerial abilities to provide reasonable water service to Caneyville's existing customers;

WHEREAS, the District has the authority, pursuant to KRS Chapters 74 and 106 and other applicable laws, to acquire the Caneyville Water System;

WHEREAS, Caneyville has the authority, pursuant to KRS Chapters 82, 96, and 106 and other applicable law, to transfer the Caneyville Water System to another governmental agency (i.e. the District);

WHEREAS, Caneyville and the District have executed a Statement of Intent dated April 5, 2021 in which Caneyville expresses its intent to transfer and convey

its Water System to the District and the District expresses its intent to acquire the Caneyville Water System;

WHEREAS, Caneyville and the District have executed an Operating Agreement, effective April 12, 2021, in which the District commenced managing, operating, repairing, and maintaining the Caneyville Water System on April 12, 2021 and will continue to provide these services until the Closing;

WHEREAS, certain representatives of Caneyville and certain representatives of the District have negotiated the detailed terms of an Asset Purchase Agreement (the “Agreement”) whereby Caneyville will transfer and convey to the District and the District will acquire from Caneyville certain assets as set forth in the Agreement, subject to the approval and execution of the Agreement by Caneyville, the approval and execution of the Agreement by the District, and the approval by the Kentucky Public Service Commission (the “PSC”); and

WHEREAS, Caneyville desires to approve the Agreement.

NOW, THEREFORE, THE CITY COMMISSION OF CANEYVILLE, KENTUCKY DOES HEREBY ORDAIN AS FOLLOWS:

Section 1. The facts, recitals, and statements contained in the foregoing preamble of this Ordinance are true and correct and are hereby affirmed and incorporated as a part of this Ordinance.

Section 2. It is hereby determined and declared to be necessary, desirable, and in the public interest for the City of Caneyville, Kentucky to transfer its Water System to Grayson County Water District pursuant to the terms, conditions, and provisions contained in the Agreement. The Agreement, in substantially the form submitted to the City Commission, with such modifications as the Mayor, upon advice of counsel, may subsequently approve, as evidenced by his signature thereon, is hereby approved, and the Mayor is authorized and directed to execute and deliver the Agreement for and on behalf of the City of Caneyville, Kentucky.

Section 3. The Mayor is also hereby authorized and directed to file an application with the PSC requesting approval of the Agreement.

Section 4. BE IT FURTHER ORDAINED that the Mayor of the City of Caneyville, Kentucky and/or his designate be and he is authorized and directed to take all steps necessary to perfect this Ordinance.

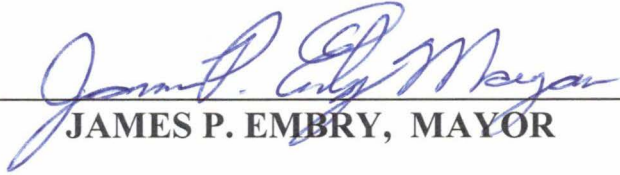
Section 5. This Ordinance shall take effect forthwith upon its passage, approval, and publication as provided by law. This Ordinance may be published in summary.

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FIRST READING: August 23, 2021

SECOND READING,
ADOPTION & APPROVAL: 9-13-2021

CITY OF CANEYVILLE, KENTUCKY



JAMES P. EMBRY, MAYOR

ATTEST: 

CONNIE GOOTEE, CITY CLERK

EXHIBIT 9

WATER REVENUE BONDS

OWED BY THE CITY OF CANEYVILLE TO RURAL DEVELOPMENT
AND TO BE ASSUMED BY THE GRAYSON COUNTY WATER DISTRICT

	BOND ISSUE	RD LOAN NUMBER	ORIGINAL PRINCIPAL AMOUNT	MATURITY	INTEREST RATE	OUTSTANDING PRINCIPAL BALANCE	
1	1985	91-05	\$ 408,000	1-1-2025	5.00%	\$ 86,000	
2	1995	91-08	\$ 260,000	1-1-2034	4.50%	\$ 138,500	
3	2021 Series A	91-	\$ 818,000	1-1-2062	1.625%	\$ 818,000	
4	2021 Series B	91-	\$ 380,000	1-1-2062	1.375%	\$ 380,000	
	NOTE: Outstanding Principal Balances as of September 1, 2021					TOTAL	\$ 1,422,500

EXHIBIT 10

Asset Inventory & Identified Projects for System Merger

Acquisition of Caneyville Water System

June 2021

Prepared For
Grayson County Water District



Prepared By:

Kentucky Engineering Group, PLLC



CHAPTER 1 – INTRODUCTION

1.1 – PURPOSE OF STUDY..... 1-1
1.2 – SCOPE OF STUDY..... 1-1
1.3 – BACKGROUND 1-1

CHAPTER 2 – ASSET INVENTORY ANALYSIS

2.1 – EXISTING CANEYVILLE FACILITES ASSESSMENT 2-1
2.2 – REDUNDANT ASSETS ASSESSMENT 2-1
2.3 – DISTRIBUTION SYSTEM 2-1
2.2 – WATER STORAGE TANKS..... 2-2

CHAPTER 3 – IDENTIFIED PROJECTS FOR SYSTEM MERGER

3.1 – GENERAL 3-1
3.2 – RECOMMENDED PROJECTS 3-1

CHAPTER 4 – SUMMARY

4.1 – PURPOSE..... 4-1
4.2 – FINANCIALS..... 4-1
4.3 – RECOMMENDATIONS..... 4-1

APPENDICES

APPENDIX A – SUMMARY OF IDENTIFIED PROJECT COSTS

Asset Inventory & Identified Projects for System Merger Acquisition of Caneyville Water System Grayson County Water District



CHAPTER 1 – INTRODUCTION

1.1 Purpose of Study

Grayson County Water District (GCWD) is in the negotiation process of acquiring the City of Caneyville water distribution system. The purpose of this study is a collaborative effort between GCWD and Kentucky Engineering Group (KEG) to conduct a detailed review of all the assets associated with the Caneyville water system. The desired outcome of this review process is intended to: 1) provide a recommendation of assets from the Caneyville water system that may become redundant when the system is merged with the GCWD system; 2) provide an opinion of the status, maintenance required and life expectancy of each asset; and 3) provide a cost estimate for projects identified for acquisition of the Caneyville water system. KEG has already developed a computerized hydraulic model of the GCWD system and combined the major components of the Caneyville water system to the hydraulic model to determine what improvements are necessary for the merger.

1.2 Scope of Study

The first step in the asset review process is to document and inventory the assets associated with the Caneyville water system. KEG and GCWD made a site visit to conduct an inspection of all the water system assets being considered in the purchase. KEG then made an evaluation on the condition of the asset(s) with respect to age, remaining useful life, maintenance, and other relevant parameters. Concurrently with the asset review, KEG added the Caneyville system to the existing GCWD hydraulic model to analyze the merger of the two systems. Next, KEG identified what repair and/or capital improvements projects are recommended for GCWD to undertake if it acquires the Caneyville water system including cost estimates for each. The report will assist GCWD in making an informed decision regarding the acquisition of the Caneyville water system.

1.3 Background

With the increasingly stricter requirements of the EPA's Stage 2 Disinfection Byproduct Rule, staffing concerns and financial instability, the City of Caneyville has decided it to be in their best interest to merge with GCWD. The GCWD was formed by a group of visionaries with the idea of safe affordable drinking water for the rural areas of Grayson County in 1969. Fiscal Court passed a resolution officially creating the Grayson County Water District and in 1974 the district began providing water to the county. Today the Water District has nearly 7,000 customers (including Caneyville as a wholesale customer), 563 miles of water line, approximately 44 miles

**Asset Inventory & Identified Projects for System Merger
Acquisition of Caneyville Water System
Grayson County Water District**



of service line, 7 water storage tanks, 7 booster pump stations, and a 2 million gallon per day water treatment plant. From the leadership of the Board/Managers to the hard work and dedication of each individual employee, GCWD takes pride in being one of the top Water Districts in Kentucky.

CHAPTER 2 – ASSET INVENTORY ANALYSIS

2.1 Existing Caneyville Facilities Assessment

The Asset Inventory Analysis was the first step in developing an Asset Management Program. To accomplish this task, KEG completed a site visit with the GCWD staff to inspect each of the Caneyville water system assets. The following sections describe each of the individual assets that comprise the Caneyville water system.

2.2 Redundant Assets Assessment

GCWD requested KEG evaluate and make recommendations on any assets of the existing Caneyville water system that may become redundant after the system merger. The hydraulic model allowed KEG to run different scenarios of operation to include or not include certain assets in order to see how the system responded. The overflow elevations of the existing Caneyville water storage tanks were evaluated along with each respective pressure zone. It was determined that by removing the Post Tousey and Windy Ridge water storage tanks, those pressure zones could be integrated into the existing GCWD system. The removal of those tanks will greatly improve the ability of the system to meet disinfection byproduct regulations.

2.3 Distribution System

The Caneyville distribution system consists of approximately 315,000 feet of 6-inch, 4-inch, 3-inch and 2-inch water line. A large portion of the system is comprised of asbestos cement water line that was installed in the mid 1960's. Caneyville has an ongoing project to replace 35,000 feet of problematic, asbestos cement water line with new PVC water line. The design of the project is complete and was advertised for construction bids in June 2021. The total project cost is estimated to be \$2,782,000. Funding for the project has been secured through USDA Rural Development, Community Development Block Grant, City of Caneyville and Grayson County Fiscal Court.

One existing pump station, the Do-Stop pump station is included in the Caneyville water system. It is an underground EFI pump station rated for approximately 50 gpm. The pump station distributes water to the Windy Ridge water storage tank. The interior of the pump station has some corrosion and needs painting. Also, from the appearance one of the pumps



Asset Inventory & Identified Projects for System Merger Acquisition of Caneyville Water System Grayson County Water District



needs to be replaced. The old Hwy 79 pump station structure still exists but the pump station has been out of service for a number of years.

2.4 Water Storage Tanks

2.4.1 Windy Ridge Tank

The Windy Ridge Tank is located on the southern portion of the Caneyville water system off KY 736. The glass-lined standpipe has a storage capacity of 123,000 gallons. The overflow elevation of the tank is 869' and as previously mentioned is supplied with water by the Do-Stop pump station. An official tank inspection was performed in May 2016 and all recommended critical repairs at the time were completed. The tank was constructed in 1986 and the bolt patterns on the exterior of the tank are showing signs of rusting. The tank has a single line that both fills the tank and discharges water from the tank which has a negative impact on water quality. Usage from the tank compared to the volume of storage from the tank is minimal, therefore the tank experiences difficulty to turnover. The altitude valve for the tank needs replacing along with painting of the piping in the valve vault



2.4.2 Hwy 62 Tank

The Hwy 62 Tank is located on the eastern portion of the Caneyville water system off Maple Street near downtown. The glass-lined ground storage tank has a capacity of 107,000 gallons. The overflow elevation of the tank is 701' with water being supplied by GCWD Duff Tank and controlled by an altitude valve. An official tank inspection was performed in May 2016 and all recommended critical repairs at the time were completed. The tank was constructed in 2001. The exterior of the tank show signs of algae but could be easily removed with a pressure washer. The tank has a fill line that extends up



Asset Inventory & Identified Projects for System Merger Acquisition of Caneyville Water System Grayson County Water District



approximately two-thirds into the interior of the tank and then a separate discharge line with an altitude valve for level control. Usage from the tank compared to the volume of storage from the tank is similar, therefore the tank experiences adequate turnover. The altitude valve for the tank needs replacing along with painting of the piping in the valve vault.

2.4.3 Post Tousey Tank

The Post Tousey Tank is located on the northern portion of the Caneyville water system off Post Tousey Road. The glass-lined standpipe has a storage capacity of 74,000 gallons. The overflow elevation of the tank is 882' with water being supplied by GCWD Duff Tank and controlled by an altitude valve. An official tank inspection was performed in May 2016 and all recommended critical repairs at the time were completed. The tank was constructed in 1986 and the bolt patterns on the exterior of the tank are showing signs of rusting. The tank has a single line that both fills the tank and discharges water from the tank which has a negative impact on water quality. Usage from the tank compared to the volume of storage from the tank is minimal, therefore the tank experiences difficulty to turnover. The altitude valve for the tank needs replacing along with painting of the piping in the valve vault.



2.4.4 Hwy 79 Tank

The Hwy 79 Tank is located on the eastern portion of the Caneyville water system. The painted steel standpipe was taken out of commission when the Hwy 62 Tank was constructed.

CHAPTER 3 – IDENTIFIED PROJECTS FOR SYSTEM MERGER

3.1 General

KEG developed a computerized hydraulic model of the merged systems to aid in identifying the repair and/or capital improvements projects that are required for GCWD to acquire the Caneyville water system including cost estimates for each. The following projects were identified as being essential to a successful merger between the two distribution systems. Each project has its own individual cost included while a detailed total project cost which includes all combined projects (except for the current water line replacement project) can be found in Appendix A.

3.2 Recommended Projects

3.2.1 Current Water Line Replacement Project

Caneyville has an existing, ongoing \$2,782,000 project that bid in June 2021 that is designed to completely replace the entire old asbestos cement system that was installed in the mid 1960's. This project is to also include the replacement of all old service connections, meter boxes, & meter setters; everything but a new meter. The project is described as replacement of 35,000 feet of pipe and replacement of 220 services. The entire Caneyville system consist of approximately 766 active services. Funding has been secured for this project through USDA Rural Development, Community Development Block Grant City of Caneyville and Grayson County Fiscal Court.

3.2.2 Demolition of Windy Ridge Water Storage Tank

The Windy Ridge Tank is a glass-lined standpipe that is showing signs of needing significant repairs. The tank has trouble in turning over which is a major contributor of water quality issues. For these reasons, along with the fact that a new Do-Stop pump station can be installed (see Section 3.2.5), it is recommended the Windy Ridge water storage tank be demolished. The estimated cost is \$25,000.

3.2.3 Demolition of Hwy 79 Water Storage Tank & Pump Station Conversion

The Hwy 79 Tank is a painted steel standpipe that was taken out of commission when the Hwy 62 Tank was constructed. For safety concerns the tank needs to be demolished. The old pump station vault

Asset Inventory & Identified Projects for System Merger

Acquisition of Caneyville Water System

Grayson County Water District



can be converted to a future pressure reducing station or metering station. The total estimated cost is \$25,000.

3.2.4 Demolition of Post Tousey Water Storage Tank

The Post Tousey Tank is a glass-lined standpipe that is showing signs of needing significant repairs. The tank has trouble in turning over which is a major contributor of water quality issues. For these reasons, along with the fact that the overflow of the tank is at an elevation of 882' and GCWD can serve the same area from a tank with an overflow elevation of 930', it is recommended the Post Tousey water storage tank be demolished. The estimated cost is \$25,000.

3.2.5 Ex Do-Stop Pump Station Demolition / New Do-Stop Pump Station

The existing Do-Stop Pump Station is a constant speed station that feeds water to the Windy Ridge Tank. When analyzing the hydraulic model, KEG discovered the Windy Ridge Tank can be taken out of service and a new Do-Stop pump station installed. The new location for the pump station will take advantage of increased suction pressure from the GCWD system and will minimize the number of customers requiring supplemented service by the pump station. The pump station will be controlled by variable frequency drives (VFDs) and monitored via SCADA. The estimated cost for demolition of the old pump station and installation of the new pump station is \$160,000.

3.2.6 Supervisory Control and Data Acquisition (SCADA)

GCWD has an existing SCADA system consisting of Allen-Bradley PLC hardware and CalAmp Viper Radio Modems. To merge the Caneyville system, four (4) RTUs will be required for the Hwy 62 water storage tank, the new Do-Stop pump station and two meter/control valve locations. The estimated cost for each is \$20,000 for a total of \$80,000.

3.2.7 Main Line Pressure Regulators / Control Valves

According to the hydraulic model, in order to provide adequate service to the existing Caneyville customers as well as the GCWD customers, pressure regulators / control valves will be required in two locations. The estimated cost for each is \$55,000 for a total of \$110,000.

**Asset Inventory & Identified Projects for System Merger
Acquisition of Caneyville Water System
Grayson County Water District**



3.2.8 Individual Customer Meter Change Out

As previously mentioned, Caneyville has an existing, ongoing project to replace water line along with the meter boxes and setters; everything but a new meter. GCWD has standardized on Badger automated meter reading (AMR). To be consistent with GCWD's existing system, approximately 766 meters will need to be replaced. The estimated cost for each is \$255 for a total of \$195,330.

Asset Inventory & Identified Projects for System Merger Acquisition of Caneyville Water System Grayson County Water District



CHAPTER 4 – SUMMARY

4.1 Purpose

GCWD and KEG conducted a combined effort of evaluating the existing Caneyville water system to determine the value/condition of the current assets and identified what projects are recommended to ensure a successful merger between the two entities. A site visit for visual inspections along with KEG combining the Caneyville water system information with the GCWD computerized hydraulic model assisted in determining what improvements are necessary for the merger.

4.2 Financials

According to information provided by Caneyville and GCWD, GCWD will assume the debt from Caneyville for the following:

1. RD Loan - \$86,750 with annual payment of	\$24,150
2. RD Loan - \$139,600 with annual payment of	\$13,062
3. New RD Loan total \$1,198,000 with annual payment of	\$39,168

The existing minimum rates for the Caneyville customers are \$21.25 in town and \$26.50 out of town. GCWD minimum rates are \$19.35. The merger will reduce the cost of water service for those existing Caneyville customers.

Caneyville's most recent audit indicates 37.6% water loss. GCWD has experience in combatting water loss and has historically achieved better than 15%. With the merger, GCWD is confident in their ability to reduce the water loss of the current Caneyville system. The initial anticipated net revenue for GCWD is greater than \$66,000 and is anticipated to substantially increase with the reduction of water loss combined with retiring existing Caneyville debt.

4.3 Recommendations

Based on the information obtained and hydraulic model analysis, KEG has included the projects recommended for a successful merger of the Caneyville water system and Grayson County Water District. GCWD is in a position both financially and managerially to accept this endeavor. The merger is consistent with the KY Division of Water efforts of regionalization and is financially beneficial to both the existing Caneyville water customers and GCWD.

**Asset Inventory & Identified Projects for System Merger
Acquisition of Caneyville Water System
Grayson County Water District**



APPENDIX A - SUMMARY OF IDENTIFIED PROJECT COSTS

EXHIBIT 11

Grayson County Water District
Schedule of Outstanding Debts, Interest Rates and Debt Maturities
Balances owed to various lending agencies as of January 2nd, 2022

	Bond Issue	Lending Agency	Loan Number	Original Principal Amount	Maturity	Interest Rate	Interest Paid 2021	Outstanding Principal Balance
1	2001	KIA	F01-02	\$ 3,930,850	7-2022	1.80 %	\$ 7,250	\$ 231,778
2	2013	KRWFC	Series 2013B	\$ 1,990,000	1-2027	3.50 %	\$ 26,611	\$ 685,000
3	2019	KRWFC	Series 2019B	\$ 1,070,000	7-2039	2.91 %	\$ 41,180	\$ 1,005,000
4	2021	KRWFC	Series 2021D	\$ 2,070,000	7-2034	1.96 %	\$ 25,582	\$ 2,070,000
5	2013	RD	91-19	\$ 525,000	7-2051	2.13 %	\$ 9,903	\$ 451,000
6	2013	RD	91-21	\$ 900,000	7-2052	2.00 %	\$ 15,800	\$ 762,500
7	2018	RD	91-23	\$ 712,000	1-2057	2.50 %	\$ 17,094	\$ 666,000
8	2020	RD	91-25	\$ 539,000	1-2060	1.75 %	\$ 5,641	\$ 520,000
9	2020	RD	91-27	\$ 256,000	1-2060	1.75 %	\$ 2,679	\$ 247,000
10	2021	RD	91-XX	\$ 568,000	1-2062	1.50 %	\$ 0	\$ 568,000
	Note: Outstanding Principal Balances as of January 2 nd , 2022					TOTAL	\$ 151,740	\$ 7,206,278

EXHIBIT 12

GRAYSON COUNTY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	DECEMBER 31,	
	2020	2019
OPERATING REVENUES		
METERED SALES		
Residential	\$ 2,803,779	\$ 2,713,370
Commercial	467,355	484,933
Agriculture	76,597	80,580
Resale	130,716	127,683
TOTAL METERED SALES	3,478,447	3,406,566
FORFEITED DISCOUNTS	8,778	49,010
MISCELLANEOUS SERVICE REVENUE	57,490	58,676
TOTAL OPERATING REVENUES	3,544,715	3,514,252
 OPERATING EXPENSES		
PURCHASED WATER	408,726	412,336
SUPPLY AND PUMPING EXPENSE		
Purchased power	28,143	11,906
Materials and supplies	8,690	7,812
Insurance	12,356	13,468
Transportation	4,986	7,006
Miscellaneous	958	764
Payroll and contractual services	175,653	101,331
TOTAL SUPPLY AND PUMPING EXPENSE	230,786	142,287
WATER TREATMENT EXPENSE		
Purchased power	101,602	109,575
Materials and supplies	129,332	110,686
Insurance	12,356	13,468
Transportation	2,938	4,204
Miscellaneous	850	4,506
Payroll and contractual services	337,343	286,173
Professional services	16,461	11,958
TOTAL WATER TREATMENT EXPENSE	600,882	540,570
GENERAL DISTRIBUTION EXPENSE		
Purchased power	1,121	1,137
Legal and consultants	0	0
Materials and supplies	11,076	9,720
Insurance	12,901	13,468
Transportation	11,251	11,203
Miscellaneous	13,627	16,058
Payroll and contractual services	165,811	169,861
TOTAL GENERAL DISTRIBUTION EXPENSE	215,787	221,447
MAINTENANCE EXPENSE		
Transportation	4,382	2,792
Payroll and contractual services	175,904	137,259
Distributions	12,651	9,652
Services	19,590	10,839
TOTAL MAINTENANCE EXPENSE	212,527	160,542

(CONTINUED)

Accompanying notes to the financial statements are an integral part of this statement.

GRAYSON COUNTY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION (CONCLUDED)
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	DECEMBER 31,	
	2020	2019
CUSTOMER ACCOUNTS EXPENSE		
Bad debt expense	\$ 16,568	\$ 19,951
Materials and supplies	45,321	39,553
Transportation	15,783	10,893
Miscellaneous	4,984	12,570
Payroll and contractual services	348,639	384,172
Customer records	93,223	92,949
TOTAL CUSTOMER ACCOUNTS EXPENSE	524,518	560,088
ADMINISTRATIVE AND GENERAL EXPENSE		
Materials and supplies	48,862	34,086
Insurance	41,621	37,751
Transportation	997	1,426
Miscellaneous	48,437	54,478
Payroll and contractual services	246,366	272,361
Professional services	56,147	73,912
TOTAL ADMINISTRATIVE AND GENERAL EXPENSE	442,430	474,014
DEPRECIATION EXPENSE	859,101	844,075
TOTAL OPERATING EXPENSES	3,494,757	3,355,359
OPERATING INCOME (LOSS)	49,958	158,893
NON-OPERATING REVENUES (EXPENSES)		
Grant income	0	0
Rent income	66,267	66,435
Miscellaneous income	0	0
Interest income	25,565	32,567
Bond issuance costs	0	(34,724)
PPP loan forgiveness	212,800	0
Insurance proceeds	0	0
Gain (loss) on sale of equipment	0	0
Interest expense	(213,859)	(236,497)
PSC taxes	(7,029)	(6,810)
TOTAL NON-OPERATING REVENUES (EXPENSES)	83,744	(179,029)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	133,702	(20,136)
CAPITAL CONTRIBUTIONS		
Contributions in aid of construction	283,641	83,128
TOTAL CAPITAL CONTRIBUTIONS	283,641	83,128
CHANGE IN NET POSITION	417,343	62,992
TOTAL NET POSITION - BEGINNING	13,926,525	13,863,533
TOTAL NET POSITION - ENDING	\$ 14,343,868	\$ 13,926,525

Accompanying notes to the financial statements are an integral part of this statement.

EXHIBIT 13

**GRAYSON COUNTY WATER DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2020 AND 2019**

	DECEMBER 31,	
	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents		
Operation and maintenance	\$ 9,236	\$ 38,845
Revenue	176,862	30,537
Construction	2,000	1,000
Accounts receivable		
Customer accounts receivable, net of allowance for uncollectibles of \$199,594 and \$182,265	270,902	261,697
Unbilled revenue	148,941	142,385
Prepaid expenses	53,457	57,365
Inventory	207,640	294,385
Current portion of notes receivable	7,904	7,448
TOTAL CURRENT ASSETS	876,942	833,662
NONCURRENT ASSETS		
Restricted cash and cash equivalents		
Bond and note sinking funds	1,327,690	1,342,310
Depreciation fund	1,253,450	1,199,250
Note receivable - City of Leitchfield	0	7,904
Capital assets		
Land and land rights	328,743	328,743
Construction in progress	1,208,171	160,819
Utility plant and lines	32,044,828	31,615,968
Utility equipment and other	1,001,633	951,369
Less: Accumulated depreciation	(15,260,332)	(14,401,231)
TOTAL NONCURRENT ASSETS	21,904,183	21,205,132
TOTAL ASSETS	\$ 22,781,125	\$ 22,038,794

(CONTINUED)

	DECEMBER 31,	
	2020	2019
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 193,812	\$ 57,639
Accrued liabilities	140,068	121,031
School and sales taxes payable	11,925	10,507
Interest payable from restricted assets	104,753	108,504
Interest payable - Customer deposits	148	180
Customer deposits	38,650	39,870
Current portion of long-term debt	656,162	617,118
TOTAL CURRENT LIABILITIES	<u>1,145,518</u>	<u>954,849</u>
NONCURRENT LIABILITIES		
Bonds and loans payable	7,863,939	7,686,058
Less: Current portion of long-term debt	(656,162)	(617,118)
Bond premium, net of amortization of \$6,401 and \$1,883	83,962	88,480
TOTAL NONCURRENT LIABILITIES	<u>7,291,739</u>	<u>7,157,420</u>
TOTAL LIABILITIES	<u>8,437,257</u>	<u>8,112,269</u>
NET POSITION		
Net investment in capital assets	11,459,104	10,969,610
Restricted for		
Debt service	1,327,690	1,342,310
Depreciation reserves	1,253,450	1,199,250
Unrestricted	303,624	415,355
TOTAL NET POSITION	<u>14,343,868</u>	<u>13,926,525</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 22,781,125</u>	<u>\$ 22,038,794</u>

Accompanying notes to the financial statements are an integral part of this statement.

EXHIBIT 14

GRAYSON COUNTY WATER DISTRICT
BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019

**GRAYSON COUNTY WATER DISTRICT
TABLE OF CONTENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	PAGE
INDEPENDENT AUDITORS' REPORT.....	1-2
PROPRIETARY FUND FINANCIAL STATEMENTS	
Statements of Net Position	3
Statements of Revenues, Expenses and Changes in Fund Net Position	4-5
Statements of Cash Flows	6
NOTES TO THE FINANCIAL STATEMENTS.....	7-16
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	17
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>	18-19
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE.....	20-21
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	22
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	23

Buckles, Travis & Hart, PLLC

Certified Public Accountants

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Phone 270-259-5604
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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Grayson County Water District
Leitchfield, KY 42754

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Grayson County Water District as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Grayson County Water District, as of December 31, 2020 and 2019, and the respective changes in financial position, and cash flows, thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Grayson County Water District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2021, on our consideration of the Grayson County Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Grayson County Water District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Grayson County Water District's internal control over financial reporting and compliance.

Respectfully submitted,

Buckles, Travis & Hart, PLLC

Buckles, Travis & Hart, PLLC
Certified Public Accountants
Leitchfield, Kentucky
March 22, 2021

**GRAYSON COUNTY WATER DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2020 AND 2019**

	DECEMBER 31,	
	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents		
Operation and maintenance	\$ 9,236	\$ 38,845
Revenue	176,862	30,537
Construction	2,000	1,000
Accounts receivable		
Customer accounts receivable, net of allowance for uncollectibles of \$199,594 and \$182,265	270,902	261,697
Unbilled revenue	148,941	142,385
Prepaid expenses	53,457	57,365
Inventory	207,640	294,385
Current portion of notes receivable	7,904	7,448
TOTAL CURRENT ASSETS	876,942	833,662
NONCURRENT ASSETS		
Restricted cash and cash equivalents		
Bond and note sinking funds	1,327,690	1,342,310
Depreciation fund	1,253,450	1,199,250
Note receivable - City of Leitchfield	0	7,904
Capital assets		
Land and land rights	328,743	328,743
Construction in progress	1,208,171	160,819
Utility plant and lines	32,044,828	31,615,968
Utility equipment and other	1,001,633	951,369
Less: Accumulated depreciation	(15,260,332)	(14,401,231)
TOTAL NONCURRENT ASSETS	21,904,183	21,205,132
TOTAL ASSETS	\$ 22,781,125	\$ 22,038,794

(CONTINUED)

	DECEMBER 31,	
	2020	2019
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 193,812	\$ 57,639
Accrued liabilities	140,068	121,031
School and sales taxes payable	11,925	10,507
Interest payable from restricted assets	104,753	108,504
Interest payable - Customer deposits	148	180
Customer deposits	38,650	39,870
Current portion of long-term debt	656,162	617,118
TOTAL CURRENT LIABILITIES	<u>1,145,518</u>	<u>954,849</u>
NONCURRENT LIABILITIES		
Bonds and loans payable	7,863,939	7,686,058
Less: Current portion of long-term debt	(656,162)	(617,118)
Bond premium, net of amortization of \$6,401 and \$1,883	83,962	88,480
TOTAL NONCURRENT LIABILITIES	<u>7,291,739</u>	<u>7,157,420</u>
TOTAL LIABILITIES	<u>8,437,257</u>	<u>8,112,269</u>
NET POSITION		
Net investment in capital assets	11,459,104	10,969,610
Restricted for		
Debt service	1,327,690	1,342,310
Depreciation reserves	1,253,450	1,199,250
Unrestricted	303,624	415,355
TOTAL NET POSITION	<u>14,343,868</u>	<u>13,926,525</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 22,781,125</u>	<u>\$ 22,038,794</u>

Accompanying notes to the financial statements are an integral part of this statement.

GRAYSON COUNTY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	DECEMBER 31,	
	2020	2019
OPERATING REVENUES		
METERED SALES		
Residential	\$ 2,803,779	\$ 2,713,370
Commercial	467,355	484,933
Agriculture	76,597	80,580
Resale	130,716	127,683
TOTAL METERED SALES	3,478,447	3,406,566
FORFEITED DISCOUNTS	8,778	49,010
MISCELLANEOUS SERVICE REVENUE	57,490	58,676
TOTAL OPERATING REVENUES	3,544,715	3,514,252
 OPERATING EXPENSES		
PURCHASED WATER	408,726	412,336
SUPPLY AND PUMPING EXPENSE		
Purchased power	28,143	11,906
Materials and supplies	8,690	7,812
Insurance	12,356	13,468
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Miscellaneous	958	764
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WATER TREATMENT EXPENSE		
Purchased power	101,602	109,575
Materials and supplies	129,332	110,686
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Transportation	2,938	4,204
Miscellaneous	850	4,506
Payroll and contractual services	337,343	286,173
Professional services	16,461	11,958
TOTAL WATER TREATMENT EXPENSE	600,882	540,570
GENERAL DISTRIBUTION EXPENSE		
Purchased power	1,121	1,137
Legal and consultants	0	0
Materials and supplies	11,076	9,720
Insurance	12,901	13,468
Transportation	11,251	11,203
Miscellaneous	13,627	16,058
Payroll and contractual services	165,811	169,861
TOTAL GENERAL DISTRIBUTION EXPENSE	215,787	221,447
MAINTENANCE EXPENSE		
Transportation	4,382	2,792
Payroll and contractual services	175,904	137,259
Distributions	12,651	9,652
Services	19,590	10,839
TOTAL MAINTENANCE EXPENSE	212,527	160,542

(CONTINUED)

Accompanying notes to the financial statements are an integral part of this statement.

GRAYSON COUNTY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION (CONCLUDED)
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	DECEMBER 31,	
	2020	2019
CUSTOMER ACCOUNTS EXPENSE		
Bad debt expense	\$ 16,568	\$ 19,951
Materials and supplies	45,321	39,553
Transportation	15,783	10,893
Miscellaneous	4,984	12,570
Payroll and contractual services	348,639	384,172
Customer records	93,223	92,949
TOTAL CUSTOMER ACCOUNTS EXPENSE	524,518	560,088
ADMINISTRATIVE AND GENERAL EXPENSE		
Materials and supplies	48,862	34,086
Insurance	41,621	37,751
Transportation	997	1,426
Miscellaneous	48,437	54,478
Payroll and contractual services	246,366	272,361
Professional services	56,147	73,912
TOTAL ADMINISTRATIVE AND GENERAL EXPENSE	442,430	474,014
DEPRECIATION EXPENSE	859,101	844,075
TOTAL OPERATING EXPENSES	3,494,757	3,355,359
OPERATING INCOME (LOSS)	49,958	158,893
NON-OPERATING REVENUES (EXPENSES)		
Grant income	0	0
Rent income	66,267	66,435
Miscellaneous income	0	0
Interest income	25,565	32,567
Bond issuance costs	0	(34,724)
PPP loan forgiveness	212,800	0
Insurance proceeds	0	0
Gain (loss) on sale of equipment	0	0
Interest expense	(213,859)	(236,497)
PSC taxes	(7,029)	(6,810)
TOTAL NON-OPERATING REVENUES (EXPENSES)	83,744	(179,029)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	133,702	(20,136)
CAPITAL CONTRIBUTIONS		
Contributions in aid of construction	283,641	83,128
TOTAL CAPITAL CONTRIBUTIONS	283,641	83,128
CHANGE IN NET POSITION	417,343	62,992
TOTAL NET POSITION - BEGINNING	13,926,525	13,863,533
TOTAL NET POSITION - ENDING	\$ 14,343,868	\$ 13,926,525

Accompanying notes to the financial statements are an integral part of this statement.

**GRAYSON COUNTY WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	DECEMBER 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 3,528,954	\$ 3,513,021
Payments to suppliers	(1,095,287)	(1,114,881)
Payments for payroll and contractual services	(1,294,506)	(1,368,846)
Other receipts (payments)	(6,831)	(3,098)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,132,330	1,026,196
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	0	0
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Grant income	0	0
Bond proceeds	795,000	1,070,000
Bond issuance cost	0	(34,724)
Bond premium	0	90,363
Proceeds from capital debt	212,800	0
Principal repayments of capital debt	(617,119)	(1,732,648)
Capital contributions	283,641	83,128
Purchase of capital assets	(1,526,476)	(489,431)
Rent income	66,267	66,435
Miscellaneous income	0	0
Insurance proceeds	0	0
Proceeds on sale of capital assets	0	6,993
Interest paid on capital debt	(218,377)	(238,380)
Increase (decrease) in interest payable-Customer deposits	(32)	137
Increase (decrease) in interest payable from restricted assets	(3,751)	(8,479)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,008,047)	(1,186,606)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	25,565	32,567
Decrease in note receivable-City of Leitchfield	7,448	7,127
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	33,013	39,694
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	157,296	(120,716)
CASH AND CASH EQUIVALENTS - JANUARY 1, 2020	2,611,942	2,732,658
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2020	\$ 2,769,238	\$ 2,611,942
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 49,958	\$ 158,893
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities		
Depreciation expense	859,101	844,075
Payment of PSC taxes	(7,029)	(6,810)
Changes in assets and liabilities		
Net (increase) decrease in accounts receivable	(9,205)	(1,500)
Net (increase) decrease in unbilled revenue	(6,556)	269
Net (increase) decrease in prepaid expenses	3,908	(6,701)
Net (increase) decrease in inventory	86,745	51,947
Net increase (decrease) in accounts payable	136,173	(23,848)
Net increase (decrease) in accrued liabilities	19,037	6,159
Net increase (decrease) in school and sales taxes payable	1,418	592
Net increase (decrease) in customer deposits	(1,220)	3,120
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 1,132,330	\$ 1,026,196

Accompanying notes to the financial statements are an integral part of this statement.

**GRAYSON COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE A – DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES

The Grayson County Water District is a tax-exempt division of county government organized under KRS 74.010. The District provides a municipal water system to citizens located in the geographic area of the system.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

1. The Reporting Entity

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Standards and Interpretations).

2. Basic Financial Statements – Proprietary Fund Financial Statements

The District's basic financial statements include only proprietary fund financial statements because the District engages only in a single business-type activity. Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows.

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are similar to those businesses in the private sector. Amounts recorded as operating revenues are those revenues generated from general water service operations. All other revenues are recorded as non-operating revenues or capital contributions. The District first applies unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

3. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

The proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

GRAYSON COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019

NOTE A – DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Basis of Accounting (Concluded)

GASB No. 34 requires the classification of net position into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- *Net Investment in Capital Assets* – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- *Restricted* – This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Assets* – The component of net position consists of net assets that do not meet the definition of “restricted” or “net investment in capital assets”.

4. Cash and Cash Equivalents

The District has defined cash and cash equivalents to include all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

5. Inventory

Inventory of materials consist of expendable supplies held for use and are stated at the lower of cost or market using the FIFO (first-in, first-out) method.

6. Use of Estimates

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

**GRAYSON COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019**

NOTE A – DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7. Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful life of the asset. An estimated useful life of fifty years is used for substantially all plant assets. Estimated useful lives for other machinery and equipment ranges from five to ten years. Upon retirement, the cost of the asset, less any proceeds, is charged to accumulated depreciation.

The District has an ongoing activity of assessing the feasibility of installing additional lines to new service areas. Once an extension is considered feasible, there are additional engineering studies, applications to various funding agencies, and project administrative costs. The District defers the ongoing activity and capitalizes these costs upon completion of the project. These procedures are based on the reasonable expectation that the Public Service Commission of the Commonwealth of Kentucky will allow recovery of these costs through their inclusion in future rate increases.

8. Impairment of Long-Lived Assets

The District reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. For assets held and used, if the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of the asset, an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the years ended December 31, 2020 and 2019.

9. Nonexchange Transactions

The recognition of assets and revenues resulting in nonexchange transactions of the District are as follows:

- a. Voluntary nonexchange transactions – The District receives various grants from federal and state agencies. Eligibility requirements have been met at the time the funds are received; therefore, the asset/revenue is recognized when it is received.

10. Advertising Cost

The District uses advertising to promote its services to the community. Advertising costs are expensed as incurred. Advertising expenses for the years ended December 31, 2020 and 2019 were \$720 and \$796, respectively.

**GRAYSON COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019**

NOTE A – DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

11. Bond Premium, Discounts and Issuance Costs

Bond premiums and discounts for proprietary funds are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond premium/discounts are presented as an addition/reduction of the face amount of bonds payable. Bond issuance costs are expensed in the period incurred.

NOTE B – CASH AND CASH EQUIVALENTS

At year-end, the carrying amount of the District's cash and investments was \$2,769,238 and the bank balance was \$2,952,267. Of the total bank balance, \$750,000 was covered by federal depository insurance, \$441,810 was invested in 100% federally guaranteed securities and the remaining balance of \$1,760,457 was considered uncollateralized. As of December 31, 2020, \$3,732,263 was pledged with securities held by the pledging banks' trust departments but not in the name of the District.

Kentucky Revised Statute 66.480 provides for investment of governmental funds into certain investment types including obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, obligations of the Commonwealth of Kentucky and its agencies, insured savings and loans, or interest bearing deposits of insured national or state banks. The deposits in excess of insurance coverage must be fully collateralized.

NOTE C – RESTRICTED CASH

The sinking fund is restricted to the payment of principal and interest on long-term debt.

The depreciation fund is restricted to payment for improvements and approved repairs.

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

NOTE D – CONTRIBUTIONS IN AID OF CONSTRUCTION

These revenue amounts were obtained from placement of meters at previously unsubscribed locations and from governmental grants.

**GRAYSON COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019**

NOTE E – LONG-TERM DEBT

The following bonds and loans were issued through USDA, Rural Development (RD):

Original Amount	Funding Agency	Series Of	Interest Rate	Balance as of Dec. 31,	
				2020	2019
\$1,350,000	RD	2005	4.125%	\$ 0	\$ 0
\$ 525,000	RD	2013A	2.125%	\$ 471,000	\$ 480,500
\$ 900,000	RD	2013B	2.000%	\$ 799,000	\$ 816,500
\$ 712,000	RD	2017	2.500%	\$ 689,500	\$ 701,000
\$ 539,000	RD	2020A	1.750%	\$ 539,000	\$ 0
\$ 256,000	RD	2020B	1.750%	\$ 256,000	\$ 0

These bonds are secured by an exclusive pledge of a fixed portion of the income and revenues derived from the operation of the District's water distribution system and has principal and interest sinking fund requirements.

During 2002, the District had received approval for a Kentucky Infrastructure Authority (KIA) Project Loan not to exceed \$4,000,000. As of December 31, 2003, total draws of \$3,930,850 had been accumulated. This loan bears interest at a rate of 1.8% and is secured by the revenues of the water system. The balance outstanding on this loan as of year end was \$459,439. An annual deposit of \$49,000 is required to be deposited into a reserve account. The annual deposits are to be made until the balance reaches \$490,000. In the event of default, a court appointed receiver shall administer the system on behalf of the District with the power to charge and collect rates sufficient to provide for the payment of operating and maintenance expenses and for the payment of principal and interest of the outstanding bonds. As of December 31, 2020 the reserve balance was \$789,704.

During 2005, the District received approval for an interim loan from Kentucky Rural Water Finance Corporation not to exceed \$1,350,000. This interim loan converted to permanent financing through RD upon project completion. This loan bears interest at a variable rate and is secured by revenues of the water system. As of December 31, 2006, total draws of \$1,350,000 had been accumulated. The 2005 series bond was issued through RD in February 2007. Total amounts outstanding at year end were \$0. During the 2019 year this bond was refunded.

During 2009, the District received a loan from Kentucky Rural Water Finance Corporation in the amount of \$380,000. This loan was received as part of a 2009C series revenue bond. This loan bears interest at an increasing rate with an average of 3.36% and is secured by revenues of the water system. This loan also has principal and interest sinking fund requirements. In the event of default, a court appointed receiver shall administer the system on behalf of the District with the power to charge and collect rates sufficient to provide for the payment of operating and maintenance expenses and for the payment of principal and interest of the outstanding bonds. As of December 31, 2020 the loan balance was \$40,000.

GRAYSON COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019

NOTE E – LONG-TERM DEBT (CONTINUED)

During 2012, the District received a loan from Kentucky Rural Water Finance Corporation in the amount of \$3,680,000. This loan was received as part of a 2012D series revenue bond. This loan was issued to refund the District's series 1995, 1997, and 1999 Rural Development Bonds. This loan bears interest at a variable rate ranging between 2.75% and 4% over the life of the bond and is secured by revenues of the water system. This loan also has principal and interest sinking fund requirements. In the event of default, a court appointed receiver shall administer the system on behalf of the District with the power to charge and collect rates sufficient to provide for the payment of operating and maintenance expenses and for the payment of principal and interest of the outstanding bonds. As of December 31, 2020 the loan balance was \$2,600,000.

During 2012, the District received approval for an interim loan from Kentucky Rural Water Finance Corporation not to exceed \$1,425,000. This interim loan was converted to permanent financing through RD upon project completion. As of December 31, 2013, total draws of \$1,425,000 had been accumulated, with \$525,000 of 2013A series bonds bearing interest at 2.125% and \$900,000 of 2013B series bonds bearing interest at 2.000%. This debt is secured by revenues of the water system. In the event of default, a court appointed receiver shall administer the system on behalf of the District with the power to charge and collect rates sufficient to provide for the payment of operating and maintenance expenses and for the payment of principal and interest of the outstanding bonds. The 2013A and 2013B series bonds were issued through RD. Total outstanding amounts at year end were \$1,270,000.

During 2013, the District received a loan from Kentucky Rural Water Finance Corporation in the amount of \$1,990,000. This loan was received as part of a 2013B series revenue bond. This loan was issued to refund the District's series 2001D and 2004B Kentucky Rural Water Loans. This loan bears interest at a variable rate ranging between 2.30% and 3.30% over the life of the bond and is secured by revenues of the water system. This loan also has principal and interest sinking fund requirements. In the event of default, a court appointed receiver shall administer the system on behalf of the District with the power to charge and collect rates sufficient to provide for the payment of operating and maintenance expenses and for the payment of principal and interest of the outstanding bonds. As of December 31, 2020 the loan balance was \$970,000.

During 2017, the District received approval for an interim loan from Kentucky Rural Water Finance Corporation. This interim loan was converted to permanent financing through RD upon project completion. This loan bears interest at 2.5% and is secured by revenues of the water system. As of December 31, 2020 the 2017 series bond had total draws of \$712,000 issued through RD. In the event of default, a court appointed receiver shall administer the system on behalf of the District with the power to charge and collect rates sufficient to provide for the payment of operating and maintenance expenses and for the payment of principal and interest of the outstanding bonds. This loan also has principal and interest sinking fund requirements. Total outstanding amounts at year end were \$689,500.

**GRAYSON COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019**

NOTE E – LONG-TERM DEBT (CONTINUED)

During 2019, the District received a loan from Kentucky Rural Water Finance Corporation in the amount of \$1,070,000. This loan was received as part of a 2019B series revenue bond. This loan was issued to refund the District’s series 2005 Rural Development Bond. This loan bears interest at a variable rate ranging between 3.2% and 5.2% over the life of the bond and is secured by revenues of the water system. In the event of default, a court appointed receiver shall administer the system on behalf of the District with the power to charge and collect rates sufficient to provide for the payment of operating and maintenance expenses and for the payment of principal and interest of the outstanding bonds. As of December 31, 2020 the loan balance was \$1,040,000.

During 2020, the District provided interim financing for a project. This interim loan was converted to permanent financing through RD. As of December 31, 2020, total draws of \$795,000 had been accumulated, with \$539,000 of 2020A series bonds bearing interest at 1.750% and \$256,000 of 2020B series bonds bearing interest at 1.750%. This debt is secured by revenues of the water system. In the event of default, a court appointed receiver shall administer the system on behalf of the District with the power to charge and collect rates sufficient to provide for the payment of operating and maintenance expenses and for the payment of principal and interest of the outstanding bonds. The 2020A and 2020B series bonds were issued through RD. Total outstanding amounts at year end were \$795,000

The district does not have any unused lines of credit. None of the debt is considered to be direct borrowings nor direct placements of debt.

Current year long-term debt activity is as follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Rural Development Bond, 2013A & B	\$ 1,297,000	\$ 0	\$ 27,000	\$ 1,270,000
Rural Development Bond, 2017	701,000	0	11,500	689,500
Rural Development Bond, 2020A & B	0	795,000	0	795,000
Kentucky Infrastructure Authority Loan	683,058	0	223,619	459,439
Kentucky Rural Water Loan	75,000	0	35,000	40,000
Kentucky Rural Water Loan	2,750,000	0	150,000	2,600,000
Kentucky Rural Water Loan	1,110,000	0	140,000	970,000
Kentucky Rural Water Loan	1,070,000	0	30,000	1,040,000
	<u>\$ 7,686,058</u>	<u>\$ 795,000</u>	<u>\$ 617,119</u>	<u>\$ 7,863,939</u>

**GRAYSON COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019**

NOTE E – LONG-TERM DEBT (CONCLUDED)

Principal of various amounts are due at least annually in each of the years through 2060. The principal due for each of the next five years and thereafter is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 656,162	\$ 216,130	\$ 872,292
2022	621,277	204,387	825,664
2023	401,000	189,413	590,413
2024	411,500	176,812	588,312
2025	423,500	163,471	586,971
2026-2030	1,799,000	618,963	2,417,963
2031-2035	1,449,500	337,397	1,786,897
2036-2040	662,500	192,470	854,970
2041-2045	427,000	127,514	554,514
2046-2050	473,500	80,659	554,159
2051-2055	353,500	33,914	387,414
2056-2060	185,500	7,131	192,631
	<u>\$ 7,863,939</u>	<u>\$ 2,348,261</u>	<u>\$10,212,200</u>

NOTE F – CONCENTRATION OF CREDIT RISK

The District extends credit to all citizens who live within the geographic location of the District and who utilize the utility system. Credit losses may be minimal and are generally within management’s expectations.

NOTE G – ACCOUNTS RECEIVABLE

Customer accounts receivable are shown net of an allowance for uncollectible accounts. At December 31, 2020 and 2019 total customer accounts receivable was \$470,496 and \$443,962, respectively. Allowance for uncollectible accounts was \$199,594 and \$182,265 respectively as of December 31, 2020 and 2019.

Customer accounts receivable amounts arise from monthly water usage. Based on District policy, water meters are read monthly, with billings occurring five to ten days subsequent to the reading. Once billed the customer has fourteen days to pay the amount due. If payment is made after the due date a late fee of 10% is assessed to water charges. A twenty-four hour grace period is allowed and if amounts remain unpaid, delinquent notices are sent out. Customers are given fourteen days from the date of the delinquent notice to render payment. The day following expiration of the delinquent period, collection trips are made for all bills in excess of forty dollars. If collection does not occur the meter is shut off. The customer will remain active for seven additional days, if at the expiration of the seven days payment has not been made, the account will become inactive and the customer deposit held will be applied to amounts owed. If collection is considered unlikely the balances are charged off as bad debt expense in the period in which they were deemed uncollectible. Management’s periodic evaluation of the adequacy of the allowance for uncollectible accounts is based on past loss experience, known and other risks inherent to the specific account, adverse situations that may affect the customer’s ability to render payment and current economic conditions. Management considers many factors in determining whether a receivable is impaired, such as payment history and changes in employment.

**GRAYSON COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019**

NOTE H – CAPITAL ASSETS

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
Capital assets not being depreciated				
Land and land rights	\$ 328,743	\$ 0	\$ 0	\$ 328,743
Construction in progress	160,819	1,239,908	(192,556)	1,208,171
Total capital assets not being depreciated	489,562	1,239,908	(192,556)	1,536,914
Other capital assets				
Utility plant and lines	31,615,968	428,860	0	32,044,828
Utility equipment and other	951,369	50,264	0	1,001,633
Total other capital assets at historical cost	32,567,337	479,124	0	33,046,461
Less: Accumulated depreciation	(14,401,231)	(859,101)	0	(15,260,332)
Capital assets, net	<u>\$ 18,655,668</u>	<u>\$ 859,931</u>	<u>\$ (192,556)</u>	<u>\$ 19,323,043</u>

NOTE I – RELATED PARTIES

During 2020 the District paid Woosley’s Upholestry \$450. The entity is owned by an employee of the District. There were no known transactions with related parties for the year ended December 31, 2019.

NOTE J – RISKS OF LOSS

The District’s risks of loss are addressed by the purchase of commercial insurance. These areas include employee dishonesty bonds, property coverage, vehicle coverage, and a public entity liability policy which includes errors and omission. Coverage is reviewed for adequacy by management and agents on an annual basis.

NOTE K – NOTE RECEIVABLE – CITY OF LEITCHFIELD

During 2006, the District sold water lines and appurtenances to the Leitchfield Utilities Commission. The balance outstanding of \$7,904 is shown as a note receivable on the statement of net position. The note bears interest at a rate of 4.5% per annum and shall be paid to the District over a period of fifteen years in annual installments of \$8,139. The note will mature in July 2021.

NOTE L – RETIREMENT PLAN

As of January 1, 2017, the District has provided a deferred compensation plan for eligible employees. The plan is administered by the Kentucky Public Employees’ Deferred Compensation Authority in association with Nationwide Retirement Solutions. The two-tier plan provides a 5% District contribution regardless of employee participation beginning with an employee’s second year of employment. District contributions to the plan were \$101,634 and \$92,633 for 2020 and 2019, respectively.

**GRAYSON COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)
DECEMBER 31, 2020 AND 2019**

NOTE M – SUBSEQUENT EVENTS

The District's management has evaluated and considered the need to recognize or disclose other subsequent events through March 22, 2021, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the year ended December 31, 2020, have not been evaluated by management.

Subsequent to year end the District will begin Phase II construction which will be funded with a 1.5% loan from Rural Development. The District has also been in discussions with City of Caneyville considering acquiring the water system.

NOTE N – NEW ACCOUNTING PRONOUNCEMENTS

Adoption of New Accounting Pronouncements: During fiscal year 2019, the District adopted the following accounting pronouncements:

- GASB Statement No. 83, Certain Asset Retirement Obligations, issued November 2016.
- GASB Statement No. 84, Fiduciary Activities, issued January 2017.
- GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, issued March 2018.
- GASB Statement No. 90, Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61, issued August 2018.

Adoption of these standards did not have a significant impact on the District's financial position or results of operations.

NOTE O – LITIGATION

The District is a party in a civil suit litigation matter. Legal representation has represented that as of the date of these financial statements any range of potential loss cannot be determined. However, any defense costs and potential settlement or judgment would be covered by the District's insurance carrier.

NOTE P – PPP LOAN FORGIVENESS

The District received a loan from The Cecilian Bank in the amount of \$212,800 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan is subject to a note dated April 30, 2020. The District applied for and was notified on December 9, 2020 that \$212,800 in eligible expenditures for payroll and other expenses described in the CARES Act has been forgiven. Loan forgiveness is reflected in non-operating revenues in the accompanying Statements of Revenues, Expenses and Changes in Fund Net Position.

**GRAYSON COUNTY WATER DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures(\$)</i>
<i>Other Programs</i>		
United States Department of Agriculture		
Water and Waste Disposal Systems for Rural Communities		
Water and Waste Disposal Systems for Rural Communities	*10.760	\$ 844,235
Total Water and Waste Disposal Systems for Rural Communities		844,235
<i>Total United States Department of Agriculture</i>		844,235
<i>Total Other Programs</i>		844,235
<i>Total Expenditures of Federal Awards</i>		\$ 844,235

The accompanying notes are an integral part of this schedule

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE B – MAJOR PROGRAM

The major program is identified by an asterisk (*).

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

Board of Commissioners
Grayson County Water District
Leitchfield, KY 42754

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of Grayson County Water District, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Grayson County Water District's basic financial statements, and have issued our report thereon dated March 22, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Grayson County Water District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Grayson County Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Grayson County Water District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Grayson County Water District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

Buckles, Travis & Hart, PLLC

Buckles, Travis & Hart, PLLC
Certified Public Accountants
Leitchfield, Kentucky
March 22, 2021

Buckles, Travis & Hart, PLLC

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Commissioners
Grayson County Water District
Leitchfield, KY 42754

Report on Compliance for Each Major Federal Program

We have audited Grayson County Water District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Grayson County Water District's major federal programs for the year ended December 31, 2020. Grayson County Water District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Grayson County Water District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Grayson County Water District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Grayson County Water District's compliance.

Opinion on Each Major Federal Program

In our opinion, Grayson County Water District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control over Compliance

Management of Grayson County Water District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Grayson County Water District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Grayson County Water District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

Buckles, Travis & Hart, PLLC

Buckles, Travis & Hart, PLLC
Certified Public Accountants
Leitchfield, Kentucky
March 22, 2021

**GRAYSON COUNTY WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

A. SUMMARY OF AUDIT RESULTS

Financial Statements

1. The auditors' report expresses an unmodified opinion on the financial statements of Grayson County Water District.
2. No significant deficiencies or material weaknesses were reported in the independent auditors' report on internal control over financial reporting.
3. No instances of noncompliance material to the financial statements of Grayson County Water District were disclosed during the audit.

Federal Awards

4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported in the independent auditors' report on internal control over compliance for major federal awards programs.
5. The auditors' report on compliance for major federal award programs for Grayson County Water District expresses an unmodified opinion.
6. The audit disclosed no findings required to be reported by 2 CFR 200.516(a).
7. The programs tested as major programs include:
 - a. US Department of Agriculture
Water and Waste Disposal Systems for Rural Communities:
CFDA 10.760 – Unmodified
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Grayson County Water District was determined to be a high-risk auditee.

**GRAYSON COUNTY WATER DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2020**

<u>Reference Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
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The audit did not disclose any audit findings.

EXHIBIT 15

**TOTAL GRAYSON DISTRICT
DEBT AFTER ACQUISITION**

Description	Amount
Existing Grayson District Debt	\$ 7,206,278
Debt Assumed From Caneyville	\$ 1,422,500
Total	\$ 8,628,778

Debt Per Customer After Acquisition	\$ 1,099
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Note: $\$8,628,778 / 7,852 \text{ customers} = \$1,099 \text{ debt per customer.}$

EXHIBIT 16

**BOOK VALUE OF PROPERTY BEING
ACQUIRED FROM CANEYVILLE**

USoA	Description	Total
304	Structures & Improvements	\$ 133,831
331	Transmission & Distribution Mains	\$ 3,092,657
333	Services	\$ 506,648
335	Hydrants	\$ 136,878
347	Communication Equipment	\$ -
Grand Total		\$ 3,870,014

EXHIBIT 17

From: Wuetcher, Gerald
Sent: Sunday, December 12, 2021 3:55 PM
To: lisa.dale@ky.gov
Cc: Talley, Damon; Kevin Shaw (kshaw@graysonwater.com); jwoosley@graysonwater.com
Subject: Notification of Issuance of Debt - Grayson County Water District
Attachments: NoticeToStateLocalDebtOfficer_GraysonCountyWaterDistrict.pdf

Tracking:	Recipient	Delivery
	lisa.dale@ky.gov	
	Talley, Damon	Delivered: 12/12/2021 3:55 PM
	Kevin Shaw (kshaw@graysonwater.com)	
	jwoosley@graysonwater.com	

Ms. Dale:


Attached is Grayson County Water District's Notice to the State Local Debt Officer of its intent to assume certain debt obligations of the City of Caneyville. Grayson District and Caneyville have entered an agreement under which the City of Caneyville will transfer its water distribution assets to Grayson District in return for Grayson District's assumption of debt issued to finance various improvements to that distribution system. Caneyville current has approximately \$1,422,500 in outstanding revenue bonds related to those improvements. These bonds are held by Rural Development on behalf of the U.S. Department of Agriculture. The proposed transaction will occur upon the Public Service Commission's approval of the transaction and Grayson District's assumption of this indebtedness.

Please acknowledge receipt of this message by e-mail. Please contact me at (859) 231-3017 or Damon Talley at (270) 358-3187 if there are any questions regarding this transaction.

Thank you for your attention to this matter.

Sincerely,

Gerald Wuetcher



Gerald E. Wuetcher
Counsel to the Firm
859-231-3017 Direct
859-550-3894 Mobile
300 W. Vine Street, Ste. 2100
Lexington, KY 40507-1801

The following message, and any documents or previous e-mails attached to it, may contain confidential information protected by the attorney-client privilege. If it was sent to you in error, do not read it. Please inform the sender that you received it and then delete it. Thank you.

Page 1

NOTIFICATION OF INTENT TO FINANCE AND APPLICATION FOR DEBT APPROVAL

Form # SLDO-1
Revised 1/1/2011

For DLG staff use only:

File # _____
Received _____

Completion and delivery of this form to the address below shall satisfy the requirements of KRS 65.117, which prohibits any city, county, urban-county, consolidated local government, charter county, special district, or taxing district from entering into any financing obligation of any nature, except leases under \$200,000, without first notifying the state local debt officer in writing. This form shall also serve as application for approval of debt issuance when applicable. An electronic version of the form is available at www.dlg.ky.gov.

✓ **Type of debt to be issued (must check one):** **SLDO Approval Required** **Complete Sections**

<input type="checkbox"/> Short Term Borrowing - KRS 65.7701 et seq.	No	A, B, C
<input type="checkbox"/> Lease from \$200,000 - \$500,000 - KRS 65.940 et seq.	No	A, B, D
<input type="checkbox"/> Lease exceeding \$500,000 - KRS 65.940 et seq.	Yes (Counties only)	A, B, D
<input type="checkbox"/> General Obligation Bond - KRS Chapter 66	Yes (Counties only)	A, B, E
<input type="checkbox"/> Public Project Rev. Bond - KRS Chapter 58	No	A, B, E
<input type="checkbox"/> Public Project Rev. Bond w/Lease - KRS 66.310(2)	Yes (Counties only)	A, B, D, E
<input type="checkbox"/> Industrial Revenue Bond - KRS Chapter 103	Yes (All Borrowers)	A, B, F
<input type="checkbox"/> Other Bonds (True Revenue, Utility Assessment, TIF)	No	A, B, E

X Assumption of Bonded Debt of the City of Caneyville

Section A - Borrower Information

Agency Name	Grayson County Water District		
Governing Body	Grayson County Water District Board of Commissioners		
Street Address	21 Shull White Road		
P.O. Box #	City	Leitchfield	
County	Grayson	Zip	42754
Authorized Official	Nancy Cain, Chair, Board of Commissioners		

Section B - Terms of Financial Obligation

Please provide all relevant information. Fields in **bold** are mandatory.

Principle Amount:	1,422,500	Date of Issue:	07/01/2022
Maturity Date(s):	Various Dates	Payment Schedule:	(must attach schedule)
Term:	Various Terms	Number of Renewal Periods:	0
Interest Rate(s):		Type of Interest (fixed or variable):	Fixed
Retirement Method:	Annual Principal Payment & Semi-Annual Interest Payments		
Lender's Name:	US Department of Agriculture acting through Rural Development		
Lender's Address:	771 Corporate Drive, Suite 200, Lexington, KY 40503		
Right of Termination:	None		
Termination Penalties:	None		
Prepayment Provisions:	District may prepay without penalty		
Trustee or Paying Agent:	None		
AOC Funded Percentage:	0.00		

NOTIFICATION OF INTENT TO FINANCE AND APPLICATION FOR DEBT APPROVAL

Form # SLDO-1
Revised 1/1/2011

Section C - Note (Loan) Information/Documentation

Purpose - Briefly explain the documented need that necessitates this note (loan) and the public purpose it is intended to address. (Attach additional information if necessary):

Grayson County Water District is acquiring the City of Caneyville's water distribution facilities. Under the transaction, Grayson District assumes Caneyville's outstanding bonded indebtedness is currently held by the U.S. Department of Agriculture. The consolidation of the two systems will result in greater economies of scale and produce more efficient delivery of water services. Bonds originally issue to finance waterworks improvements

Pledge of Taxes/Description:

Pledge of Revenue/Description: Revenues from water operations pledged as security; Rates must produce 1.2X debt service plus O&M expenses (excluding depreciation).

Pledge of Project Revenues (Attach documentation which substantiates the revenue projections): Attached is report of PSC Staff on proposed rate adjustment. Proposed rates will produce sufficient revenues to meet debt service on assumed bonds.

Have bids been sought by the local governments to determine the financial and programmatic competitiveness of the note (loan) proposal? Yes No

If No, explain what steps were taken to ensure adequate competition.

Grayson District is assuming obligation to pay bonds as part of acquisition of Caneyville's water distribution assets. Bids were obtain for the original issuance of bonds by Caneyville

Required Attachments

- 1. Certification from local government attesting to the ability to meet additional financial commitments necessitated by the note and statement as to taxes and revenues to be collected during the term of the note.

Section D - Lease Information/Documentation

Describe the real or personal property to be acquired or constructed:

Type of Lease : General Obligation Revenue

Is Lease Annually Renewable? Yes No

Does Agency seek approval without a hearing? Yes No Justification: Revenue Refunding

If yes, must attach certification from counsel regarding county obligation.

Does this lease refund a prior lease? Yes No

If yes, please state the name, date and principal amount of original issue(s) being refunded:

Required Attachments (If lease requires SLDO approval)

- 1. Minutes from the local public hearing
- 2. Affidavit of publication of SLDO hearing (if hearing is required) and newspaper advertisement tear sheet
- 3. Copy of lease
- 4. Executed copy of ordinance/resolution of fiscal court authorizing the lease
- 5. Certification from local government attesting to the ability to meet additional financial commitments necessitated by the lease and statement as to taxes and revenues to be collected during the term of the lease.

Page 3

NOTIFICATION OF INTENT TO FINANCE AND APPLICATION FOR DEBT APPROVAL

Form # SLDO-1
Revised 1/1/2011

Section E - Bond Information/Documentation

Please provide all relevant information. Fields in **bold** are mandatory

Describe the purpose of the bond:

Bond Counsel:

Counsel Address:

Financial Advisor:

Advisor Address:

Bond Series:

Call Date:

Does this bond refund a prior bond? Yes No

If yes, please state the name, date and principal amount of original issue(s) being refunded:

Required Attachments (If SLDO Approval is Required)

1. Minutes from the local public hearing
2. Affidavit of publication of SLDO hearing and newspaper advertisement tear sheet
3. Executed copy of ordinance/resolution of fiscal court authorizing financial plan for the issuance of the bonds
4. Proposed plan of financing
5. Preliminary official statement (if applicable)
6. Sources and uses table

Additional Required Attachments for KRS Chapter 103 Bonds

1. Documentation in an appropriate form substantiating the project's eligibility under KRS 103.2101(1)(a)-(e).
2. If the project requires approval of the reduction in property taxes, attach any documentation provided to agency responsible for approval.

By signing below, the Authorized Official certifies that the foregoing is true and accurate to the best of his or her knowledge.

Name (please print) Nancy Cain

Date: 12-10-2021

Title: Chair, Board of Commissioners

Signature: Nancy Cain

Mail to:
Department for Local Government
Attn: State Local Debt Officer
1024 Capital Center Drive, Suite 340
Frankfort, KY 40601

Fax to: 502-573-3712

**BONDED DEBT OF THE CITY OF CANEYVILLE TO RURAL DEVELOPMENT
TO BE ASSUMED BY GRAYSON COUNTY WATER DISTRICT**

	Bond Issue	RD Loan Number	Original Principal Amount	Maturity Date	Interest Rate (%)	Outstanding Principal Balance*
1	1985	91-05	\$ 408,000	1-1-2025	5.00	\$ 86,000
2	1995	91-08	\$ 260,000	1-1-2034	4.50	\$ 138,500
3	2021 Series A	91-	\$ 818,000	1-1-2062	1.625	\$ 818,000
4	2021 Series B	91-	\$ 380,000	1-1-2062	1.375	\$ 380,000
	TOTAL					\$1,422,500

Notes:

1. Outstanding principal balances are as of September 1, 2021
2. Transfer of the City of Caneyville's water distribution facilities to Grayson County Water District is not expected to occur until mid-2022. Therefore, principal balances at the time of transfer will differ from those reflected above.

AMORTIZATION SCHEDULES FOR ASSUMED BONDED DEBT

ANNUAL DEBT SERVICE OBLIGATION FROM ACQUIRED DEBT

Year	1985 Series	1995 Series	2021 Series A	2021 Series B	Total Debt Service
2022	23,800.00	14,052.50	6,646.25	2,612.50	47,111.25
2023	23,775.00	14,181.25	28,170.63	12,176.88	78,303.75
2024	23,700.00	14,287.50	27,926.88	12,577.19	78,491.56
2025	23,575.00	14,371.25	27,683.13	12,474.06	78,103.44
2026		13,943.75	27,439.38	12,370.94	53,754.06
2027		14,493.75	28,187.50	12,267.81	54,949.06
2028		14,021.25	27,927.50	12,164.69	54,113.44
2029		14,037.50	27,667.50	12,558.13	54,263.13
2030		14,031.25	27,407.50	12,448.13	53,886.88
2031		14,002.50	28,139.38	12,338.13	54,480.00
2032		13,951.25	27,863.13	12,228.13	54,042.50
2033		14,366.25	27,586.88	12,118.13	54,071.25
2034		12,781.25	28,302.50	12,504.69	53,588.44
2035			28,010.00	12,387.81	40,397.81
2036			27,717.50	12,270.94	39,988.44
2037			27,425.00	12,154.06	39,579.06
2038			28,124.38	12,533.75	40,658.13
2039			27,815.63	12,410.00	40,225.63
2040			27,506.88	12,286.25	39,793.13
2041			28,190.00	12,162.50	40,352.50
2042			27,865.00	12,535.31	40,400.31
2043			27,540.00	12,404.69	39,944.69
2044			28,206.88	12,274.06	40,480.94
2045			27,865.63	12,143.44	40,009.06
2046			27,524.38	12,509.38	40,033.75
2047			28,175.00	12,371.88	40,546.88
2048			27,817.50	12,234.38	40,051.88
2049			27,460.00	12,096.88	39,556.88
2050			28,094.38	12,455.94	40,550.31
2051			27,720.63	12,311.56	40,032.19
2052			27,346.88	12,167.19	39,514.06
2053			27,965.00	12,519.38	40,484.38
2054			27,575.00	12,368.13	39,943.13
2055			28,176.88	12,216.88	40,393.75
2056			27,770.63	12,562.19	40,332.81
2057			27,364.38	12,404.06	39,768.44
2058			27,950.00	12,245.94	40,195.94
2059			27,527.50	12,087.81	39,615.31
2060			28,096.88	12,426.25	40,523.13
2061			27,658.13	12,261.25	39,919.38
2062			27,219.38	13,089.38	40,308.75
Total	\$ 94,850.00	\$ 182,521.25	\$ 1,118,657.50	\$ 496,730.63	\$ 1,892,759.38

1985 BOND SERIES

Period Ending	Remaining Principal	Principal Payment	Interest Payment	Debt Service	Annual Debt Service
01/01/2022	86,000	20,000	2,150.00	22,150.00	
07/01/2022	66,000		1,650.00	1,650.00	23,800.00
01/01/2023	66,000	21,000	1,650.00	22,650.00	
07/01/2023	45,000		1,125.00	1,125.00	23,775.00
01/01/2024	45,000	22,000	1,125.00	23,125.00	
07/01/2024	23,000		575.00	575.00	23,700.00
01/01/2025	23,000	23,000	575.00	23,575.00	23,575.00
Total		\$ 86,000.00		\$ 94,850.00	\$ 94,850.00

1995 SERIES BONDS

Period Ending	Remaining Principal	Principal Payment	Interest	Debt Service	Annual Debt Service
01/01/2022	138,500	8,000	3,116	11,116	
07/01/2022	130,500		2,936	2,936	14,053
01/01/2023	130,500	8,500	2,936	11,436	
07/01/2023	122,000		2,745	2,745	14,181
01/01/2024	122,000	9,000	2,745	11,745	
07/01/2024	113,000		2,543	2,543	14,288
01/01/2025	113,000	9,500	2,543	12,043	
07/01/2025	103,500		2,329	2,329	14,371
01/01/2026	103,500	9,500	2,329	11,829	
07/01/2026	94,000		2,115	2,115	13,944
01/01/2027	94,000	10,500	2,115	12,615	
07/01/2027	83,500		1,879	1,879	14,494
01/01/2028	83,500	10,500	1,879	12,379	
07/01/2028	73,000		1,643	1,643	14,021
01/01/2029	73,000	11,000	1,643	12,643	
07/01/2029	62,000		1,395	1,395	14,038
01/01/2030	62,000	11,500	1,395	12,895	
07/01/2030	50,500		1,136	1,136	14,031
01/01/2031	50,500	12,000	1,136	13,136	
07/01/2031	38,500		866	866	14,003
01/01/2032	38,500	12,500	866	13,366	
07/01/2032	26,000		585	585	13,951
01/01/2033	26,000	13,500	585	14,085	
07/01/2033	12,500		281	281	14,366
01/01/2034	12,500	12,500	281	12,781	12,781
Total		\$ 138,500		\$ 182,521	\$ 182,521

2021 BONDS SERIES A

Period Ending	Remaining Principal	Principal Payment	Interest	Debt Service	Annual Debt Service
07/01/2022	818,000		6,646	6,646	6,646
01/01/2023	818,000	15,000	6,646	21,646	
07/01/2023	803,000		6,524	6,524	28,171
01/01/2024	803,000	15,000	6,524	21,524	
07/01/2024	788,000		6,403	6,403	27,927
01/01/2025	788,000	15,000	6,403	21,403	
07/01/2025	773,000		6,281	6,281	27,683
01/01/2026	773,000	15,000	6,281	21,281	
07/01/2026	758,000		6,159	6,159	27,439
01/01/2027	758,000	16,000	6,159	22,159	
07/01/2027	742,000		6,029	6,029	28,188
01/01/2028	742,000	16,000	6,029	22,029	
07/01/2028	726,000		5,899	5,899	27,928
01/01/2029	726,000	16,000	5,899	21,899	
07/01/2029	710,000		5,769	5,769	27,668
01/01/2030	710,000	16,000	5,769	21,769	
07/01/2030	694,000		5,639	5,639	27,408
01/01/2031	694,000	17,000	5,639	22,639	
07/01/2031	677,000		5,501	5,501	28,139
01/01/2032	677,000	17,000	5,501	22,501	
07/01/2032	660,000		5,363	5,363	27,863
01/01/2033	660,000	17,000	5,363	22,363	
07/01/2033	643,000		5,224	5,224	27,587
01/01/2034	643,000	18,000	5,224	23,224	
07/01/2034	625,000		5,078	5,078	28,303
01/01/2035	625,000	18,000	5,078	23,078	
07/01/2035	607,000		4,932	4,932	28,010
01/01/2036	607,000	18,000	4,932	22,932	
07/01/2036	589,000		4,786	4,786	27,718
01/01/2037	589,000	18,000	4,786	22,786	
07/01/2037	571,000		4,639	4,639	27,425
01/01/2038	571,000	19,000	4,639	23,639	
07/01/2038	552,000		4,485	4,485	28,124
01/01/2039	552,000	19,000	4,485	23,485	
07/01/2039	533,000		4,331	4,331	27,816
01/01/2040	533,000	19,000	4,331	23,331	
07/01/2040	514,000		4,176	4,176	27,507
01/01/2041	514,000	20,000	4,176	24,176	
07/01/2041	494,000		4,014	4,014	28,190
01/01/2042	494,000	20,000	4,014	24,014	
07/01/2042	474,000		3,851	3,851	27,865
01/01/2043	474,000	20,000	3,851	23,851	
07/01/2043	454,000		3,689	3,689	27,540
01/01/2044	454,000	21,000	3,689	24,689	
07/01/2044	433,000		3,518	3,518	28,207
01/01/2045	433,000	21,000	3,518	24,518	
07/01/2045	412,000		3,348	3,348	27,866
01/01/2046	412,000	21,000	3,348	24,348	
07/01/2046	391,000		3,177	3,177	27,524
01/01/2047	391,000	22,000	3,177	25,177	

2021 BONDS SERIES A

Period Ending	Remaining Principal	Principal Payment	Interest	Debt Service	Annual Debt Service
07/01/2047	369,000		2,998	2,998	28,175
01/01/2048	369,000	22,000	2,998	24,998	
07/01/2048	347,000		2,819	2,819	27,818
01/01/2049	347,000	22,000	2,819	24,819	
07/01/2049	325,000		2,641	2,641	27,460
01/01/2050	325,000	23,000	2,641	25,641	
07/01/2050	302,000		2,454	2,454	28,094
01/01/2051	302,000	23,000	2,454	25,454	
07/01/2051	279,000		2,267	2,267	27,721
01/01/2052	279,000	23,000	2,267	25,267	
07/01/2052	256,000		2,080	2,080	27,347
01/01/2053	256,000	24,000	2,080	26,080	
07/01/2053	232,000		1,885	1,885	27,965
01/01/2054	232,000	24,000	1,885	25,885	
07/01/2054	208,000		1,690	1,690	27,575
01/01/2055	208,000	25,000	1,690	26,690	
07/01/2055	183,000		1,487	1,487	28,177
01/01/2056	183,000	25,000	1,487	26,487	
07/01/2056	158,000		1,284	1,284	27,771
01/01/2057	158,000	25,000	1,284	26,284	
07/01/2057	133,000		1,081	1,081	27,364
01/01/2058	133,000	26,000	1,081	27,081	
07/01/2058	107,000		869	869	27,950
01/01/2059	107,000	26,000	869	26,869	
07/01/2059	81,000		658	658	27,528
01/01/2060	81,000	27,000	658	27,658	
07/01/2060	54,000		439	439	28,097
01/01/2061	54,000	27,000	439	27,439	
07/01/2061	27,000		219	219	27,658
01/01/2062	27,000	27,000	219	27,219	
Total		\$ 818,000		\$ 1,118,658	\$ 1,118,658

2021 BONDS SERIES B

Period Ending	Remaining Principal	Principal Payment	Interest	Debt Service	Annual Debt Service
07/01/2022	380,000		2,613	2,613	2,613
01/01/2023	380,000	7,000	2,613	9,613	
07/01/2023	373,000		2,564	2,564	12,177
01/01/2024	373,000	7,500	2,564	10,064	
07/01/2024	365,500		2,513	2,513	12,577
01/01/2025	365,500	7,500	2,513	10,013	
07/01/2025	358,000		2,461	2,461	12,474
01/01/2026	358,000	7,500	2,461	9,961	
07/01/2026	350,500		2,410	2,410	12,371
01/01/2027	350,500	7,500	2,410	9,910	
07/01/2027	343,000		2,358	2,358	12,268
01/01/2028	343,000	7,500	2,358	9,858	
07/01/2028	335,500		2,307	2,307	12,165
01/01/2029	335,500	8,000	2,307	10,307	
07/01/2029	327,500		2,252	2,252	12,558
01/01/2030	327,500	8,000	2,252	10,252	
07/01/2030	319,500		2,197	2,197	12,448
01/01/2031	319,500	8,000	2,197	10,197	
07/01/2031	311,500		2,142	2,142	12,338
01/01/2032	311,500	8,000	2,142	10,142	
07/01/2032	303,500		2,087	2,087	12,228
01/01/2033	303,500	8,000	2,087	10,087	
07/01/2033	295,500		2,032	2,032	12,118
01/01/2034	295,500	8,500	2,032	10,532	
07/01/2034	287,000		1,973	1,973	12,505
01/01/2035	287,000	8,500	1,973	10,473	
07/01/2035	278,500		1,915	1,915	12,388
01/01/2036	278,500	8,500	1,915	10,415	
07/01/2036	270,000		1,856	1,856	12,271
01/01/2037	270,000	8,500	1,856	10,356	
07/01/2037	261,500		1,798	1,798	12,154
01/01/2038	261,500	9,000	1,798	10,798	
07/01/2038	252,500		1,736	1,736	12,534
01/01/2039	252,500	9,000	1,736	10,736	
07/01/2039	243,500		1,674	1,674	12,410
01/01/2040	243,500	9,000	1,674	10,674	
07/01/2040	234,500		1,612	1,612	12,286
01/01/2041	234,500	9,000	1,612	10,612	
07/01/2041	225,500		1,550	1,550	12,163
01/01/2042	225,500	9,500	1,550	11,050	
07/01/2042	216,000		1,485	1,485	12,535

2021 BONDS SERIES B

Period Ending	Remaining Principal	Principal Payment	Interest	Debt Service	Annual Debt Service
01/01/2043	216,000	9,500	1,485	10,985	
07/01/2043	206,500		1,420	1,420	12,405
01/01/2044	206,500	9,500	1,420	10,920	
07/01/2044	197,000		1,354	1,354	12,274
01/01/2045	197,000	9,500	1,354	10,854	
07/01/2045	187,500		1,289	1,289	12,143
01/01/2046	187,500	10,000	1,289	11,289	
07/01/2046	177,500		1,220	1,220	12,509
01/01/2047	177,500	10,000	1,220	11,220	
07/01/2047	167,500		1,152	1,152	12,372
01/01/2048	167,500	10,000	1,152	11,152	
07/01/2048	157,500		1,083	1,083	12,234
01/01/2049	157,500	10,000	1,083	11,083	
07/01/2049	147,500		1,014	1,014	12,097
01/01/2050	147,500	10,500	1,014	11,514	
07/01/2050	137,000		942	942	12,456
01/01/2051	137,000	10,500	942	11,442	
07/01/2051	126,500		870	870	12,312
01/01/2052	126,500	10,500	870	11,370	
07/01/2052	116,000		798	798	12,167
01/01/2053	116,000	11,000	798	11,798	
07/01/2053	105,000		722	722	12,519
01/01/2054	105,000	11,000	722	11,722	
07/01/2054	94,000		646	646	12,368
01/01/2055	94,000	11,000	646	11,646	
07/01/2055	83,000		571	571	12,217
01/01/2056	83,000	11,500	571	12,071	
07/01/2056	71,500		492	492	12,562
01/01/2057	71,500	11,500	492	11,992	
07/01/2057	60,000		413	413	12,404
01/01/2058	60,000	11,500	413	11,913	
07/01/2058	48,500		333	333	12,246
01/01/2059	48,500	11,500	333	11,833	
07/01/2059	37,000		254	254	12,088
01/01/2060	37,000	12,000	254	12,254	
07/01/2060	25,000		172	172	12,426
01/01/2061	25,000	12,000	172	12,172	
07/01/2061	13,000		89	89	12,261
01/01/2062	13,000	13,000	89	13,089	13,089
Total		\$ 380,000		\$ 496,731	\$ 496,731

REVENUE PROJECTIONS

NOTE

On July 6, 2021, Grayson County Water District (“Grayson District”) applied to the Kentucky Public Service Commission (“KPSC”) for an adjustment of its rates for water service. As part of its application, Grayson District performed an analysis of its revenues based upon its operations for the calendar year 2020 and projected its revenues if the proposed rates were implemented.

Pursuant to the KPSC’s Order of July 15, 2021, KPSC Staff reviewed the application and issued a report of its findings and recommendations on the proposed rate adjustment. KPSC Staff recommended rates that differ slightly from those Grayson District proposed. This report includes a projection of revenues if the recommended rates are adopted. A copy of the report is attached. Grayson District has accepted the recommendations and required that the KPSC issue an order adopting the KPSC Staff’s recommendations.

According the KPSC Staff’s findings, with the recommended rates in effect, Grayson District’s annual revenues will be \$4,125,405. After considering cash expenses and debt service payments, the recommended rates will produce annual working capital of \$940,052 (estimated working capital of \$135,489 plus annual depreciation expense of \$804,563). This level of working capital will allow Grayson District to meet the additional annual debt service payments associated with the bonded debt acquired from the City of Caneyville, which are not expected to exceed \$78,500.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF GRAYSON)	CASE NO.
COUNTY WATER DISTRICT FOR A RATE)	2021-00191
ADJUSTMENT PURSUANT TO 807 KAR 5:076)	

NOTICE OF FILING OF COMMISSION STAFF REPORT

Notice is hereby given that, in accordance with the Commission's Order of July 15, 2021, the attached report containing the findings of Commission Staff regarding the Applicant's proposed rate adjustment has been filed in the record of the above-styled proceeding. Pursuant to the Commission's July 15, 2021 Order, Grayson County Water District is required to file written comments regarding the findings of Commission Staff no later than 14 days from the date of this report. The Commission directs Grayson District to the Commission's July 22, 2021 Order in Case No. 2020-00085¹ regarding filings with the Commission.



Linda C. Bridwell, PE
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED OCT 06 2021

cc: Parties of Record

¹ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

STAFF REPORT
ON
GRAYSON COUNTY WATER DISTRICT
CASE NO. 2021-00191

Grayson County Water District (Grayson District) is a water utility organized pursuant to KRS Chapter 74 that owns and operates a water distribution system through which it provides retail water service to approximately 6,606 residential customers, and 309 commercial customers, that reside in Grayson County, Kentucky.² On July 6, 2021, Grayson District filed an application with the Commission requesting to adjust its water rates pursuant to 807 KAR 5:076. The application was filed pursuant to the Commission's Order in Case No. 2021-00152.³ To ensure the orderly review of the application, the Commission established a procedural schedule by Order dated July 15, 2021. Commission Staff (Staff) issued its first round of formal discovery on August 2, 2021.

The Commission notes that in its 2020 Annual Report Grayson District reported a water loss of 7.86 percent.⁴ Commission regulation 807 KAR 5:066(6)(3) states that for rate making purposes a utility's water loss shall not exceed 15 percent of total water produced and purchased, excluding water consumed by a utility in its own operations.

² *Annual Report of Grayson County Water District to the Public Service Commission for the Calendar Year Ended December 31, 2020* (Annual Report) at 12 and 49.

³ 2021-00152, *Electronic Application of Grayson County Water District for a Certificate of Public Convenience and Necessity to Construct a System Improvements Project and an Order Authorizing the Issuance of Securities Pursuant to KRS 278.023*, (Ky. PSC April 29, 2021), at 5, ordering paragraph 12.

⁴ Annual Report at 57.

At a 7.86 percent water loss, the annual cost to Grayson District is \$47,346.⁵

To comply with the requirements of 807 KAR 5:076, Section 9,⁶ Grayson District used the calendar year ended December 31, 2020, as the basis for its application. Using its pro forma test-year operations, Grayson District determined that a revenue increase of \$190,523 or 5.23 percent over test-year normalized revenues of \$3,516,060 was warranted.⁷ The revised rates requested by Grayson District would increase the residential monthly bill of a typical residential customer using 3,234 gallons per month by \$1.84 from \$35.08 to \$36.92 or approximately 5.24 percent.

5

	<u>Purchased Water</u>	<u>Purchased Power</u>	<u>Chemicals</u>
Purchased Water from 2020 Annual Report	\$ 418,616	\$ 130,865	\$ 52,374
Times: Water loss Above 15 Percent	7.8666%	7.8666%	7.8666%
Excess Water Loss Reductions	<u>\$ 32,931</u>	<u>\$ 10,295</u>	<u>\$ 4,120</u>
Total			<u><u>\$ 47,346</u></u>

⁶ The reasonableness of the proposed rates shall be determined using a 12-month historical test period, adjusted for known and measureable changes, that coincides with the reporting period of the applicant's annual report for the immediate past year.

⁷ Application, Exhibit D, Revenue Requirements Calculation.

	<u>Grayson County Water District</u>
Pro Forma Operating Expenses	\$ 3,299,270
Plus: Average Annual Principal and Interest Payment	633,058
Debt Coverage Requirement	<u>126,612</u>
Total Revenue Requirement	4,058,940
Less: Revenues Required to serve Caneyville	(138,913)
Other Operating Revenue	(121,252)
Non-Operating Revenue	(66,627)
Interest Income	<u>(25,565)</u>
Revenue Required From Water Sales	3,706,583
Revenue from Retail Sales at Present Rates	<u>(3,516,060)</u>
Required Revenue Increase	<u>190,523</u>
Percentage Increase	<u>5.23%</u>

To determine the reasonableness of the rates requested by Grayson District, Staff performed a limited financial review of Grayson District's test-year operations. The scope of Staff's review was limited to determining whether operations reported for the test year were representative of normal operations. Known and measurable⁸ changes to test-year operations were identified and adjustments made when their effects were deemed material. Insignificant and immaterial discrepancies were not necessarily pursued or addressed.

⁸ Commission regulation 807 KAR 5:076, Section 9 sets the standard for the determination of the reasonableness of proposed rates and states, in pertinent part, that the test period shall be "adjusted for known and measurable changes." See also Case No. 2001-00211, *The Application of Hardin County Water District No. 1 for (1) Issuance of Certificate of Public Convenience and Necessity; (2) Authorization to Borrow Funds and to Issue its Evidence of Indebtedness therefor; (3) Authority to Adjust Rates; and (4) Approval to Revise and Adjust Tariff* (Ky. PSC Mar. 1, 2002); Case No. 2002-00105, *Application of Northern Kentucky Water District for (A) an Adjustment of Rates; (B) a Certificate of Public Convenience and Necessity for Improvements to Water Facilities if Necessary; and (C) Issuance of Bonds* (Ky. PSC June 25, 2003); Case No. 2017-00417, *Electronic Proposed Adjustment of the Wholesale Water Service Rates of Lebanon Water Works* (Ky. PSC July 12, 2018).

Staff's findings are summarized in this report. William Foley reviewed the calculation of Grayson District's Overall Revenue Requirement. Jason Green reviewed Grayson District's reported revenues and rate design.

SUMMARY OF FINDINGS

1. Overall Revenue Requirement and Required Revenue Increase. By applying the Debt Service Coverage (DSC) method, as generally accepted by the Commission, Staff found that Grayson District's required revenue from rates is \$3,836,149 to meet the Overall Revenue Requirement of \$4,125,405, and that a \$191,337 revenue increase, or 5.25 percent, to pro forma present rate revenues is necessary to generate the Overall Revenue Requirement.

2. Monthly Water Service Rates. Based upon the revised revenue requirement, Grayson District proposed to increase all of its monthly retail water service rates evenly across the board by approximately 5.23 percent. Grayson District did not perform a cost of service study (COSS). In response to Staff's First Request for Information (Staff's First Request), Grayson District stated that it did not complete a COSS at this time, as there has not been any material change in the water system to warrant a COSS.⁹

The Commission has previously found that the allocation of a revenue adjustment evenly across the board to a utility's rate design is appropriate when there has been no evidence entered into the record demonstrating that this method is unreasonable and in the absence of a COSS. Finding no such evidence in this case, Staff followed the method

⁹ Grayson District's Response to Staff's First Request (filed Aug. 13, 2021), Item 8.

proposed by Grayson District and allocated the \$191,338 revenue increase across the board to Grayson District's monthly retail and wholesale water service rates.

The rates set forth in the Appendix A to this report are based upon the revenue requirement, as calculated by Staff, and will produce sufficient revenues from water sales to recover the \$3,836,149 Revenue Required from Water Sales, an approximate 5.25 percent increase. These rates will increase a typical residential customer's monthly water bill from \$35.08 to \$36.93, an increase of \$1.85 or approximately 5.27 percent.¹⁰

3. Nonrecurring Charges. Staff has reviewed Grayson District's Nonrecurring Charges. In its recent decisions,¹¹ the Commission has found that when district personnel are currently paid during normal business hours, estimated labor costs previously included in determining the amount of Nonrecurring Charges should be eliminated from the charges. In response to Staff's First Request, Grayson District provided updated cost justification information for the Nonrecurring Charges that are listed in its tariff.¹² Staff reviewed the cost justification information provided by Grayson District and have adjusted these charges by removing Field Labor Costs and Office/Clerical Labor Costs.¹³ Staff adjusted the mileage rate to the current allowable

¹⁰ The typical residential customer uses approximately 3,234 gallons per month.

¹¹ Case No. 2020-00141, *Electronic Application of Hyden-Leslie County Water District for an Alternative Rate Adjustment* (Ky. PSC Nov. 6, 2020), Case No. 2020-00167, *Electronic Application of Ohio County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 3, 2020), Case No. 2020-00196, *Electronic Application of West Daviess County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 30, 2020), and Case No. 2020-00195, *Electronic Application of Southeast Daviess County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 30, 2020).

¹² Grayson District's Response to Staff's First Request, Item 7.

¹³ *Id.*

mileage rate by the Internal Revenue Service of \$0.56 per mile.¹⁴ Such adjustments result in the following revised Nonrecurring Charges:

Nonrecurring Charge	Charge	After Hours Charge
Connection Fee	\$ 15.00	
Turn-On Charge/Trip Fee	15.00	\$ 113.00
Meter Re-Read Charge	15.00	113.00
Meter Test Charge	15.00	
Reconnect Fee	30.00	170.00
Service Call/ Investigation	15.00	113.00
Service Line Investigation	15.00	
Meter Tampering	60.00	
Return Check Fee	10.00	

The adjustments to the Nonrecurring Charges results in a decrease in Other Operating Revenue of \$42,270 as shown below.

Charges	Number of Occurrences	Utility Pro Forma	Adjustment	Staff Pro Forma
Connection Fee	770	\$ 46,200	\$ (34,650)	\$ 11,550
Trip Fee	75	4,500	(3,375)	1,125
After Hours Trip	14	1,890	(765)	1,125
Meter Tampering	1	60	-	60
Return Check Fee	28	700	(420)	280
Reconnect Fee	36	4,140	(3,060)	1,080
After Hours Reconnect	-	-	-	-
Totals		\$ 57,490	\$ (42,270)	\$ 15,220

¹⁴ <https://www.irs.gov/tax-professionals/standard-mileage-rates>.

PRO FORMA OPERATING STATEMENT

Grayson District's Pro Forma Operating Statement for the test year ended
December 31, 2020, as determined by Staff, appears below.

	Test Year	Adjustment	(Ref.)	Pro Forma
Operating Revenues				
Metered Sales	\$ 3,347,731	\$ 168,329	(A)	\$ 3,516,060
Sales for Resale	130,716	(1,964)	(B)	128,752
Total Sales of Water	<u>3,478,447</u>	<u>166,365</u>		<u>3,644,812</u>
Other Water Revenues				
Forfeited Discounts	8,778	44,674	(C)	53,452
Misc. Service Revenues	57,490	(42,270)	(D)	15,220
Rents from Water Property	<u>66,627</u>	<u>(360)</u>	(E)	<u>66,267</u>
Total Operating Revenues	<u>3,611,342</u>	<u>168,409</u>		<u>3,779,751</u>
Operating Expenses				
Operation and Maintenance Expenses				
Salaries and Wages - Employees	941,731.00	(10,387)	(F)	
		(24,451)	(G)	906,893
Salaries and Wages - Officers	30,000	-		30,000
Employee Pensions and Benefits	326,895	2,130	(H)	
		(53,461)	(I)	275,564
Purchased Water	418,616.00	(9,395)	(J)	
		(50,663)	(I)	358,558
Purchased Power	130,865.00	8,961	(J)	139,826
Chemicals	52,374.00	4,619	(K)	56,993
Materials and Supplies	190,907			190,907
Contractual Services	233,034			233,034
Rental of Bldg./Real Property				-
Transportation Expenses	40,337			40,337
Insurance	79,234			79,234
Advertising				-
Commission Expense				-
Bad Debt	16,568			16,568
Miscellaneous Expense	<u>91,210</u>			<u>91,210</u>
Total Operation and Maintenance Expenses	2,551,771	(132,647)		2,419,124
Depreciation	859,101	(55,113)	(K)	
		575	(F)	804,563
Amortization				
Taxes Other Than Income	90,916	(2,665)	(L)	
		531	(M)	88,782
Utility Operating Expenses	<u>3,501,788</u>	<u>(189,319)</u>		<u>3,312,469</u>
Net Operating Income	109,554	357,728		467,282
Interest Income	25,565			25,565
Nonutility Income	<u>279,067</u>			<u>279,067</u>
Income Available to Service Debt	<u>414,186</u>	<u>357,728</u>		<u>771,914</u>

(A) Billing Analysis. Grayson District provided a billing analysis listing the water usage and water sales revenue for the 12-month test year in its application. The total metered water sales revenue reported for the test year is \$3,347,731.¹⁵ During the test year Grayson District applied for and received approval for a Certificate of Public Convenience and Necessity and increased service rates pursuant to KRS 278.023.¹⁶ Grayson District used the billing analysis to calculate a normalized revenue amount based on the usage during the test year using the rates authorized in the final Order for that case. Subsequently, Grayson District increased test year water sales revenue by \$168,329 to reflect the increase in rates. Staff agrees with Grayson District's proposed revenue adjustment.

(B) Sales for Resale. Due to a decrease in the rate charged to the city of Caneyville effective August 13, 2020, Grayson District adjusted its wholesale sales to the city of Caneyville during the test period by \$1,964.¹⁷ Staff agrees with Grayson District's proposed adjustment to water sales for resale.

(C) Other Water Revenues- Forfeited Discounts. In its application, Grayson District proposed to increase Forfeited Discount Revenues by \$44,674¹⁸ to account for the moratorium regarding the collection of late payment fees from March through December 2020 due to the COVID-19 pandemic. For this adjustment, Grayson District

¹⁵ Annual Report at 49, Total Metered Sales \$3,271,134 + Sales to Irrigation Customers \$76,597 = \$3,347,731.

¹⁶ Case No. 2021-00152, *Electronic Application of Grayson County Water District For a Certificate of Public Convenience and Necessity to Construct a System Improvements Project and an Order Authorizing the Issuance of Securities Pursuant to KRS 278.023* (Ky. PSC Apr. 29, 2021).

¹⁷ TFS 2020-00356.

¹⁸ Application, Exhibit C, Statement of Adjusted Operations, Adjustment C.

calculated the average of the Forfeited Discounts for the years 2017, 2018, and 2019. Staff agrees with Grayson District’s decision to average past year’s late payment fees to provide a more accurate estimation for the test year Forfeited Discounts. Therefore, Staff increased Forfeited Discounts Revenue by \$44,674.

Year	Forfeited Discounts
2017	\$ 57,605
2018	53,741
2019	<u>49,010</u>
Average Collected	53,452
Forfeited Discounts Test Year	<u>(8,778)</u>
Forfeited Discounts Adjustment	<u>\$ 44,674</u>

(D) Miscellaneous Service Revenues-Nonrecurring Charges. As shown above, the adjustments to the Nonrecurring Charges results in a decrease in Other Operating Revenue of \$42,270.

(E) Rents form Water Property. In its application, Grayson District reported Test Year Rents from Water Property Revenues of \$66,627.¹⁹ Examining Grayson District’s test year adjusted trial balance, Grayson District recorded a balance of \$66,267 for account #8.0502 Rent Income. Staff decreased Rent from Water Property by \$360 to reconcile the discrepancy between the application and the adjusted trial balance.

(F) Salaries and Wages-Employees. In its application, Grayson District proposed to increase its Salaries and Wages-Employees Expense of \$941,731 by \$23,185²⁰ to reflect a cost of living adjustment and selected employee’s merit increase

¹⁹ *Id.*, Exhibit C, Statement of Adjusted Operations.

²⁰ *Id.*, Adjustment E.

upon reaching their anniversary date of employment. Staff reviewed Grayson District's Salaries and Wages-Employees for the test year and determined that for a normalized test year of 2,080 regular hours for full time employees, reflecting the current employee pay rates,²¹ which include the most recent cost of living adjustments and merit increases, the Salaries and Wages-Employees expense is \$931,344 as shown below. Therefore, Staff reduced Salaries and Wages Expense by \$10,387.

Employee Position	Total Hours	Annualized Hours	Current Wages Rates	Pro Forma Normal Wages	Test Year Overtime Hours	Current Overtime Wage Rates	Pro Forma Overtime Wages	Total Pro Forma Wages
Seasonal Part-Time Employee	90.25	90	11.00	993	-	16.50	-	993
Cashier	2,080.00	2,080	16.60	34,528	-	24.90	-	34,528
Customer Service Rep	2,080.00	2,080	28.06	58,365	-	42.09	-	58,365
Director of Finance and Administration	2,080.00	2,080	1,636.48/ week	85,097	-	-	-	85,097
Meter Reader	2,193.00	2,080	21.01	43,701	113.00	31.52	3,561.20	47,262
Water Quality Tech	2,205.00	2,080	25.33	52,686	125.00	38.00	4,749.38	57,436
Water Quality/ Metering Coordinator	2,234.00	2,080	31.40	65,312	154.00	47.10	7,253.40	72,565
Distribution Laborer	2,254.50	2,080	19.66	40,893	174.50	29.49	5,146.01	46,039
Distribution Operator	2,257.50	2,080	23.35	48,568	177.50	35.03	7,881	56,449
Service Technician	2,305.00	2,080	30.91	64,293	225	46.37	4,915	69,207
Distribution Supervisor	2,186.00	2,080	31.40	65,312	106	47.10	6,924	72,236
Water Treatment Plant Operator	2,227.00	2,080	26.97	56,098	147	40.46	2,953	59,051
Water Treatment Plant Lead Operator	2,153.00	2,080	29.25	60,840	73	43.88	2,940	63,780
Water Treatment Plant Chief Operator	2,147.00	2,080	36.48	75,878	67	54.72	-	75,878
Manager	2,080.00	2,080	2,547.29/ Week	132,459	-	-	-	132,459
Total Pro Forma Wages								931,344
Less: Test Year Wages w/ adjustment								(941,731)
Pro Forma Adjustment								\$ (10,387)

(G) Expenses Related to Meter Installations. Grayson District proposed an adjustment to reduce Salaries and Wages-Employee Labor expense by \$24,451²² to reflect the removal of labor costs associated with 76 new water connections.²³ The Uniform System of Accounts for Class A/B Water Systems (USoA) requires that these

²¹ *Id.*, Exhibit O, Employee Wages/Salaries' and Hours Worked table.

²² *Id.*, Exhibit C, Statement of Adjusted Operations, Adjustment E.

²³ *Id.*

costs be capitalized as Utility Plant in Service and depreciated over their estimated useful lives.²⁴ During the test year, Grayson District did not capitalize the expenses for the tap installations and incorrectly reported these costs as test-year expenses. To correct this accounting error in pro forma operations, Grayson District proposed to remove the amount collected for these connections from test-year expenses. Staff agrees with Grayson District's proposed decrease to Salaries and Wages-Employees by \$24,451. In addition, Staff has capitalized the costs and made a corresponding adjustment to test-year depreciation as shown in adjustment (M).

(H) Employee Pensions and Benefits- Retirement Contribution. In its application, Grayson District proposed to increase Employee Pensions and Benefits Expense by \$8,048²⁵ to reflect a retirement contributions increase due to an increase in employee's Salaries and Wages. Utilizing the salaries and wages totals in adjustments (F) and (G) and Grayson District's contribution rates provided²⁶ Staff calculated the Employer contributions to Employee's 401K retirement plan as \$103,764. Therefore, Staff increased Employee Pensions and Benefits by \$2,130.

²⁴ USoA, Accounting Instruction 19 and 33.

²⁵ Application, Exhibit C, Schedule of Adjusted Operations, Adjustment F.

²⁶ *Id.*, Exhibit R-1, Benefits plans at 3 and 4.

Employee Number	Total Pro Forma Wages	Tier	Employee Contribution Rate	Employer Contribution Rate	Employer Contribution
Seasonal Part-Time Employee	\$ 993				
Cashier	34,528	2	3%	6%	2,071.68
Customer Service Rep	58,365	1	12%	12%	7,003.78
Director of Finance and Administration	85,097	1	6%	12%	10,211.64
Meter Reader	47,262	2	3%	6%	2,835.72
Water Quality Tech	57,436	2	3%	6%	3,446.15
Water Quality/ Metering Coordinator	72,565	1	6%	12%	8,707.85
Distribution Laborer	46,039	1	5%	10%	4,603.88
Distribution Operator	56,449	2	3%	6%	3,386.92
Service Technician	69,207	1	30%	15%	10,381.12
Distribution Supervisor	72,236	1	6%	12%	8,668.28
Water Treatment Plant Operator	59,051	2	5%	6%	3,543.05
Water Treatment Plant Lead Operator	63,780	1	7%	12%	7,653.56
Water Treatment Plant Chief Operator	75,878	1	7.50%	15%	11,381.76
Manager	<u>132,459</u>	1	11%	15%	<u>19,868.86</u>
Pro Forma Retirement Contribution					103,764
Less: Test Year Retirement Contribution					<u>(101,634)</u>
Employee Pensions and Benefits Adjustment					<u>\$ 2,130</u>

(l) Employee Pensions and Benefits-Insurance. In its application, Grayson District proposed to reduce Employee Pensions and Benefits Expense by \$43,312.²⁷ The adjustment reflects Grayson District's limit for employer's contribution to employee health and dental insurance expenses. Staff notes that the Commission has consistently made ratemaking adjustments to reduce the cost of employer-sponsored healthcare paid by some utilities when certain aspects of those benefit packages were found to be unreasonable based on a review of total salaries and fringe benefits. The Commission continues to place greater emphasis on evaluating employees' total compensation packages, including both salary and benefits programs, for market and geographic competitiveness to ensure the development of a fair, just and reasonable rate. The

²⁷ Application, Exhibit C, Schedule of Adjusted Operations, Adjustment F, health Insurance premium reduction (\$38,997) + dental insurance premium reduction (\$4,315) = \$43,312.

Commission has found that, in most cases, 100 percent of employer-funded health care does not meet those criteria.²⁸

Consistent with precedent in which the Commission has reduced benefit expenses for utilities that pay 100 percent of an employee's health insurance coverage, Staff reduced Grayson District's single health insurance premiums by 22²⁹ percent, family health insurance premiums by 34³⁰ percent, and single dental insurance premiums by 60³¹ percent as shown in the calculation below. Accordingly, Staff decreased Employee Pensions and Benefits by \$53,461.

²⁸ Case 2020-00167, *Electronic Application of Ohio County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 2, 2020). Case 2020-00296, *Electronic Application of Allen County Water District for an Alternative Rate Adjustment*, (Ky. PSC Feb. 3, 2021).

²⁹ Bureau of Labor Statistics, Healthcare Benefits, March 2020, Table 3, private industry workers. (<https://www.bls.gov/news.release/pdf/ebs2.pdf>).

³⁰ *Id.*, Table 4, private industry workers. (<https://www.bls.gov/news.release/pdf/ebs2.pdf>).

³¹ Case 2019-00268, *Application of Knott County Water and Sewer District for an Alternative Rate Adjustment*, (Ky. PSC Mar. 24, 2020). Case 2020-00167, *Electronic Application of Ohio County Water District for an Alternative Rate Adjustment*, (Ky. PSC Mar. 5, 2021). Case 2020-00296, *Electronic Application of Allen County Water District for an Alternative Rate Adjustment*, (Ky. PSC Feb. 3, 2021).

Type of Premium	Employer Contributions	Average Employee Contribution Rate	Monthly Premium Adjustment	Pro Forma Monthly Premium
Single Health Insurance ³²	\$ 4,341	22%	\$ (955)	\$ 3,386
Family Health Insurance	14,036	34%	(4,772)	9,264
Dental Insurance	1,317	60%	(790)	527
Total Pro Forma Monthly Premium				13,177
Times: 12 Months				<u>12</u>
Total Annual Pro Forma Premium				158,124
Less: Test Year				<u>(211,585)</u>
Adjustment				<u>\$ (53,461)</u>

32

(J) Purchased Water. In its test year, Grayson District proposed to increase purchased water expense by \$1,569³³ to reflect an increase the city of Leitchfield's cost of water sold to Grayson District. In order to annualize the purchased water, Staff calculated a Purchased Water expense using the new rate. This results in a purchased water expense of \$409,221. Therefore, Staff decreased purchased water expense by

32

ID#	Employee Position	Medial Coverage	Medical Premium	Dental Coverage	Dental Premium	Total
812M88206	Distribution Laborer	EE/CH	\$ 2,435	Family	\$ 140	\$ 2,575
994M60623	Director of Finance and Administration	EE/CH	1,689	Family	140	1,829
313M73506	Cashier	EE/CH	2,435	Family	140	2,575
995M60440	Distribution Operator	EE/CH	593	Employee and Children	95	687
468M88206	Water Treatment Plant Chief Operator	EE/CH	854	Employee and Children	95	949
729M88206	Service Technician	EE/SP	1,709	Employee and Spouse	64	1,773
905M54292	Water Quality Tech	EE	854	Employee Only	32	886
873M54621	Customer Service Rep	EE/SP	1,185	Employee and Spouse	64	1,249
413M60298	Meter Reader	EE/SP	1,709	-	-	1,709
189M63374	Water Treatment Plant Lead Operator	EE	593	Family	140	733
913M88206	Manager	EE/SP	1,185	Employee and Spouse	64	1,249
100M56364	Distribution Supervisor	EE/CH	1,689	Family	140	1,829
380M89083	Water Treatment Plant Operator	EE	593	Employee and Spouse	64	656
612M54194	Water Quality/ Metering Coordinator	EE	854	Family	140	995
Total			<u>\$ 18,377</u>		<u>\$ 1,317</u>	<u>19,694</u>

³³ Application, Exhibit C, Schedule of Adjusted Operations, Adjustment G.

\$9,395 in order to reconcile the test year amount with the reported purchased amount as shown below.

City of Leitchfield			
Period	Gallons	Rate	Total
Jan-2020	12,343,100	\$ 2.375	\$ 29,315
Feb-2020	15,191,900	2.375	36,081
Mar-2020	12,540,500	2.375	29,784
Apr-2020	15,941,000	2.375	37,860
May-2020	13,811,700	2.375	32,803
Jun-2020	16,223,400	2.375	38,531
Jul-2020	14,583,800	2.375	34,637
Aug-2020	13,584,300	2.375	32,263
Sep-2020	16,533,300	2.375	39,267
Oct-2020	12,768,100	2.375	30,324
Nov-2020	13,916,100	2.375	33,051
Dec-2020	14,866,400	2.375	35,308
	Purchased Water Expense		409,221
	Test Year Purchased Water		<u>(418,616)</u>
	Adjustment		<u>\$ (9,395)</u>

(K) Purchased Water Expense. In its application, Grayson District proposed to decrease Purchased Water Expense by \$50,663³⁴ to reflect the completion of three interconnections that permit areas that were supplied previously with water from the city of Leitchfield to be supplied with water from Grayson District. This will result in a decrease of \$21,331,600 gallons purchased. Staff agrees with Grayson District's proposed decrease to Purchased Water Expense by \$50,663 as shown below.

³⁴ *Id.*

Purchased Gallons Reduction	21,331,600
Times: Purchased Water Rate per 1,000 gallon	<u>\$ 2.38</u>
Adjustment	<u>\$ 50,663</u>

(L) Purchased Power Expense. In its application, Grayson District proposed to increase Purchased Power Expense by \$8,961.³⁵ The adjustment reflects the increase in the power required at the water treatment plant to produce the additional 21,331,600 gallons of water required due to the completion of the three interconnections mentioned in adjustment (K). Upon examination, Staff agrees with Grayson District's proposed increase to Purchased Power Expense by \$8,961 as shown below.

Water Treatment Plant Purchase Power	\$ 101,602
Divide by: Total 1,000 Gallons Produced	<u>241,868</u>
Electric Cost per Gallon	<u>0.0004201</u>
Additional Gallons Produced	21,331,600
Times: Electric Cost per Gallon	<u>\$ 0.0004201</u>
Additional Purchased Power Expense	<u>\$ 8,961</u>

(M) Chemical Expense. In its application, Grayson District proposed to increase Chemicals Expense by \$4,619.³⁶ The adjustment reflects the increase in the chemicals required at the water treatment plant to produce the additional 21,331,600 gallons of water required due to the completion of the three interconnections mentioned in

³⁵ Application, Exhibit C, Schedule of Adjusted Operations, Adjustment H.

³⁶ *Id.*, Adjustment I

adjustment (K). Upon examination, staff agrees with Grayson District’s proposed increase to Chemical Expense by \$4,619 as shown below.

Water Treatment Plant Chemical	\$ 52,374
Divide by: Total 1,000 Gallons Produced	<u>241,868</u>
Electric Cost per Gallon	0.0002165
Additional Gallons Produced	21,331,600
Times: Electric Cost per Gallon	<u>\$ 0.0002165</u>
Additional Chemical Expense	<u><u>\$ 4,619</u></u>

(N) Depreciation Expense. In its application, Grayson District proposed to decrease test-year Depreciation Expense of \$859,101 by \$132,589.³⁷ This adjustment was the result of Grayson District’s proposal to adjust the lives assigned to certain assets that were outside of the life ranges in accordance with the National Association of Regulatory Utility Commissioners’ (NARUC) report titled Depreciation Practices for Small Utilities (NARUC Study) published in 1979. In addition, the adjustment involves annualized Depreciation Expense for assets that were installed subsequent to the test year.

To evaluate the reasonableness of the depreciation practices of small water utilities, the Commission has historically relied upon the NARUC Study mentioned above. When no evidence exists to support a specific life that is outside the NARUC ranges, the Commission has historically used the midpoint of the NARUC ranges to depreciate the utility plant.

³⁷ *Id.*, Adjustment J.

Staff agrees with Grayson Districts' methodology however, upon examination, found several assets whose useful lives were not adjusted to the NARUC ranges midpoints. In this proceeding, Staff found no evidence to support depreciable lives that vary significantly from the midpoint of the NARUC ranges. After further review of Grayson District's plant ledger, Staff decreased Grayson District's Depreciation Expense by \$55,113 to \$803,989 as shown below.

<u>Asset Categories</u>	<u>Test Year Depreciation Expense</u>	<u>Pro Forma Depreciation Expense</u>	<u>Adjustment</u>
Structures and Improvements	\$ 41,345	\$ 40,876	\$ (469)
Pumping Equipment	9,286	18,140	8,854
Water Treatment Equipment	158,745	224,376	65,631
Distribution Reservoirs and Standpipes	84,132	74,784	(9,348)
Transmission and Distribution Mains	388,297	248,307	(139,990)
Services	43,620	43,620	-
Meters and Meter Installations	70,747	68,484	(2,263)
Hydrant	1,699	1,359	(340)
Other Plant and MISC Equipment	10,372	32,858	22,485
Office Furniture and Equipment	18,371	7,679	(10,692)
Transportation Equipment	21,351	34,063	12,712
Tools, Shop and Garage Equipment	3,210	1,835	(1,376)
Communication Equipment	633	316	(317)
Miscellaneous Equipment	7,293	7,293	-
Phase 1 Project	-	30,777	30,777
Total	<u>\$ 859,101</u>	<u>\$ 803,989</u>	<u>\$ (55,113)</u>

(O) Depreciation-Capitalization of Test-Year Water Taps. As explained in adjustment (G) above, the expenses related to the installation of new water connections are capital expenditures that should be capitalized as Utility Plant in Service and depreciated over their estimated useful lives. Therefore, Staff calculated the annual depreciation amount for the test year and increased depreciation expense by \$575 as shown below.

Test Year Water Connections Labor Expenses	\$24,451
Divided by: Useful Life of 42.5 Years	<u>42.5</u>
Pro Forma Depreciation Adjustment	<u><u>\$ 575</u></u>

(P) Taxes Other Than Income-FICA. In its application, Grayson District proposed to increase Taxes other than Income by \$1,438³⁸ to reflect an increase to FICA taxes due to an increase in Salaries and Wages- Employees. However, as discussed in adjustment (E) and (F) above, Staff decreased Salaries and Wages- Employee by a total of \$34,838. Therefore, Staff calculated the FICA taxes and decreased Taxes Other Than Income by \$2,665 as shown below.

Pro Forma Wage Adjustment	\$ (34,838)
Times: 7.65 Percent FICA Rate	<u>7.65%</u>
FICA Adjustment	<u><u>\$ (2,665)</u></u>

(Q) Taxes Other Than Income-Public Service Commission (PSC) Assessment. In its application, Grayson District proposed to increase Taxes Other Than Income by \$637.54³⁹ to reflect an increase in PSC Assessment due to an adjustment of test year revenues. Although, Staff agrees with Grayson District’s methodology, staff calculated the operating revenues to be \$3,780,170 as shown below; as a result, the PSC Assessment is \$7,560. Staff adjusted Taxes other Than Income of \$531.

³⁸ *Id.*, Adjustment K.

³⁹ *Id.*

PSC Assessment

Total Operating Revenues	3,779,750
Times: PSC Assessment Rate	<u>0.20%</u>
Pro Forma PSC Assessment	7,560
Test Year PSC Assessment	<u>(7,029)</u>
Taxes other Than Income Adjustment	<u><u>531</u></u>

OVERALL REVENUE REQUIREMENT AND REQUIRED REVENUE INCREASE

The Commission has historically applied a DSC method to calculate the Overall Revenue Requirement of water districts and water associations. This method allows for recovery of (1) cash-related pro forma operating expenses; (2) recovery of depreciation expense, a non-cash item, to provide working capital;⁴⁰ (3) the average annual principal and interest payments on all long-term debts, and (4) working capital that is in addition to depreciation expense.

⁴⁰ The Kentucky Supreme Court has held that the Commission must permit a water district to recover its depreciation expense through its rates for service to provide internal funds for renewing and replacing assets. See *Public Serv. Comm'n of Kentucky v. Dewitt Water Dist.*, 720 S.W.2d 725, 728 (Ky. 1986). Although a water district's lenders require that a small portion of the depreciation funds be deposited annually into a debt reserve/depreciation fund until the account's balance accumulates to a required threshold, neither the Commission nor the Court requires that revenues collected for depreciation be accounted for separately from the water district's general funds or that depreciation funds be used only for asset renewal and replacement. The Commission has recognized that the working capital provided through recovery of depreciation expense may be used for purposes other than renewal and replacement of assets. See Case No. 2012-00309, *Application of Southern Water and Sewer District for an Adjustment in Rates Pursuant to the Alternative Rate Filing Procedure for Small Utilities* (Ky. PSC Dec. 21, 2012).

	Grayson County Water District	Staff	
Pro Forma Operating Expenses	\$ 3,299,270	\$3,312,469	
Plus: Average Annual Principal and Interest Payment	633,058	677,447	(1)
Debt Coverage Requirement	126,612	135,489	(2)
 Total Revenue Requirement	 4,058,940	 4,125,405	
Less: Revenues Required to serve Caneyville	(138,913)	(128,752)	
Other Operating Revenue	(121,252)	(68,672)	
Non-Operating Revenue	(66,627)	(66,267)	
Interest Income	(25,565)	(25,565)	
 Revenue Required From Water Sales	 3,706,583	 3,836,149	
Revenue from Retail Sales at Present Rates	(3,516,060)	(3,644,812)	
 Required Revenue Increase	 \$ 190,523	 \$ 191,337	
Percentage Increase	5.23%	5.25%	

1. Average Annual Principal and Interest Payments. At the time of Staff's review, Grayson District had five outstanding United States Department of Agriculture, Rural Development (USDA/RD) promissory notes, as well as three loans with Kentucky Rural Water Authority (KRWA) along with one KRWA Refunding Bond, also one Kentucky Infrastructure Authority (KIA) loan. Subsequent to the test year, Grayson district received authorization for \$568,000 in additional Waterworks Revenue Bonds.⁴¹ In its application, Grayson District requested recovery of the average annual principal and interest on its indebtedness based on a five-year average of the annual principal, and interest and fee payments for the years 2022 through 2026.⁴² Staff agrees with the methodology Grayson District proposes. As shown in Appendix B, Staff calculated an Average Principal and Interest

⁴¹ Case 2021-00152, *Electronic Application of Grayson County Water District for a Certificate of Public Convenience and Necessity to Construct a System Improvements Project and an Order Authorizing the Issuance of Securities Pursuant to KRS 278.023*, (Ky. PSC May 29, 2021).

⁴² Application, Exhibit D.

Payment of \$677,447.

2. Additional Working Capital. The DSC method, as historically applied by the Commission, includes an allowance for additional working capital that is equal to the minimum net revenues required by a district's lenders that are above its average annual debt payments. In its application, Grayson District requested recovery of an allowance for working capital that is equal to 120 percent of its average annual debt payments for its bonds payable to the USDA/RD, the KIA, and Kentucky Rural Water Finance Corporation at the time of its application.

USDA/RD requires that Grayson District charge rates that produce net revenues that are at least 120 percent of its average annual debt payments. Following the Commission's historic practice, Staff agrees with Grayson District's revised methodology. Therefore, \$135,489 is included in the revenue requirement.

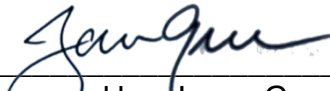
Average Annual Principal and Interest	\$	677,447
Times: DSC Coverage Ratio		<u>120%</u>
Total Net Revenues Required		812,936
Less: Average Annual Principal and Interest Payments		<u>(677,447)</u>
Additional Working Capital	\$	<u><u>135,489</u></u>

-

Signatures

/s/ William Foley

Prepared by: William Foley
Revenue Requirements Branch
Division of Financial Analysis



Prepared by: Jason Green
Rate Design Branch
Division of Financial Analysis

APPENDIX A

APPENDIX TO A STAFF REPORT OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2021-00191 DATED OCT 06 2021

Monthly Water Rates

5/8-inch Meter

First	1,500 Gallons	\$20.37 Minimum Bill
Next	8,500 Gallons	0.00955 Per Gallon
Next	40,000 Gallons	0.00858 Per Gallon
Next	100,000 Gallons	0.00761 Per Gallon
Over	150,000 Gallons	0.00667 Per Gallon

3/4-inch Meter

First	3,000 Gallons	\$34.68 Minimum Bill
Next	7,000 Gallons	0.00955 Per Gallon
Next	40,000 Gallons	0.00858 Per Gallon
Next	100,000 Gallons	0.00761 Per Gallon
Over	150,000 Gallons	0.00667 Per Gallon

1-inch Meter

First	5,000 Gallons	\$53.78 Minimum Bill
Next	5,000 Gallons	0.00955 Per Gallon
Next	40,000 Gallons	0.00858 Per Gallon
Next	100,000 Gallons	0.00761 Per Gallon
Over	150,000 Gallons	0.00667 Per Gallon

1 1/2-inch Meter

First	10,000 Gallons	\$101.51 Minimum Bill
Next	40,000 Gallons	0.00858 Per Gallon
Next	100,000 Gallons	0.00761 Per Gallon
Over	150,000 Gallons	0.00667 Per Gallon

2-inch Meter

First	16,000 Gallons	\$152.98 Minimum Bill
Next	34,000 Gallons	0.00858 Per Gallon
Next	100,000 Gallons	0.00761 Per Gallon
Over	150,000 Gallons	0.00667 Per Gallon

3-inch Meter

First	30,000 Gallons	\$273.07 Minimum Bill
Next	20,000 Gallons	0.00858 Per Gallon
Next	100,000 Gallons	0.00761 Per Gallon
Over	150,000 Gallons	0.00667 Per Gallon

4-inch Meter

First 50,000 Gallons	\$444.63 Minimum Bill
Next 100,000 Gallons	0.00761 Per Gallon
Over 150,000 Gallons	0.00667 Per Gallon

6-inch Meter

First 100,000 Gallons	\$825.11 Minimum Bill
Next 50,000 Gallons	0.00761 Per Gallon
Over 150,000 Gallons	0.00667 Per Gallon

8-inch Meter

First 150,000 Gallons	\$1,205.59 Minimum Bill
Over 150,000 Gallons	0.00667 Per Gallon

10-inch Meter

First 250,000 Gallons	\$1,872.87 Minimum Bill
Over 250,000 Gallons	0.00667 Per Gallon

Nonrecurring Charges

Connection Fee	\$15.00
Turn-On Charge	\$15.00
Turn-On Charge (After Hours)	\$113.00
Meter Re-read Charge	\$15.00
Meter Re-read Charge (After Hours)	\$113.00
Meter Test Charge	\$15.00
Reconnection Fee	\$30.00
Reconnection Fee (After Hours)	\$170.00
Service Call/Investigation	\$15.00
Service Call/Investigation (After Hours)	\$113.00
Service Line Investigation	\$15.00
Meter Tampering Charge	\$60.00
Returned Check Charge	\$10.00

APPENDIX B

APPENDIX TO A STAFF REPORT OF THE KENTUCKY PUBLIC SERVICE COMMISSION
IN CASE NO. 2021-00191 DATED OCT 06 2021

Year	2022-2026 Five-Year Average of Debt Payments															
	Series 2013 ¹						Series 2013 ²		Series 2018 ³		Series 2020A ⁴		Series 2020B ⁵		2021-00152 bond ⁶	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 10,000	\$ 9,690	\$ 18,500	\$15,435	\$ 12,000	\$16,800	\$ 9,500	\$ 9,183	\$ 4,500	\$4,362	\$ 10,500	\$8,442	\$ 10,500	\$8,442	\$ 10,500	\$8,442
2023	10,500	9,472	19,000	15,060	12,000	16,500	10,000	9,013	4,500	4,283	10,500	8,284	10,500	8,284	10,500	8,284
2024	10,500	19,000	19,000	14,680	12,500	16,194	10,000	8,838	4,500	4,205	10,500	8,149	10,500	8,149	10,500	8,149
2025	11,000	19,500	19,500	14,295	13,000	15,875	10,000	8,663	5,000	4,122	11,000	7,966	11,000	7,966	11,000	7,966
2026	11,000	20,021	20,000	13,900	13,000	15,550	10,500	8,484	5,000	4,034	11,000	7,801	11,000	7,801	11,000	7,801
Totals	53,000	77,683	96,000	73,370	62,500	80,919	50,000	44,181	23,500	21,006	53,500	40,642	53,500	40,642	53,500	40,642

Year	KRWA						KIA Loan ¹⁰		Total
	Series 2012 D ⁷		Series 2013 B ⁸		Series 2019 B ⁹		Principal	Interest	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2022	\$ 160,000	\$83,802	\$ 140,000	\$22,622	\$ 40,701	\$ -	\$ 231,778	\$3,134	\$ 810,949
2023	165,000	78,844	140,000	18,702	40,701	140,000			712,359.40
2024	170,000	73,566	145,000	14,621	38,143	-			579,395.95
2025	175,000	67,827	145,000	10,289	38,143	145,000			721,179.68
2026	185,000	61,617	135,000	6,019	35,423	-			563,348.67
Totals	855,000	365,656	705,000	72,253	193,111	285,000	231,778	3,134	676,301

Divide by: 5 years 5
Average Annual Principal and Interest Payment 135,260
Average Coverage on Long Term Debt 27.052

¹ Case 2012-00198, *Application of the Grayson County Water District for a Certificate of Public Convenience and Necessity to Construct, Finance and Increase Rates Pursuant To KRS 278.023*, (Ky. PSC June 14, 2012).

² *Id.*

³ Case 2017-00247, *Application of the Grayson County Water District for a Certificate of Public Convenience and Necessity to Construct and Finance a Project Pursuant To KRS 278.023*, (Ky. PSC July 14, 2017).

⁴ Case 2020-00152, *Electronic Application Of The Grayson County Water District For A Certificate Of Public Convenience And Necessity To Construct A System Improvements Project And An Order Approving A Change In Rates And Authorizing The Issuance Of Securities Pursuant to KRS 278.023*, (Ky. PSC July 22, 2021).

⁵ *Id.*

⁶ Case 2021-00152, *Electronic Application of Grayson County Water District for a Certificate of Public Convenience and Necessity to Construct a System Improvements Project and an Order Authorizing the Issuance of Securities Pursuant to KRS 278.023*, (Ky. PSC May 29, 2021).

⁷ Case 2012-00147, *Application of Grayson County Water District to Issue Securities in the Approximate Principal Amount of \$3,700,000 for the Purpose of Refunding Certain Outstanding Revenue Bonds of the District Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001*, (Ky. PSC May 21, 2012).

⁸ Case 2013-00042, *Kentucky Rural Water Finance Corporation Joint Application on Behalf of Certain Water Districts for Authority to Borrow Funds to Refinance Certain Outstanding Indebtedness to the Kentucky Rural Water Finance Corporation*, (Ky. PSC Mar., 27, 2013).

⁹ Case 2019-00190, *Application of Grayson County Water District To Issue Securities in the Approximate Principal Amount of \$1,170,000 for the Purpose of Refunding Certain Outstanding Revenue Bonds of The District Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001*, (Ky. PSC July, 31, 2019).

¹⁰ Case 2001-00067, *Application of Grayson County Water District, Inc. of Leitchfield, Ky. for (1) Certificate of Public Convenience and Necessity (2) Approval of the Proposed Plan of Financing Said Project*, (Ky. PSC May 31, 2001).

EXHIBIT 18

BOND ORDINANCE No. 9-14-21

CITY OF CANEYVILLE, KENTUCKY

AUTHORIZING

CITY OF CANEYVILLE WATER SYSTEM REVENUE BONDS, SERIES 2021

IN THE AGGREGATE PRINCIPAL AMOUNT OF

\$1,198,000

CONSISTING OF \$818,000 OF SERIES A BONDS

AND

\$380,000 OF SERIES B BONDS

TABLE OF CONTENTS

ARTICLE 1.	DEFINITIONS; PURPOSE; AUTHORIZATION OF BONDS; SECURITY	3
Section 101.	Definitions	3
Section 102.	Purpose	6
Section 103.	Construction Award Approved; Work Authorized	6
Section 104.	Declaration of Period of Usefulness	6
Section 105.	Authorization of Bonds	7
Section 106.	Recognition of Prior Bonds	8
Section 107.	Current Bonds Shall be Payable Out of Gross Revenues	8
Section 108.	Lien on Contracts	8
ARTICLE 2.	THE BONDS; BOND FORM; PREPAYMENT	9
Section 201.	Principal Payments	9
Section 202.	Issuance of Current Bonds; Bond Form	9
Section 203.	Place of Payment and Manner of Execution	9
Section 204.	Provisions as to Prepayment	9
ARTICLE 3.	CONSTRUCTION ACCOUNT; INTERIM FINANCING; APPLICATION OF PROCEEDS; ARBITRAGE LIMITATIONS	10
Section 301.	Construction Account; Application of Proceeds of Bonds; Other Transfers and Deposits	10
A.	Covenants Applicable if RD Purchases Current Bonds	10
B.	Application of Proceeds of Current Bonds	10
Section 302.	Interim Financing Authorization	12
A.	Interim Financing	12
B.	Multiple Advances by RD	14
Section 303.	Arbitrage Limitations on Investment of Proceeds	14
ARTICLE 4.	FLOW OF FUNDS	16
Section 402.	Flow of Funds	16

A.	Revenue Fund	16
B.	Sinking Fund	16
C.	Debt Reserve Fund	17
D.	Operation and Maintenance Fund	18
E.	Monthly Principal and Interest Payments if Requested by RD	18
F.	Surplus Funds	18
G.	Investment and Miscellaneous Provisions	18
Section 403.	Current Bonds on a Parity with Prior Bonds	19
ARTICLE 5.	COVENANTS OF CITY	20
Section 501.	Rates and Charges	20
Section 502.	Books and Accounts; Audit	20
Section 503.	System to Continue to be Operated on Fiscal Year Basis; Annual Budget	20
Section 504.	General Covenants	21
Section 505.	Other Covenants Applicable So Long as RD Owns Any Bonds	22
Section 506.	Insurance on Motors, Tanks and Structures	23
Section 507.	Civil Rights and Equal Opportunity	23
ARTICLE 6.	INFERIOR BONDS AND PARITY BONDS	25
Section 601.	Inferior Bonds.	25
Section 602.	Parity Bonds to Complete the Project	25
Section 603.	Parity Bonds to Finance Future Improvements	25
Section 604.	Covenants to be Complied with at Time of Issuance of Parity Bonds	27
Section 605.	Prepayment Provisions Applicable to Parity Bonds	27
Section 606.	Consent of the RD Regarding Future Bonds	27
Section 607.	Priority of Lien; Permissible Disposition of Surplus or Obsolete Facilities	27
ARTICLE 7.	DEFAULT AND CONSEQUENCES	29
Section 701.	Events of Default	29
Section 702.	Consequences of Event of Default	29
ARTICLE 8.	CONTRACTUAL PROVISIONS; GRANT APPROVAL; MISCELLANEOUS PROVISIONS	30
Section 801.	Ordinance Contractual with Bondowners	30
Section 802.	All Current Bonds are Equal	30

Section 803.	City Obligated to Refund Current Bonds Owned by Government Whenever Feasible; Defeasement Prohibited	30
Section 804.	Approval and Acceptance of RD Grant Agreement	31
Section 805.	Approval and Acceptance of CDBG Grant Agreement	31
Section 806.	Use of City Streets	31
Section 807.	Authorization, Ratification and Confirmation of Approval and Execution of Various Documents	31
Section 808.	Authorization of Condemnation to Acquire Easements and/or Sites ..	32
Section 809.	Authorization to File Required Financing Statements	32
ARTICLE 9. SALE OF CURRENT BONDS		33
Section 901.	Sale of Current Bonds	33
Section 902.	Adjustment in Maturities, Prepayment Provisions and Other Dates if Delivery is Delayed	33
ARTICLE 10. CONCLUDING PROVISIONS		34
Section 1001.	Covenant of City to Take All Necessary Action To Assure Compliance with the Code	34
Section 1002.	Severability Clause	35
Section 1003.	All Provisions in Conflict Repealed	35
Section 1004.	Effective Date	35
CERTIFICATION		36
EXHIBIT A - Schedule of Principal Maturities		
EXHIBIT B - Form of Fully Registered Bond		
EXHIBIT C - Requisition Certificate		

BOND ORDINANCE No. 9-14-21

ORDINANCE OF THE CITY OF CANEYVILLE, KENTUCKY, AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF \$1,198,000 AGGREGATE PRINCIPAL AMOUNT OF CITY OF CANEYVILLE WATER SYSTEM REVENUE BONDS, SERIES 2021, CONSISTING OF \$818,000 OF SERIES A BONDS AND \$380,000 OF SERIES B BONDS, FOR THE PURPOSE OF FINANCING THE COST (NOT OTHERWISE PROVIDED) OF THE CONSTRUCTION OF EXTENSIONS, ADDITIONS AND IMPROVEMENTS TO THE EXISTING WATER SYSTEM OF SAID CITY; SETTING FORTH TERMS AND CONDITIONS UPON WHICH SAID BONDS MAY BE ISSUED AND OUTSTANDING; PROVIDING FOR THE COLLECTION, SEGREGATION AND DISTRIBUTION OF THE REVENUES OF SAID WATER SYSTEM; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF SAID BONDS.

WHEREAS, the water system (the "System") of the City of Caneyville (the "City") is owned and operated by said City pursuant to Chapters 58 and 82 of the Kentucky Revised Statutes (the "Act"), and

WHEREAS, the City presently has outstanding certain Prior Bonds (as hereinafter defined), which Prior Bonds are payable from and secured by a pledge of the revenues derived from the operation of the System, and

WHEREAS, all of the Prior Bonds presently outstanding are current as to payment of both principal and interest, and for the security of which a certain Sinking Fund and certain reserves are being maintained in the manner and by the means prescribed in the Prior Bond Ordinance (as hereinafter defined) of the City, authorizing the Prior Bonds, and

WHEREAS, it is the desire and intent of the City at this time to authorize and provide for the issuance of revenue bonds in the aggregate principal amount of \$1,198,000 consisting of \$818,000 of Series A Bonds and \$380,000 of Series B Bonds (collectively, the "Current Bonds"), for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the System of the City, in accordance with plans and specifications prepared by Water Management Services, LLC, and to prescribe the covenants of the City, the rights of Bondowners and the details of the issuance and sale of the proposed Current Bonds, and

WHEREAS, the City desires and intends that the Current Bonds be issued so as to rank on a parity basis with the Prior Bonds, and

WHEREAS, the Prior Bonds were issued to and are now held by the United States Department of Agriculture, acting through Rural Development ("RD"), and

WHEREAS, RD, as the Owner of the Prior Bonds, has consented to the issuance by the City of the Current Bonds, and

WHEREAS, the proceeds of the Current Bonds will be supplemented by other funds in the amount of approximately \$1,584,000, to provide the total cost of such construction,

NOW, THEREFORE, BE IT ORDAINED BY THE CITY OF CANEYVILLE, KENTUCKY, AS FOLLOWS:

ARTICLE 1. DEFINITIONS; PURPOSE; AUTHORIZATION OF BONDS; SECURITY.

Section 101. Definitions. As used in this Ordinance, unless the context requires otherwise:

"Act" refers to Chapters 58 and 82 of the Kentucky Revised Statutes.

"Beginning Month" refers to the month following the month in which the Current Bonds authorized herein are issued, sold and delivered to the Purchaser thereof.

"Bond Counsel" refers to an attorney or firm of attorneys recognized nationally as experts in the field of municipal bond law and shall be deemed to refer to Rubin & Hays, Louisville, Kentucky, or their successors.

"Bond Ordinance of 1982" or *"1982 Bond Ordinance"* refer to the Ordinance authorizing the Bonds of 1982, duly enacted by the City Commission of the City.

"Bond Ordinance of 1985" or *"1985 Bond Ordinance"* refer to the Ordinance authorizing the Bonds of 1985, duly enacted by the City Commission of the City.

"Bond Ordinance of 1995" or *"1995 Bond Ordinance"* refer to the Ordinance authorizing the Bonds of 1995, duly enacted by the City Commission of the City.

"Bondowner" or *"Owner"* refer to the registered Owners of the Bonds at the time issued and outstanding hereunder.

"Bonds" refers collectively to the outstanding Current Bonds, Prior Bonds and Parity Bonds.

"Bonds of 1982" or *"Series 1982 Bonds"* refer to the outstanding City of Caneyville Water and Sewer Revenue Bonds, Series of 1982, dated August 11, 1983, in the original authorized principal amount of \$236,000.

"Bonds of 1985" or *"Series 1985 Bonds"* refer to the outstanding City of Caneyville Water System Revenue Bonds, Series of 1985, dated April 9, 1986, in the original authorized principal amount of \$408,000.

"Bonds of 1995" or *"Series 1995 Bonds"* refer to the outstanding City of Caneyville Water System Revenue Bonds, Series of 1995, dated July 23, 1996, in the original authorized principal amount of \$260,000.

"CDBG Grant" refers to the Community Development Block Grant to the City described in Section 805 of this Ordinance.

"City" refers to the City of Caneyville, Kentucky.

"City Clerk" refers to the appointed City Clerk of the City.

"Code" refers to the Internal Revenue Code of 1986, as amended, and the Treasury Regulations relating thereto.

"Construction Account" refers to the City of Caneyville Water System Construction Account, created in Section 301(B) of this Current Bond Ordinance.

"Contractors" refers to the general contractors who have been employed by the City to construct the Project.

"Current Bond Ordinance" or *"Ordinance"* refer to this Ordinance authorizing the Current Bonds.

"Current Bonds" refers to the \$1,198,000 of City of Caneyville Water System Revenue Bonds, Series 2021, consisting of \$818,000 of Series A Bonds and \$380,000 of Series B Bonds authorized by this Ordinance, to be dated as of the date of issuance thereof.

"Debt Reserve Fund" refers to the City of Caneyville Water System Debt Reserve Fund, described in Section 401 of this Ordinance.

"Depository Bank" refers to the bank, which shall be a member of the FDIC, which bank is shall be designated by the City.

"Engineers" refers to the Engineers or any one of them, who prepared the plans and specifications for the construction of the Project and who will supervise the construction thereof and/or will furnish full time resident inspection of the construction of the Project, and shall be deemed to refer to Water Management Services, LLC, or a member of said firm, or their successors.

"Event of Default" refers to one or more of the Events of Default set forth in Section 701 of this Ordinance.

"FDIC" refers to the Federal Deposit Insurance Corporation, or its successors.

"Fiscal Year" refers to the annual accounting period of the City, beginning on July 1 and ending on June 30 of each year.

"Funds" refers to the Revenue Fund, the Sinking Fund, the Debt Reserve Fund, the Construction Account and the Operation and Maintenance Fund.

"Governing Body" refers to the City Commission of the City, or such other body as shall be the governing body of said City under the laws of Kentucky at any given time.

"Government" refers to the United States of America, or any agency thereof, including RD.

"Grant Proceeds" refers to the proceeds of the CDBG Grant and the RD Grant.

"Independent Consulting Engineer" refers to a consulting engineer or a firm of consulting engineers of recognized excellent reputation in the field of water system engineering, and such definition includes the Engineers named above.

"Interim Lender" refers to the Kentucky Rural Water Finance Corporation, Bowling Green, Kentucky, its successors or assigns; or any other financial institution or governmental agency approved by the City.

"Local Counsel" refers to Tara N. Ward, Esq., Hartford, Kentucky, or any other attorney or firm of attorneys designated by the City.

"Mayor" refers to the Mayor of the City.

"Multiple Advances" refers to the advance of loan funds from the RD as described in Section 302 of this Ordinance.

"Note" refers to a single note or any number of notes, in such form as may be prescribed by the Interim Lender, including any revenue bond anticipation notes issued pursuant to Chapter 58 of the Kentucky Revised Statutes, including any renewal or extensions of the Note, issued by the City evidencing the interim financing for the Project as prescribed in Section 302 of this Ordinance.

"Operation and Maintenance Fund" refers to the City of Caneyville Water System Operation and Maintenance Fund described in Section 401 of this Ordinance.

"Outstanding Bonds" refers to the outstanding Bonds, and does not refer to, nor include, any Bonds for the payment of the principal and interest of which sufficient funds will have been deposited and earmarked for payment of Bonds; provided all Outstanding Bonds of any series held by the RD shall be deemed to constitute Outstanding Bonds until paid regardless of the deposit of funds to pay for same.

"Parity Bonds" refers to bonds which may be issued in the future which, pursuant to this Ordinance, rank on a basis of parity with the outstanding Current Bonds, as to priority, security and source of payment, and does not refer to bonds which might be issued so as to rank inferior to the security and source of payment of the outstanding Current Bonds.

"Prior Bond Ordinance" collectively refers to the 1982 Bond Ordinance, the 1985 Bond Ordinance and the 1995 Bond Ordinance.

"Prior Bonds" collectively refers to the Series 1982 Bonds, the Series 1985 Bonds and the Series 1995 Bonds.

"Project" refers specifically to the construction of the currently proposed extensions, additions and improvements to the System of the City, which Project is being financed by the Current Bonds and by other funds.

"Purchaser" refers to the agency, person, firm or firms, or their successors, to whom the Current Bonds herein authorized are awarded at the public sale of the Current Bonds.

"RD" refers to the United States Department of Agriculture, acting through Rural Development.

"RD Grant" refers to the RD grant described in Section 804 of this Ordinance.

"Required Signatures" refers to the signatures necessary to be obtained with reference to the approval of the expenditures to be made from the Construction Account, which required signatures shall consist of the signatures of (1) the Mayor, (2) the Engineers and (3) the Purchaser; provided, however, any expenditures for issuance costs and the costs of any equipment which is not permanently affixed to the real estate shall not require the signature or the approval of the Engineers.

"Revenue Fund" refers to the City of Caneyville Water System Revenue Fund, described in Section 401 of this Ordinance.

"Sinking Fund" refers to the City of Caneyville Water System Sinking Fund, described in Section 401 of this Ordinance.

"System" refers to the existing water system of the City, together with all extensions, additions and improvements to said System.

"Treasurer" refers to the appointed Treasurer of the City.

"U.S. Obligations" refers to bonds or notes which are the direct obligations of the United States of America, or obligations the principal of and interest on which are guaranteed by the United States of America.

All words and terms importing the singular number shall, where the context requires, import the plural number and vice versa. Unless otherwise indicated, references to Articles or Sections refers to those in this Ordinance.

Section 102. Purpose. The Current Bonds shall be issued for the purpose of financing the cost (not otherwise provided) of the Project, as set out in the plans and specifications prepared by the Engineers. The City Commission hereby declares the System of the City, including the extensions, additions and improvements to be constructed, to constitute a revenue producing public project, and said System shall continue to be owned, controlled, operated and maintained by the City as a revenue producing public project pursuant to the Act, so long as any Bonds remain outstanding.

Section 103. Construction Award Approved; Work Authorized. The City Commission hereby authorizes, approves, ratifies and confirms its previous action in advertising for and taking steps toward awarding the contracts for the construction of the Project to the lowest and best bidders, and further approves the action of the City officials in entering into formal contracts with said bidders, subject to the necessary approvals being obtained. Authority is hereby given for undertaking the construction of the Project according to the plans and specifications heretofore prepared by the Engineers for the City, after all necessary approvals have been obtained.

Section 104. Declaration of Period of Usefulness. The City Commission hereby declares that the period of usefulness of the System is more than forty (40) years from the date of completion of the Project.

Section 105. Authorization of Bonds. The City has heretofore determined that the total cost of the Project, including preliminary expenses, land and rights-of-way, engineering expense, capitalized interest during construction, legal and administrative costs, publication costs, initial deposits required and all incidental expenses, will not exceed \$2,782,000. Therefore, it is hereby determined to be necessary in order for the City to finance the cost (not otherwise provided) of the Project that the City issue a total of \$1,198,000 of Current Bonds, based on the following calculation:

Total cost of Project		\$2,782,000
Less:		
RD Grant	\$427,000	
CDBG Grant	507,000	
Fiscal Court Contribution	450,000	
City Contribution	<u>200,000</u>	
Total Non-Bond Funds:		<u>(1,584,000)</u>
Balance to be financed by Current Bonds		\$1,198,000

Accordingly, for the purpose of financing the cost (not otherwise provided) of the Project, under the provisions of the Act, there is hereby authorized to be issued and sold \$1,198,000 principal amount of City of Caneyville Water System Revenue Bonds, Series 2021, consisting of \$818,000 of Series A Bonds and \$380,000 of Series B Bonds.

The Current Bonds shall be dated as of the date of delivery to the Purchaser thereof; shall bear interest from such date at such interest rate as may be fixed by supplemental resolution as a result of the advertised sale and competitive bidding for such Current Bonds, as hereinafter provided; and shall be issued and delivered as prescribed in Section 202 hereof.

Interest on the Current Bonds shall be payable semiannually on January 1 and July 1 of each year, provided that the first interest payment period will cover interest only from the date of delivery of the Current Bonds to the ensuing January 1 or July 1, as the case may be. Principal of the Current Bonds shall be payable on January 1 of each of the respective years until maturity, as set out in Section 201 hereof.

Section 106. Recognition of Prior Bonds. The City hereby expressly recognizes and acknowledges that the City has previously pledged, for the benefit and protection of the owners of the Prior Bonds, the gross revenues of the System, all as set forth in the Prior Bonds and in the Prior Bond Ordinance.

Section 107. Current Bonds Shall be Payable Out of Gross Revenues on a Parity with the Prior Bonds. The Current Bonds and any additional Parity Bonds that may be issued under the conditions and restrictions set forth hereinafter, shall be secured by and payable from the gross revenues of the System on a parity with the Prior Bonds.

Section 108. Lien on Contracts. In addition to the revenue pledge securing the Bonds, a lien is hereby created and granted in favor of the Bondowners on all contracts and on all other rights of the City pertaining to the System, enforceable by assignment to any receiver or other operator proceeding by authority of any court.

ARTICLE 2. THE BONDS; BOND FORM; PREPAYMENT.

Section 201. Principal Payments. Principal payments due on the Current Bonds shall be as set forth in the schedule of maturities set out in **Exhibit A** attached to this Ordinance and incorporated herein by reference.

Section 202. Issuance of Current Bonds; Bond Form. The Purchaser of the Current Bonds at the public sale thereof shall take delivery of the Current Bonds in the form of one or more fully registered bonds, as set forth in **Exhibit B** attached hereto and incorporated herein by reference, amounting in the aggregate to the principal amount of the Current Bonds authorized herein, maturing as to principal as set out in Section 201 above. The Current Bonds shall be numbered R-1 and consecutively upward thereafter. Such Current Bonds shall, upon appropriate execution on behalf of the City as prescribed herein, constitute the entire bond issue herein authorized, shall be negotiable (subject to registration requirements as to transferability), and payable as to principal and interest to the registered Owner.

Section 203. Place of Payment and Manner of Execution. Both principal of and interest on the Current Bonds shall be payable at the place and in the manner set out in the form of such Current Bond. The Current Bonds shall be executed on behalf of the City by the manual or facsimile signature of the Mayor, with the Corporate Seal of the City affixed thereto and attested by the manual or facsimile signature of the City Clerk.

If either of the officers whose signatures appear on the Current Bonds ceases to be such officer before delivery of said Current Bonds, such signatures shall nevertheless be valid for all purposes the same as if such officers had remained in office until delivery.

Section 204. Provisions as to Prepayment. Except when all of the Current Bonds are held by the Government, principal maturities falling due prior to January 1, 2031, shall not be subject to prepayment. Principal maturities falling due on and after January 1, 2031, shall be subject to prepayment by the City on any date falling on and after January 1, 2030, at par plus accrued interest, without any prepayment penalty.

So long as the registered owner of the Current Bonds is the United States of America, or any agency thereof, the entire principal amount of the Current Bonds, or installments in multiples of \$100, may be prepaid at any time in inverse chronological order of the installments due. Prepayments or extra payments on the Current Bonds shall, after payment of interest, be applied to the installments last to become due thereunder and shall not affect the obligation of the City to pay the remaining installments in accordance with the Current Bonds. Notice of such prepayment shall be given by certified mail to the Bondowner or his assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the consent of the Bondowner.

**ARTICLE 3. CONSTRUCTION ACCOUNT; INTERIM FINANCING;
APPLICATION OF PROCEEDS; ARBITRAGE LIMITATIONS.**

Section 301. Construction Account; Application of Proceeds of Bonds; Other Transfers and Deposits. The Treasurer, or such other City official as shall be designated by the City Commission, shall be the custodian of all funds belonging to and associated with the System. All moneys in excess of the amount insured by the FDIC in the Construction Account shall be secured by the Depository Bank in accordance with U. S. Treasury Department Circular No. 176. The officials of the City entrusted with the receipt and disbursement of revenues of the System and the custody of valuable property shall be covered by a fidelity bond in the amount of not less than \$73,000 (the "Fidelity Bond"), or such larger amount as the RD may require, which Fidelity Bond shall be effective and secured by a surety company approved by the RD so long as it is owner of any of the Current Bonds. The RD and the City shall be named co-obligees in such Fidelity Bond and the amount thereof shall not be reduced without the written consent of the RD. Whenever sums in the Funds shall exceed \$73,000, the Fidelity Bond shall be increased accordingly as requested by and with the approval of the RD.

A. Covenants Applicable if RD Purchases Current Bonds. It is acknowledged that all covenants herein with reference to the necessity for approval of the RD, the necessity of observing RD regulations and procedures and the necessity of using RD forms (the "RD Forms"), shall apply only if the RD is the Purchaser of the Current Bonds and only so long as the RD holds the Current Bonds thereafter. In the event that the RD shall not be the Purchaser of the Current Bonds, or, after purchasing same, shall sell or transfer the Current Bonds to an Owner who shall not be the Government, all covenants herein with reference to the necessity for approval of the RD, the necessity of observing RD regulations and procedures, and the necessity of using RD Forms, shall not be applicable.

B. Application of Proceeds of Current Bonds. The proceeds of the Current Bonds shall be applied as follows:

(1) Payment of Interim Financing, Costs of Project and Costs of Issuance. Simultaneously with the delivery of the Current Bonds, there shall immediately be paid to the Interim Lender (or the RD if Multiple Advances are made) an amount sufficient to pay principal of and interest on any temporary loans borrowed by the City in anticipation of the sale and delivery of the Current Bonds and/or of the receipt of Grant Proceeds. Also, at the time of delivery of the Current Bonds, there shall be paid all amounts then due and payable in connection with the costs of the Project and in connection with the issuance of the Current Bonds.

(2) Construction Account. If and to the extent that the proceeds of the Current Bonds shall be in excess of the amount necessary to pay the interest, principal and costs referred to in subparagraph B(1) of this Section, such excess amount shall immediately be deposited in the "City of Caneyville Water System Construction Account" hereby created, which shall be established at the Depository Bank. There shall also be deposited

in said Construction Account the Grant Proceeds, as and when received, or said Grant Proceeds may be applied, to the extent necessary, to liquidate or reduce any interim financing owed by the City at the time of receipt of Grant Proceeds.

(3) Withdrawal of Funds From Construction Account. Prior to the expenditure by the City of any moneys from the Construction Account, the City must obtain written approval from the RD as to such expenditures, if the RD is the Owner of any Outstanding Bonds. The proceeds of said Construction Account shall be withdrawn only on checks signed by the Mayor, the Treasurer (or by such other official of the City as may be authorized by the City Commission), provided such official shall be covered by the Fidelity Bond required by Section 301 of this Ordinance, in payment for services and/or materials supplied in connection with the Project, as evidenced by (1) a Requisition Certificate and (2) invoices and/or partial payment estimates bearing the written approval of the Engineers and the Mayor (or by such other official of the City as may be authorized by the City Commission), and which invoices and/or partial payment estimates must have been reviewed and approved for payment by the designated RD official.

Written approval or certification of the Engineers shall not be required for matters not under the jurisdiction of the Engineers, such as legal fees, land acquisition and related items.

During construction, the City shall disburse Construction Account funds in a manner consistent with RD Instruction 1780.

The City shall prepare and submit any and all RD Forms required by the RD. Periodic audits of the City's Construction Account records shall be made by RD as determined by it to be necessary.

(4) Transfer of Capitalized Interest to Sinking Fund. There shall be transferred from the Construction Account from time to time, as needed, an amount sufficient to provide for capitalized interest (initially estimated at \$33,000) during the construction of the Project, as approved by the Engineers and by the RD. If and to the extent not theretofore expended in paying interest on interim financing and if and to the extent then needed to pay interest during the remaining period of construction of the Project, such amount so transferred from the Construction Account shall be deposited in the Sinking Fund.

(5) Investment of Funds in Construction Account. Pending disbursement of amounts on deposit in the Construction Account, all such funds, or such portion of said amounts on deposit in said Construction Account as is designated by the City Commission, shall be invested for the benefit of such Construction Account in Certificates of Deposit, savings accounts or U.S. Obligations which may be converted readily into cash, having a maturity date prior to the date when the sums invested will be needed for costs of the Project (as determined by the Engineers, the Mayor and the RD), provided that to the

extent that any amounts on deposit in said Depository Bank shall cause the total deposits of the City in said Depository Bank to exceed the amount insured by the FDIC, the same shall be continuously secured by a valid pledge of U.S. Obligations, having an equivalent market value, in conformity with Section 66.480 of the Kentucky Revised Statutes. Investments in Certificates of Deposit or savings accounts may be made only in such Certificates or accounts of an FDIC bank. Any such investments will be a part of the Construction Account, and income from such investments will be credited to the Construction Account. All such investments shall be subject to the limitations set out in Section 303 hereof.

(6) Statements of Contractors, Engineers and Attorneys as to Payment. Prior to the delivery of the Current Bonds, if the RD is the Purchaser of the Current Bonds, the City will be required to provide the RD with statements from the Contractors, Engineers and attorneys for the City that they have been paid to date in accordance with their contract or other agreements and, in the case of any Contractor, that he has paid his suppliers and subcontractors. Any exceptions must be authorized under RD Instruction 1780.

(7) Disposition of Balance in Construction Account After Completion of Project. When the Project has been completed and all construction costs have been paid in full, as certified by the Engineers for the City and/or by the RD, any balance then remaining in the Construction Account may, with the consent of the RD, be applied to the cost of constructing additional extensions, additions and improvements to the System (the "Additional Construction"). If such Additional Construction is to be undertaken by the Contractors previously engaged in the Project, such Additional Construction may be authorized by a change order.

If there is a balance remaining in the Construction Account after such Additional Construction, such balance (subject to legal requirements as to possible refund of any allocated portion of the balance derived from Grant Proceeds) shall be transferred to the Sinking Fund, whereupon said Construction Account shall be closed. Such remaining balance in the Construction Account so transferred to the Sinking Fund shall be used by the City immediately to prepay principal installments due on the Current Bonds in the inverse order of maturities without prepayment penalty, provided further that any balance insufficient to prepay at least \$100 of the principal payment falling due in any year on the Current Bonds will be transferred to the Depreciation Fund.

Section 302. Interim Financing Authorization.

A. Interim Financing. The City shall use interim financing for the Project during construction of that portion of the cost of the Project financed by the Current Bonds, if available at reasonable rates and terms.

The borrowing of up to the aggregate sum of \$1,198,000 from the Interim Lender is hereby authorized; and the Mayor is hereby authorized to execute the Note in the name and on behalf of the

City. Each advance under the Note shall evidence a loan by the Interim Lender to the City for services rendered and/or materials supplied in connection with the Project, as evidenced by a Requisition Certificate.

Interim financing shall be disbursed as follows:

(1) At the direction of the City, the Interim Lender shall disburse the proceeds of the Note by cashier's checks directly to the parties entitled thereto as set forth in the Requisition Certificate; or

(2) At the direction of the City, the Interim Lender shall deposit the proceeds of the Note in the Construction Account, in which event amounts of the City on deposit therein shall, until expended to the extent that same shall exceed the amount insured by the FDIC, be fully secured by a pledge of U.S. Obligations.

The aggregate of the principal amount of all Notes shall not exceed \$1,198,000. Each Note which is renewed or superseded shall be simultaneously cancelled by the Interim Lender and transmitted to the Treasurer. The rate of interest applicable to each Note shall not exceed a reasonable rate, which rate is subject to the approval of the RD.

The total authorized interim financing of \$1,198,000 shall be the maximum indebtedness which the City may owe at any one time to the Interim Lender for the purpose of providing temporary construction financing for the Project; provided, however, that the City may reduce the amount owed by the City to the Interim Lender from time to time as and when funds are available to the City, whether derived from the proceeds of the Grant Proceeds, the proceeds of the sale of the Current Bonds or otherwise, and may reborrow from the Interim Lender additional amounts in anticipation of the further receipt by the City of additional proceeds from the Current Bonds and/or Grant Proceeds.

The City hereby covenants and agrees with the Interim Lender that upon the issuance and delivery of the Current Bonds and/or the receipt of said Grant Proceeds, the City will apply the proceeds thereof, to whatever extent may be necessary, in payment of the principal amount of the Note, together with accrued interest thereon to the date of such payment; and the proceeds of the Current Bonds and Grant Proceeds are hereby pledged therefor, and such pledge shall constitute a first and prior charge against said proceeds.

Although the proceeds of the Current Bonds and Grant Proceeds are pledged to the repayment of said interim financing, it is recognized that the Grant Proceeds may be applied to the extent required at the time of receipt of the Grant Proceeds, to the payment of costs of the Project due and owing by the City at the time of receipt of such Grant Proceeds, rather than to the repayment of portions of the interim financing at that time. If and to the extent that the Grant Proceeds are in excess of any costs of the Project due and owing at the time of receipt thereof, such Grant Proceeds may be applied, in the same manner as set out hereinabove, to the reduction of the amount of the interim financing, after which, such interim financing may again be increased as theretofore. The

City further pledges the revenues of the System to the repayment of said interim financing, subject to the vested rights and priorities of the pledges securing the Outstanding Bonds.

It is understood that the foregoing constitutes an alternative method of obtaining interim financing, and does not preclude the authorization and sale, by public advertisement or otherwise, of bond anticipation notes and/or grant anticipation notes to the most favorable bidder on the open market, by concurrent or subsequent proceedings of the City.

B. Multiple Advances by RD. In the event the Current Bonds are purchased by the RD, and in the event the City is unable to obtain a commitment for interim financing for the Project from any Interim Lender at reasonable rates and terms, the Mayor is authorized to request Multiple Advances of loan funds from the RD.

If the RD agrees to make Multiple Advances to the City pending the delivery of the Current Bonds, the Mayor is hereby authorized to execute in the name and on behalf of the City any number of Notes. Each such Note, evidencing an advance of funds by the RD to the City, shall be in the form prescribed by the RD.

Each request for an advance from the RD shall be accompanied by a Requisition Certificate. The City will also furnish to the RD, prior to the receipt of each Multiple Advance, whatever additional documentation shall be requested by the RD, including an updated supplemental title opinion of Local Counsel and an updated supplemental preliminary legal opinion of Bond Counsel.

The proceeds of any Multiple Advances shall be either (I) disbursed directly to the parties entitled thereto for services and/or materials supplied in connection with the Project or (ii) deposited into the Construction Account and disbursed in accordance with the provisions of Section 301 hereof, in which event amounts on deposit in such Construction Account shall, until expended, to the extent that same shall exceed the amount insured by the FDIC, be fully secured by a pledge of U.S. Obligations.

The proceeds of the Current Bonds are hereby pledged to the repayment of such Multiple Advances, and such pledge shall constitute a first and prior pledge against such proceeds. The City further pledges the revenues of the System to the repayment of said Multiple Advances, subject to the vested rights and priorities of the pledges securing the Outstanding Bonds.

Section 303. Arbitrage Limitations on Investment of Proceeds. The City covenants and certifies, in compliance with the Code, on the basis of known facts and reasonable expectations on the date of enactment of this Ordinance, that it is not expected that the proceeds of the Current Bonds will be used in a manner which would cause the Current Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. The City covenants to the Owners of the Current Bonds that (1) the City will make no use of the proceeds of said Current Bonds which, if such use had been reasonably expected on the date of issue of such Current Bonds, would have caused such Current Bonds to be "arbitrage bonds" and (2) the City will comply with all of the requirements of the Code to whatever extent is necessary to assure that the Current Bonds shall not be treated as or constitute

"arbitrage bonds" and that the interest on the Current Bonds shall be excludable from gross income for Federal income tax purposes.

Prior to or at the time of delivery of the Current Bonds, the Mayor and/or the Treasurer (who are jointly and severally charged with the responsibility for the issuance of the Current Bonds) are authorized to execute such certifications as shall be required by Bond Counsel, setting out all known and contemplated facts concerning the anticipated construction, expenditures and investments, including the execution of necessary and/or desirable certifications of the type contemplated by Section 148 of the Code in order to assure that interest on the Current Bonds shall be excludable from gross income for Federal income tax purposes and that the Current Bonds will not be treated as "arbitrage bonds".

ARTICLE 4. FLOW OF FUNDS.

Section 401. Funds. There was heretofore created in the Prior Bond Ordinance the following funds and accounts:

- (a) City of Caneyville Water System Revenue Fund
- (b) City of Caneyville Water System Sinking Fund
- (c) City of Caneyville Water System Debt Reserve Fund
- (d) City of Caneyville Water System Operation and Maintenance Fund

All of the Funds shall be maintained with the Depository Bank so long as any Current Bonds remain outstanding subject to the right of the City to replace the Depository Bank.

Section 402. Flow of Funds. All proceedings preliminary to and in connection with the issuance of the Outstanding Bonds, including provisions made for (i) the receipt, custody and application of the proceeds of the Outstanding Bonds; (ii) the operation of the System on a revenue-producing basis; (iii) the segregation, allocation and custody of the revenues derived from the operation of the System; (iv) the enforcement and payment of the Outstanding Bonds and (v) the depreciation of the System; and all other covenants for the benefit of Bondowners set out in the Prior Bond Ordinance, are hereby ratified and confirmed and shall continue in force and inure to the security and benefit of the Outstanding Bonds, the same as if such provisions and proceedings were set out in full herein; provided, further, that after the issuance of the Current Bonds, the income and revenues of the System shall be collected, segregated, accounted for and distributed as follows:

A. Revenue Fund. The City covenants and agrees that it will continue to deposit in the Revenue Fund, promptly as received from time to time, all revenues of the System, as same may be extended and improved from time to time. The moneys in the Revenue Fund shall continue to be used, disbursed and applied by the City only for the purpose and in the manner and order of priorities specified in the Prior Bond Ordinance, as hereinafter modified by this Ordinance, all as permitted by the Act, and in accordance with previous contractual commitments.

B. Sinking Fund. It is hereby recognized that the City is obligated upon the issuance of the Current Bonds to provide for additional debt service requirements of the Current Bonds.

At or after the delivery of the Current Bonds, there shall be transferred from the Construction Account to the Sinking Fund an amount sufficient to provide for capitalized interest, if necessary, on the Current Bonds during the construction of the Project, if and to the extent not theretofore expended in paying interest on interim financing and if and to the extent then needed to pay interest during the remaining period of construction of the Project.

There shall be transferred from the Revenue Fund and deposited into the Sinking Fund on or before the 20th day of each month, for payment of interest on and principal of the Outstanding Bonds, a sum equal to the total of the following:

- (1) An amount equal to one-sixth (1/6) of the next succeeding six-month interest payment to become due on the Bonds, plus
- (2) A sum equal to one-twelfth (1/12) of the principal of any Bonds maturing on the next succeeding principal payment date.

If the City for any reason shall fail to make any monthly deposit as required, then an amount equal to the deficiency shall be set apart and deposited into the Sinking Fund out of the first available revenues in the ensuing months, which amount shall be in addition to the monthly deposit otherwise required during such succeeding months. Whenever there shall accumulate in the Sinking Fund amounts in excess of the requirements during the next twelve months for paying the principal of and interest due on the Outstanding Bonds, as same fall due, such excess may be used for redemption or prepayment of any Outstanding Bonds, subject to the terms and conditions set forth therein, prior to maturity.

C. Debt Reserve Fund. Pursuant to the provisions of the Prior Bond Ordinance which requires that an adjustment be made in the Debt Reserve Fund upon the issuance of bonds ranking on a parity with the Prior Bonds, it is hereby determined that upon the issuance of the Current Bonds, and upon completion of the Project, as certified by the Engineers and by the RD, there shall next be transferred from the Revenue Fund the sum of at least \$340 each month which shall be deposited into the Debt Reserve Fund until there is accumulated in such Debt Reserve Fund the sum of at least \$40,800 which amount shall be maintained, and when necessary, restored to said sum of \$40,800 so long as any of the Current Bonds are outstanding and unpaid. These deposits are in addition to the deposits required by the Prior Bond Resolution.

As further security for the Bondowners and for the benefit of the City, it has been and is hereby provided that in addition to the monthly transfers required to be made from the Revenue Fund into the Debt Reserve Fund, there shall be deposited into said Debt Reserve Fund all proceeds of connection fees collected from potential customers (except the amounts necessary to pay the actual costs and service connections applicable to said potential customers) to aid in the financing of the cost of future extensions, additions and improvements to the System, plus the proceeds of any property damage insurance (not otherwise used to replace damaged or destroyed property); and any such amounts or proceeds so deposited shall be used solely and only for the purposes intended.

Moneys in the Debt Reserve Fund may be withdrawn and used by the City, upon appropriate certification of the City Commission, for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, renewals and replacements not included in the annual budget of current expenses and/or of paying the costs of constructing future extensions, additions and improvements to the System which will either enhance its revenue-producing capacity or will provide a higher degree of service, and when necessary, for the purpose of making payments of principal and interest on the Bonds if the amount on deposit in the Sinking Fund is not sufficient to make such payments.

D. Operation and Maintenance Fund. There shall next be transferred monthly from the Revenue Fund and deposited into said Operation and Maintenance Fund, sums sufficient

to meet the current expenses of operating and maintaining the System. The balance maintained in said Operation and Maintenance Fund shall not be in excess of the amount required to cover anticipated System expenditures for a two-month period pursuant to the City's annual budget.

E. Monthly Principal and Interest Payments if Requested by the RD. So long as any of the Bonds are held or insured by the RD, the City shall, if requested by the RD, make the payments required by this Section 402, in monthly installments to the RD or to the insured Owners of the Bonds.

F. Surplus Funds. Subject to the provisions for the disposition of the income and revenues of the System as set forth hereinabove, which provisions are cumulative, and after paying or providing for the payment of debt service on any subordinate obligations, there shall be transferred, within sixty days after the end of each fiscal year, the balance of excess funds in the Revenue Fund on such date, to the Debt Reserve Fund for application in accordance with the terms of this Ordinance or to the Sinking Fund to be applied to the maximum extent feasible, to the prompt purchase or redemption of Outstanding Bonds.

G. Investment and Miscellaneous Provisions. All monies in the Sinking Fund and the Debt Reserve Fund shall be deposited in the Depository Bank, or such portion thereof as is designated by the City Commission. All monies in the Sinking Fund and the Debt Reserve Fund shall be invested for the benefit of such respective Funds in Certificates of Time Deposit or savings accounts of the Depository Bank or in U.S. Obligations which may be converted readily into cash, having a maturity date prior to the date when the sums invested will be needed for the purposes for which such funds may be expended, provided that to the extent that any amount of the City on deposit in the Depository Bank shall cause the total deposits of the City in said Depository Bank to exceed the amount insured by the FDIC, such excess amount shall be continuously secured by a valid pledge of U.S. Obligations, having an equivalent market value, in conformity with Section 66.480 of the Kentucky Revised Statutes.

Any investments will be a part of the respective Funds from which the proceeds invested are derived, and income from such investments will be credited to such respective Funds. All investments of funds derived from proceeds of the Outstanding Bonds shall be subject to the applicable limitations set out in Section 303 hereof.

All payments into the Funds shall be made on or before the twentieth (20th) day of each month, except that when the twentieth (20th) day of any month shall be a Saturday, Sunday or a legal holiday, then such payment shall be made on the next succeeding business day.

All monies held in any of the Funds shall be kept apart from all other City funds and shall be deposited in the Depository Bank, and all such deposits which cause the aggregate of all deposits of the City therein to be in excess of the amount secured by FDIC, shall (unless invested as herein authorized) be secured by a surety bond or bonds or by a pledge of U.S. Obligations, having a market value equivalent to such deposit.

The Treasurer shall keep appropriate records as to payment of principal and interest installments and as to payment of principal of and interest on any Bonds.

Section 403. Current Bonds on a Parity with Prior Bonds. It is hereby certified and declared that prior to the issuance of any of the Current Bonds, there will have been procured and filed with the City Clerk of the City (i) a letter from the RD to the effect that the RD agrees to the issuance of the Current Bonds ranking on a parity as to security and source of payment with the Prior Bonds, all of which are owned by the RD, together with (ii) a certification signed by the RD to the effect that a legend has been typed, stamped or otherwise affixed on each of the Prior Bonds held by the RD, evidencing the agreement of the RD as the then Owner of the Prior Bonds, to the issuance of the Current Bonds so as to rank on a parity with the Prior Bonds, such legend to be in substantially the following form:

The holder of this Bond has consented to the issuance of \$1,198,000 of City of Caneyville Water System Revenue Bonds, Series 2021 ranking on a parity as to security and source of payment with this Bond.

Accordingly, it is hereby found and declared that the Current Bonds shall rank and be payable on a parity with said outstanding Prior Bonds from the gross income and revenues of the System.

ARTICLE 5. COVENANTS OF CITY.

Section 501. Rates and Charges. The City shall charge such rates and charges for all services and facilities rendered by the System, which rates and charges shall be reasonable, taking into account and consideration the cost and value of the System, the cost of maintaining, repairing and operating same and the amounts necessary for the payment of principal of and interest on Outstanding Bonds against the System. The City shall charge such rates and charges as shall be adequate to meet the requirements of Articles 4 and 5 hereof.

The City covenants that it will not reduce the rates and charges for the services rendered by the System without first filing with the City Clerk a certification of an Independent Consulting Engineer that the annual net revenues (defined as gross revenues less operating expenses) of the then existing System for the fiscal year preceding the year in which such reduction is proposed, as such annual net revenues are adjusted, after taking into account the projected reduction in annual net revenues anticipated to result from any such proposed rate decrease, are equal to not less than 120% of the average annual debt service requirements for principal and interest on all of the then Outstanding Bonds payable from the revenues of the System, calculated in the manner specified in Section 603 hereof.

Section 502. Books and Accounts; Audit. The City shall maintain proper records and accounts relating to the operation of the System and the City's financial affairs; and the Bondowners, or their authorized representatives, shall have the right at all reasonable times to inspect the facilities of the System and all records, accounts and data relating thereto. An annual audit shall be made of the books and accounts pertinent to the System by a Certified Public Accountant licensed in Kentucky. No later than ninety (90) days after the close of each Fiscal Year, copies of such audit reports certified by such Certified Public Accountant shall be promptly mailed to the RD without request, so long as the Government is the Owner of any of the Bonds, and to any Bondowner that may have made a written request for same.

Monthly operating reports shall be furnished to the RD and to any Bondowner requesting same, during the first two years of operation after completion of the Project, and whenever and so long as the City is delinquent in any of the covenants set out in the Prior Bond Ordinance or this Current Bond Ordinance. Thereafter, quarterly operating reports shall be furnished at all other times to the RD and to any Bondowner requesting the same.

Section 503. System to Continue to be Operated on Fiscal Year Basis; Annual Budget. While any of the Bonds are outstanding and unpaid, and to the extent permitted by law, the System shall continue to be operated and maintained on a Fiscal Year basis.

Not later than sixty (60) days before the end of each Fiscal Year, the City agrees to cause to be prepared a proposed annual budget of operating expenses (the "Proposed Budget") of the System for the then ensuing Fiscal Year, itemized on the basis of monthly requirements. A copy of said Proposed Budget shall be mailed to any Bondowner who may request in writing a copy of such

Proposed Budget and to the RD without request, if the Government is the Owner of any of the Bonds.

For the purpose of the Proposed Budget, operating expenses shall include all reasonable and necessary expenses of operating, repairing, maintaining and insuring the System, but shall exclude depreciation and debt service payments. The City covenants that the operating expenses incurred in any year will not exceed the reasonable and necessary amounts therefor, and that the City will not expend any amount or incur any obligation for operation or maintenance and repair in excess of the amounts provided for operating expenses in the annual budget, except upon resolution by the City that such expenses are necessary to operate and maintain the System.

Not later than sixty (60) days before the end of each Fiscal Year, the City shall prepare an estimate of gross revenues to be derived from the operation of the System for said Fiscal Year, and, to the extent that said gross revenues are insufficient (a) to pay debt service requirements on all Outstanding Bonds during the ensuing Fiscal Year, (b) to accumulate and maintain all required reserves enumerated herein and (c) to pay operating expenses, the City shall revise the rates and charges sufficiently to provide the funds so required.

If the Owners of at least 50% of the principal amount of the Outstanding Bonds, or the Government so long as it is the Owner of any of said Outstanding Bonds, so request, the City Commission shall hold an open hearing not later than thirty (30) days before the beginning of the ensuing Fiscal Year, at which time any Bondowner may appear by agent or attorney and may file written objections to such proposed budget. Notice of the time and place of such hearing shall be mailed at least fifteen (15) days prior to the hearing to each registered Bondowner and to the Government.

The City covenants that annually before the first day of the Fiscal Year, the annual budget for the upcoming Fiscal Year will be adopted substantially in accordance with the Proposed Budget, and that no expenditures for operation and maintenance expenses of the System in excess of the budgeted amount shall be made during such Fiscal Year unless directed by said City by a specific resolution duly adopted.

Section 504. General Covenants. The City, through its City Commission, hereby covenants and agrees with the Owners of the Bonds that:

- (1) It will faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the Commonwealth of Kentucky;
- (2) It will make and collect reasonable and sufficient rates and charges for services and facilities rendered by the System;
- (3) It will segregate the revenues and income from the System and make application thereof consistent with and as provided by this Ordinance;

- (4) Unless the written consent of the Owners of a majority of the principal amount of the Outstanding Bonds has been obtained, the City agrees not to sell, lease, mortgage or in any manner dispose of any integral part of the System, including any and all appurtenances thereto and extensions, additions and improvements that may be made thereto, until all of the Outstanding Bonds shall have been paid or provided for in full, as provided herein; subject to the provisions of Section 607 hereof;
- (5) It will maintain in good condition and continuously operate the System and appurtenances thereto and will charge such rates and charges for the services rendered thereby so that the gross income and revenues will be sufficient at all times (i) to pay the interest on and principal of the Outstanding Bonds as same become due, (ii) to pay the cost of operating and maintaining the System, and (iii) to provide for an adequate depreciation account; and
- (6) It will carry and maintain insurance on properties of the System subject to loss or damage in amounts and against hazards substantially in accordance with the practices of other districts, cities or corporations which own and maintain water systems under similar conditions; and so long as the Government is the Owner of any of the Outstanding Bonds, the Government will be listed as co-beneficiary on any such policy; and the City shall further comply with the insurance requirements of Section 506 hereof (involving insurance on motors, tanks and structures).

Section 505. Other Covenants Applicable So Long as RD Owns Any Bonds. So long as the RD shall own any of the Bonds, the City shall comply with such RD regulations, requirements and requests as shall be made by the RD, including the furnishing of operating and other financial statements, in such form and substance and for such periods as may be requested by the RD, the carrying of insurance of such types and in such amounts as the RD may specify, with insurance carriers acceptable to the RD and compliance with all of the terms and conditions of the Loan Resolution (RD Form 1780-27) adopted and executed by the City, which is hereby authorized, approved, ratified and confirmed.

Section 506. Insurance on Motors, Tanks and Structures. The City shall (a) immediately after the enactment of this Ordinance and (b) at the time of final acceptance of the Project, insure all electric motors, pumping stations and major structures of the System in an amount recommended by the Engineers and approved by the RD, so long as the RD is the Owner of any of the Bonds, for the hazards usually covered in such area, and shall similarly insure same in an amount recommended by the Engineers, without the necessity of approval by the RD if and whenever the City has Outstanding Bonds against the System and none of such Outstanding Bonds are owned by the RD.

Section 507. Civil Rights and Equal Opportunity. So long as the RD shall own any of the Bonds, the City covenants and agrees to comply with all applicable Federal laws and statutes, including but not limited to:

(a) *Section 504 of the Rehabilitation Act of 1973.* The City acknowledges that under Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 794), no handicapped individual in the United States shall, solely by reason of their handicap, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving RHS financial assistance.

(b) *Civil Rights Act of 1964.* The City acknowledges that it is subject to, and its Facilities must be operated in accordance with, Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d *et seq.*) and Subpart E of Part 1901 of said Title VI, particularly as it relates to conducting and reporting of compliance reviews.

(c) *Americans with Disabilities Act (ADA) of 1990.* The City acknowledges that the Americans with Disabilities Act of 1990 (42 U.S.C. 12101 *et seq.*) [the "ADA Act"] prohibits discrimination on the basis of disability in employment, state and local government services, public transportation, public accommodations, facilities, and telecommunications. Title II of the ADA Act applies to facilities operated by state and local public entities that provide services, programs, and activities. Title III of the ADA Act applies to facilities owned, leased, or operated by private entities that accommodate the public.

(d) *Age Discrimination Act of 1975.* The City acknowledges that the Age Discrimination Act of 1975 (42 U.S.C. 6101 *et seq.*) provides that no person in the United States shall, on the basis of age, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance.

(e) *Limited English Proficiency (LEP) under Executive Order 13166.* The City acknowledges that LEP statutes and authorities prohibit exclusion from participation in, denial of benefits of, and discrimination under Federally-assisted and/or conducted programs on the grounds of race, color, or national origin. Title VI of the Civil Rights Act of 1964 covers program access for LEP persons. LEP persons are individuals who do not speak English as their primary language and who have a limited ability to read, speak, write or understand English. These individuals may be entitled to language assistance, free of charge. The City agrees to take reasonable steps to ensure that LEP persons receive the language assistance necessary to have meaningful access to RHS programs, services and information the City provides. These protections are pursuant to Executive Order 13166 entitled "Improving Access to Services by Persons with Limited English Proficiency" and further affirmed in the USDA Departmental Regulation 4330-005 "Prohibition Against National Origin Discrimination Affecting Persons with Limited English Proficiency in Programs and Activities Conducted by USDA.

ARTICLE 6. INFERIOR BONDS AND PARITY BONDS.

Section 601. Inferior Bonds. Except as hereinafter provided in this Article, the City shall not, so long as any Bonds are outstanding, issue any additional bonds payable from the revenues of the System unless the security and/or pledge of the revenues to secure such additional bonds are made inferior and subordinate in all respects to the security of the Bonds.

The City expressly reserves the right at any time to issue its bonds or other obligations payable from the revenues of the System and not ranking on a parity basis with the Current Bonds, without any proof of previous earnings or net revenues, provided that the consent of the RD must be obtained prior to the issuance of any inferior bonds so long as the RD owns any of the Bonds, and provided further that, after the initial completion of the Project, such inferior bonds may be issued only for the purpose of providing for future extensions, additions and improvements to the System, and only in express recognition of the priorities, liens and rights created and existing for the security, source of payment and protection of the Outstanding Bonds; provided further, that nothing in this Section is intended to restrict or shall be construed as a restriction upon, the ordinary refunding of all or a portion of the Outstanding Bonds.

Section 602. Parity Bonds to Complete the Project. The City hereby certifies, covenants and agrees that in the event that the cost of completion of the construction of the Project shall exceed the moneys available to the City from any and all sources, the City shall have the right, if necessary, to provide for such excess, and only such excess, through the issuance of Parity Bonds, provided the City has obtained a certification from the Engineers to the effect that it is necessary to issue the desired amount of Parity Bonds in order to enable the City to pay the cost (not otherwise provided) of the completion of the Project, and provided the City has complied with the provisions of Section 603 below or has obtained:

- (a) the consent of the RD if the Government is the Owner of the Outstanding Bonds at that time or the consent of any other Owners of the Outstanding Bonds, and
- (b) the consent of (1) the RD if the Government is the purchaser of the Current Bonds or (2) the Owners of at least 75% of the principal amount of the Current Bonds outstanding, if the Current Bonds have been issued, sold and delivered and are held by Owners other than the Government.

Section 603. Parity Bonds to Finance Future Improvements. The City has reserved the right and privilege, and does hereby reserve the right and privilege, of issuing additional Parity Bonds, but only under the conditions specified in this Current Bond Ordinance, which conditions are as follows:

The City further reserves the right to add new water facilities and/or to finance future extensions, additions and improvements to the System by the issuance of one or more additional

series of Parity Bonds to be secured by a parity lien on and ratably payable on a parity with the Current Bonds, from the revenues of the System, provided:

(a) The facilities to be constructed from the proceeds of the additional Parity Bonds are made a part of the System and their revenues are pledged as additional security for the additional Parity Bonds and for the Outstanding Bonds.

(b) The City is in compliance with all covenants and undertakings in connection with all of the Outstanding Bonds.

(c) The annual net revenues (defined as gross revenues less operating expenses), of the then existing System for the Fiscal Year preceding the year in which such Parity Bonds are to be issued, adjusted as hereinafter provided, shall be certified by an independent Certified Public Accountant to be equal at least one hundred twenty percent (120%) of the average annual debt service requirements for principal and interest on all Outstanding Bonds payable from the revenues of the System, plus the anticipated debt service requirements of any Parity Bonds then proposed to be issued. The calculation of average annual debt service requirements of principal and interest on the additional Parity Bonds to be issued shall, regardless of whether such additional Parity Bonds are to be serial or term bonds, be determined on the basis of the principal of and interest on such Parity Bonds being payable in approximately equal annual installments.

(d) The annual net revenues referred to above may be adjusted for the purpose of the foregoing computations to reflect:

(1) any revisions in the System's schedule of rates or charges being imposed on or before the time of the issuance of any such additional Parity Bonds, and

(2) any increase in the annual net revenues to be realized from the proposed extensions, additions and improvements being financed (in whole or in part) by such additional Parity Bonds;

provided all such adjustments shall be based upon and included in a certification of an Independent Consulting Engineer.

(e) Compliance with Section 603(a) through (d) shall not be necessary for the issuance of Parity Bonds if the City has obtained (1) the written consent of the RD for the issuance of such Parity Bonds, if the Government is the Owner of any Outstanding Bonds at the time of issuance of such Parity Bonds and (2) the written consent of the Owners of all of the then Outstanding Bonds, and no other prerequisite need be complied with by the City in order to issue Parity Bonds.

Section 604. Covenants to be Complied with at Time of Issuance of Parity Bonds. The City hereby covenants and agrees that in the event any Parity Bonds are issued, the City shall:

(a) Adjust the monthly amount to be deposited into the Sinking Fund on the same basis as that prescribed in the provisions establishing such Sinking Fund, to reflect the annual debt service requirements of the Parity Bonds;

(b) Adjust the minimum annual amount to be deposited monthly into the Debt Reserve Fund on the same basis as that prescribed in the provisions establishing such Debt Reserve Fund, taking into account the future debt service requirements of all Bonds which will then be outstanding against the System; and

(c) Make such Parity Bonds payable as to principal on January 1 of each year in which principal falls due and payable as to interest on January 1 and July 1 of each year until the final maturity of such Parity Bonds.

Section 605. Prepayment Provisions Applicable to Parity Bonds. If, in connection with any subsequently issued series of Parity Bonds, it is provided that excess revenues in the Revenue Fund shall be used to prepay Outstanding Bonds in advance of scheduled maturity, or if the City at its option undertakes to prepay Outstanding Bonds in advance of scheduled maturity, it is agreed and understood, for so long as the Government owns any of the Outstanding Bonds, that no such prepayment will be effected without the approval of the RD.

Section 606. Consent of the RD Regarding Future Bonds. Notwithstanding any other provisions of this Ordinance, the City agrees that so long as the Government owns any Outstanding Bonds against and/or payable from the revenues of the System, the City will not issue any future bonds, notes or other obligations against, secured by or payable from the revenues of the System without the written consent of the RD.

Section 607. Priority of Lien; Permissible Disposition of Surplus or Obsolete Facilities. The City covenants and agrees that so long as any of the Bonds are outstanding, the City will not sell or otherwise dispose of any of the facilities of the System, or any part thereof, and, except as provided above, the City will not create or permit to be created any charge or lien on the revenues thereof ranking equal or prior to the charge or lien of the Outstanding Bonds. Notwithstanding the foregoing, the City may at any time permanently abandon the use of, or sell at fair market value, any part of the facilities of the System, provided that:

- (a) The City is in compliance with all covenants and undertakings in connection with all of the Outstanding Bonds, and the required reserves for such Outstanding Bonds will have been accumulated;
- (b) The City will, in the event of any such sale, apply the proceeds to either (1) redemption of Outstanding Bonds in accordance with the provisions governing prepayment of bonds in advance of maturity or (2) replacement of

the facility so disposed of by another facility, the revenues of which shall be incorporated into the System, as hereinbefore provided;

- (c) The City certifies, in good faith, prior to any abandonment of use, that the facilities to be abandoned are no longer economically feasible of producing net revenues; and
- (d) The City certifies, in good faith, that the estimated net revenues of the remaining facilities of the System for the then next succeeding Fiscal Year, plus the estimated net revenues of the facilities, if any, to be added to the System, comply with the earnings requirements hereinbefore provided in the provisions and conditions governing the issuance of Parity Bonds.

Notwithstanding any other provisions hereof, so long as any Bonds are held by the Government, the City shall not dispose of its title to the System or to any part thereof, without first obtaining the written consent of the RD.

ARTICLE 7. DEFAULT AND CONSEQUENCES.

Section 701. Events of Default. The following items shall constitute an Event of Default on the part of the City:

- (a) The failure to pay principal of the Bonds as and when same shall become due and payable, either at maturity or by proceedings for redemption.
- (b) The failure to pay any installment of interest on the Bonds when the same shall become due and payable or, if any or all of the Outstanding Bonds are owned by the RD, within 30 days thereafter.
- (c) The default by the City in the due or punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds, the Prior Bond Ordinance or in this Ordinance.
- (d) The failure to promptly repair, replace or reconstruct facilities of the System that have been damaged and/or destroyed.
- (e) The entering of any order or decree with the consent or the acquiescence of the City, appointing a receiver of all or any part of the System or any revenues thereof; or if such order or decree shall be entered without the acquiescence or consent of the City, its failure to have the order vacated, discharged or stayed on appeal within 60 days after entry.

Section 702. Consequences of Event of Default. Any Owner of the Current Bonds may enforce and compel the performance of all duties and obligations of the City set forth herein. Upon the occurrence of an Event of Default, then upon the filing of a suit by any Owner of the Current Bonds, any court having jurisdiction of the action may appoint a receiver to administer said System on behalf of the City with power to charge and collect rates sufficient to provide for the payment of operating and maintenance expenses and for the payment of principal of and interest on the Outstanding Bonds and to provide and apply the income and revenues in conformity with this Ordinance and with the laws of the Commonwealth of Kentucky.

The City hereby agrees to transfer to any bona fide receiver or other subsequent operator of the System, pursuant to any valid court order in a proceeding brought to enforce collection or payment of the City's obligations, all contracts, and other rights of the City pertaining to the System, conditionally, for such time only as such receiver or operator shall operate by authority of the court. Upon the occurrence of an Event of Default, the Owner of any of the Outstanding Bonds may require the governing body of the City by appropriate order to raise the rates a reasonable amount consistent with the requirements of this Ordinance.

**ARTICLE 8. CONTRACTUAL PROVISIONS; GRANT APPROVAL;
MISCELLANEOUS PROVISIONS.**

Section 801. Ordinance Contractual with Bondowners. The provisions of this Ordinance constitute a contract between the City and its City Commission and the Owners of the Current Bonds as may be outstanding from time to time; and after the issuance of any of said Current Bonds, no change, alteration or variation of any kind of the provisions of this Ordinance shall be made in any manner which will affect an Owner's rights except as herein provided or except with the written consent of all Bondowners until such time as all of the Current Bonds and the interest thereon have been paid in full or fully provided for; provided that the City Commission may adopt any resolution for any purpose not inconsistent with the terms of this Ordinance and which shall not impair the security of the Owners of the Current Bonds and/or for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provisions contained herein or in any resolution or other proceedings pertaining hereto.

It is further agreed that the Owners of 75% in principal amount of the Current Bonds at any time outstanding shall have the right to consent to and approve the adoption of resolutions or other proceedings, modifying or amending any of the terms or provisions contained in this Ordinance, subject to the conditions that (a) this Ordinance shall not be so modified in any manner that may adversely affect the rights of the Owners of any of the Prior Bonds, nor in any manner that may adversely affect the rights of any certain Owners of the Outstanding Bonds without similarly affecting the rights of all Owners of such Outstanding Bonds, or to reduce the percentage of the number of Owners whose consent is required to effect a further modification and (b) no such change may be effected without the consent of the RD so long as the RD owns any of the Outstanding Bonds.

Section 802. All Current Bonds are Equal. The Current Bonds authorized herein shall not be entitled to priority one over the other in the application of the income and revenues of the System, or with respect to the security for their payment, regardless of the time or times of their issuance, it being the intention that there shall be no priority among any of the Current Bonds regardless of the fact that they may be actually issued and delivered at different times.

Section 803. City Obligated to Refund Current Bonds Owned by Government Whenever Feasible; Defeasement Prohibited. So long as the Government is the Owner of any of the Current Bonds, if it appears to the Government that the City is able to refund such Current Bonds in whole or in part, by obtaining a loan for such purposes from commercial or private credit sources, or to sell bonds of the City in the open market, at reasonable rates and terms, the City will, upon request of the Government, obtain such loan and/or issue such bonds in sufficient amount to repay the Government and will take all such action as may be required in connection therewith.

In addition, so long as the Government is the Owner of any of the Current Bonds, the City shall not issue any bonds or other obligations for the purpose of defeasing or otherwise terminating the lien of the Current Bonds without immediately prepaying all of the then outstanding Current Bonds.

Section 804. Approval and Acceptance of RD Grant Agreement. The RD has agreed to make a grant to the City in the amount of \$427,000 (the "RD Grant") to supplement the proceeds of the Current Bonds in order to provide the total cost of the Project, and the RD has requested the City to approve, accept and execute RD Form 1780-12 (the "RD Grant Agreement"), setting out the terms and conditions upon which said RD Grant will be made. Said RD Grant Agreement is hereby approved, and the Mayor and the City Clerk are authorized to execute said RD Grant Agreement on behalf of the City. The Mayor and City Clerk are also authorized on behalf of the City to accept any and all other RD Grants offered to the City in connection with the Project and to execute any and all RD Grant Agreements and any other documents as may be requested by the RD in connection with RD Grants which have been and/or which may hereafter be approved for such Project.

Section 805. Approval and Acceptance of CDBG Grant Agreement. The Department of Housing and Urban Development (the "HUD") has agreed to make a grant to the City in the amount of \$507,000 (the "CDBG Grant"), to supplement the proceeds of the Current Bonds in order to provide the total cost of the Project, and HUD has requested the City to approve, accept and execute a certain CDBG Grant Agreement (the "CDBG Grant Agreement") setting out the terms and conditions upon which said CDBG Grant will be made. Said CDBG Grant Agreement is hereby approved, and the Mayor and the City Clerk are authorized to execute said CDBG Grant Agreement on behalf of the City. The Mayor and City Clerk are also authorized on behalf of the City to accept any and all other CDBG Grants offered to the City in connection with the Project and to execute any and all CDBG Grant Agreements and any other documents as may be requested by the HUD in connection with CDBG Grants which have been and/or which may hereafter be approved for such Project.

Section 806. Use of City Streets. The use of all City streets, highways, alleys and public ways for the construction and maintenance of the Project is hereby authorized, without the necessity of further permits, licenses or other certifications from the City.

Section 807. Authorization, Ratification and Confirmation of Approval and Execution of Various Documents. The City Commission hereby authorizes, approves, ratifies and confirms the previous action of the officers of the City in approving and executing various documents related to the financing of the Project, including the following:

- (a) Legal Services Agreement with Bond Counsel.
- (b) Legal Services Agreement with Local Counsel.
- (c) Letter of Intent to Meet Conditions of RD Letter of Conditions (RD Form 1942-46).
- (d) Loan Resolution (RD Form 1780-27).
- (e) Agreement for Engineering Services with the Engineers.

Section 808. Authorization of Condemnation to Acquire Easements and/or Sites. In the event that (a) any necessary deeds of easement to allow construction of the Project over the property of any property owner or (b) any necessary deed to the necessary site of any water facility of the Project shall not be obtained through negotiation within 10 days after the date of enactment of this Ordinance and in the event that (1) such water lines cannot be located within the right-of-way of the State and/or County road involved, and/or (2) such water facilities cannot be located on a site already owned by the City, Local Counsel is hereby authorized and directed to file condemnation actions to obtain such necessary rights-of-way and/or sites forthwith, without further authorization or direction from the City or the City Commission. Local Counsel is further directed to follow the same condemnation procedure in the event that it becomes necessary, through change orders, line extensions and/or errors in the location of property lines and/or property owners, to obtain additional easements, rights-of-way and/or sites for completion of the Project and whenever the necessary deed is not obtained by negotiation at least 10 days prior to the date on which construction is contemplated in the respective easement, right-of-way and/or site.

The City further approves the payment from the funds available therefor allocated to the costs of the Project to pay any judgment award, or compromise, determined by Local Counsel with the acquiescence of the City Commission, toward the costs of such easements, rights-of-way and/or sites; provided, in each instance, that the payment of such funds to satisfy any judgment, award or compromise must first be approved by the RD; and the City Commission further determines that if and to whatever extent the funds available from the proceeds of the financing contemplated by this Ordinance, shall be inadequate to pay any judgment, award or compromise amount for such easements, rights-of-way and/or sites, or if the City is unable to obtain the approval of the RD for any such payment, the City Commission shall take all reasonably necessary actions, within the powers and authority of the City Commission, to make such additional amount available from all other available City resources.

Section 809. Authorization to File Required Financing Statements. In the event that it is determined by Bond Counsel or Local Counsel that the City is required to file any financing statements under the Kentucky Uniform Commercial Code in order to perfect the pledge of the gross revenues of the City's System as security for the Current Bonds, Bond Counsel and/or Local Counsel are hereby authorized to prepare and file with the appropriate officials such financing statements as they deem necessary.

ARTICLE 9. SALE OF CURRENT BONDS.

Section 901. Sale of Current Bonds. The Current Bonds shall be offered publicly for sale upon the basis of sealed, competitive bids at such time as the City Commission shall designate.

A suggested form of "Notice of Bond Sale", a suggested form of "Official Notice of Sale of Bonds" and a suggested form of "Bid Form", having been prepared in advance by Bond Counsel, and all of such documents having been found to be in satisfactory form, a copy of each is hereby ordered to be filed in the records of the City Clerk with the Minutes of the meeting at which this Ordinance is enacted. The Notice of Bond Sale shall be signed by the City Clerk and may be used for the purpose of publishing notice of the sale of the Current Bonds. Copies of such documents shall be furnished to any interested parties who may request same.

In the event that there is no bid or that all bids are rejected, the City may readvertise the sale pursuant to this Ordinance.

Section 902. Adjustment in Maturities, Prepayment Provisions and Other Dates if Delivery is Delayed. In the event that delivery of the Current Bonds authorized herein is delayed for any reason and the City, with the consent of the Purchaser of the Current Bonds, determines it is in the City's best interest to change the maturities, the applicable prepayment date or any other dates, the City may adjust the same by an Order of the City Commission approving the adjustments.

ARTICLE 10. CONCLUDING PROVISIONS.

Section 1001. Covenant of City to Take All Necessary Action To Assure Compliance with the Code. In order to assure the Owners of the Current Bonds that such Current Bonds shall continue to be legal and that interest thereon will continue to be excludable from gross income for Federal income tax purposes and exempt from all Kentucky income taxation, the City covenants to and with the Owners of the Current Bonds to take the following action:

(a) The City will (1) take all actions necessary to comply with the provisions of the Code necessary to assure that interest on the Current Bonds will be excludable from gross income for Federal income tax purposes, (2) will take no actions which will violate any of the provisions of the Code, and (3) not use the proceeds of the Current Bonds for any purpose which will cause interest on the Current Bonds or on interim financing obligations, including, but not limited to the Note, issued pursuant to Section 302 hereof to become includable in gross income for Federal income tax purposes.

(b) The City hereby certifies that it does not reasonably anticipate that the total principal amount of "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code which the City, or any subordinate entity of the City, will issue during the calendar year during which the Current Bonds are issued, will exceed \$10,000,000; and therefore the City hereby designates the Current Bonds and all interim financing obligations, including, but not limited to the Note, issued pursuant to Section 302 hereof as "qualified tax-exempt obligations".

(c) The City further certifies that the Current Bonds and any and all interim financing obligations of the City are not "private activity bonds" within the meaning of the Code.

(d) The City covenants and agrees to comply with the rebate requirements on certain excess earnings imposed by Section 148 of the Code, and in the event it is determined by the City, upon the advice of Bond Counsel, that the Construction Account, or any other fund established hereunder, is subject to said rebate requirements and does in fact generate earnings from "non-purpose investments" in excess of the amount which said investments would have earned at a rate equal to the "yield" on the Current Bonds, plus any income attributable to such excess, the City covenants and agrees to rebate to the United States of America any such excess generated from such investments and remit such excess to the United States of America on or before five years from the date of issuance of the Current Bonds, and once every five years thereafter until the final retirement of the Current Bonds; the last installment, to the extent required, to be made no later than sixty days following the date on which funds sufficient for the complete retirement of the Current Bonds are deposited with any escrow agent. The City further covenants to file any and all reports, if any, as may be required to be filed with the Government with regard to the liability or non-liability of the City as to any such rebate requirements and to maintain records in regard thereto for the period of time required by applicable Treasury regulations.

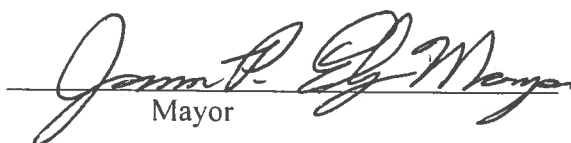
Section 1002. Severability Clause. If any section, paragraph, clause or provision of this Ordinance shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Ordinance, which shall continue in full force and effect.

Section 1003. All Provisions in Conflict Repealed. All motions, resolutions and orders, or parts thereof, in conflict with the provisions of this Ordinance, are to the extent of such conflict hereby repealed. It is hereby specifically ordered and provided that any proceedings heretofore taken for the issuance of other bonds of the City payable or secured in any manner by all or any part of the income and revenues of said System or any part thereof, and which have not been heretofore sold, are hereby revoked and rescinded, and none of such other bonds shall be issued and delivered. The City covenants to correct by appropriate proceedings any required procedure previously taken invalidly.

Section 1004. Effective Date. This Ordinance shall take effect upon its enactment and publication by title and summary, as provided by law.

Introduced and given first reading on September 13, 2021.


Given second reading and enacted on September 14, 2021.



Mayor

(Seal of City)

Attest:



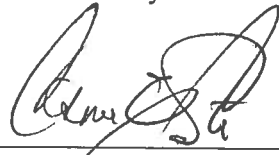
City Clerk

CERTIFICATION

I, the undersigned, hereby certify that I am the duly qualified and acting City Clerk of the City of Caneyville, Kentucky, and that the foregoing Ordinance is a true copy of the Bond Ordinance No. 9-14-21 duly enacted by the City Commission of said City, signed by the Mayor of said City and attested under Seal by me as City Clerk, at a properly convened meeting of said City Commission held on September 14, 2021, as shown by the official records of said City in my custody and under my control.

I further certify that said meeting was duly held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820 and 61.825, that a quorum was present at said meeting, that said Ordinance has not been modified, amended, revoked or repealed, and that same is now in full force and effect.

IN TESTIMONY WHEREOF, witness my signature as City Clerk and the official Seal of the City this September 14, 2021.



City Clerk

(Seal of City)

EXHIBIT A-1

Schedule of Principal Payments on Series A Bonds

<u>Payment Due</u> <u>January 1,</u>	<u>Principal</u> <u>Payment</u>	<u>Payment Due</u> <u>January 1,</u>	<u>Principal</u> <u>Payment</u>
2023	\$15,000	2043	\$20,000
2024	15,000	2044	21,000
2025	15,000	2045	21,000
2026	15,000	2046	21,000
2027	16,000	2047	22,000
2028	16,000	2048	22,000
2029	16,000	2049	22,000
2030	16,000	2050	23,000
2031	17,000	2051	23,000
2032	17,000	2052	23,000
2033	17,000	2053	24,000
2034	18,000	2054	24,000
2035	18,000	2055	25,000
2036	18,000	2056	25,000
2037	18,000	2057	25,000
2038	19,000	2058	26,000
2039	19,000	2059	26,000
2040	19,000	2060	27,000
2041	20,000	2061	27,000
2042	20,000	2062	27,000

EXHIBIT A-2

Schedule of Principal Payments on Series B Bonds

<u>Payment Due</u> <u>January 1,</u>	<u>Principal</u> <u>Payment</u>	<u>Payment Due</u> <u>January 1,</u>	<u>Principal</u> <u>Payment</u>
2023	\$7,000	2043	\$ 9,500
2024	7,500	2044	9,500
2025	7,500	2045	9,500
2026	7,500	2046	10,000
2027	7,500	2047	10,000
2028	7,500	2048	10,000
2029	8,000	2049	10,000
2030	8,000	2050	10,500
2031	8,000	2051	10,500
2032	8,000	2052	10,500
2033	8,000	2053	11,000
2034	8,500	2054	11,000
2035	8,500	2055	11,000
2036	8,500	2056	11,500
2037	8,500	2057	11,500
2038	9,000	2058	11,500
2039	9,000	2059	11,500
2040	9,000	2060	12,000
2041	9,000	2061	12,000
2042	9,500	2062	13,000

EXHIBIT B

(BOND FORM)

**UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
CITY OF CANEYVILLE WATER SYSTEM REVENUE BONDS, SERIES 2021_**

No. R- Interest Rate: % \$

KNOW ALL PERSONS BY THESE PRESENTS:

That the City of Caneyville (the "City"), acting by and through its City Commission (the "City Commission"), a home rule city in the Commonwealth of Kentucky for value received, hereby promises to pay to

the registered owner hereof, or to its registered assigns, solely from the fund hereinafter identified, the sum of

_____ DOLLARS (\$ _____),

on the first day of January, in years and installments as follows:

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
-------------	------------------	-------------	------------------	-------------	------------------

[Here the printer of the Current Bond will print the maturities of the Current Bonds purchased by the registered Owner]

and in like manner, solely from said fund, to pay interest on the balance of said principal sum from time to time remaining unpaid, at the Interest Rate specified above, semiannually on the first days of January and July in each year, beginning with the first January or July after the date of this Bond, until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment may be and become applicable hereto, both principal and interest being payable, without deduction for exchange or collection charges, in lawful money of the United States of America, at the address of the registered owner shown on the registration book of the City.

This Series Bond is issued by the City as part of an issue in the aggregate principal amount of \$1,198,000 consisting of \$818,000 of Series A Bonds and \$380,000 of Series B Bonds under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including Chapters 58 and 82 of the Kentucky Revised Statutes (collectively the "Act"), and pursuant to a duly enacted Bond Ordinance of the City authorizing same (the "Current Bond

Ordinance"), to which Current Bond Ordinance reference is hereby made for a description of the nature and extent of the security thereby created, the rights and limitations of rights of the registered owner of this Bond, and the rights, obligations and duties of the City, for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the existing water system of the City (said existing water system, together with said extensions, additions and improvements, being hereinafter referred to as the "System").

This Bond is issued on a parity as to security and source of payment with the outstanding (i) City of Caneyville Water and Sewer Revenue Bonds, Series of 1982, dated August 11, 1983 (the "1982 Bonds"), authorized by an Ordinance enacted by the City Commission of the City (the "1982 Bond Ordinance"); (ii) City of Caneyville Water System Revenue Bonds, Series of 1985, dated April 9, 1986 (the "1985 Bonds"), authorized by an Ordinance enacted by the City Commission of the City (the "1985 Bond Ordinance"); and (iii) City of Caneyville Water System Revenue Bonds, Series of 1995, dated July 23, 1996 (the "1995 Bonds"), authorized by an Ordinance enacted by the City Commission of the City (the "1995 Bond Ordinance") [hereinafter, the 1982 Bonds, the 1985 Bonds and the 1995 Bonds shall be collectively referred to as the "Prior Bonds" and the 1982 Bond Ordinance, the 1985 Bond Ordinance and the 1995 Bond Ordinance shall be collectively referred to as the "Prior Bond Ordinance"]. Accordingly, this Bond, the Prior Bonds, together with any bonds ranking on a parity herewith, are payable from and secured by a pledge of the gross revenues to be derived from the operation of the System.

This Bond has been issued in full compliance with the Prior Bond Ordinance and the Current Bond Ordinance and this Bond, the Prior Bonds and any bonds ranking on a parity therewith that may be issued and outstanding under the conditions and restrictions of the Current Bond Ordinance and the Prior Bond Ordinance, are and will continue to be payable from revenues which shall be set aside in a fund for that purpose and identified as the "City of Caneyville Water System Sinking Fund", created in the Prior Bond Ordinance.

This Bond does not constitute an indebtedness of the City within the meaning of any constitutional or statutory provisions or limitations and is payable solely out of the revenues of the System. As provided in the Current Bond Ordinance, the City covenants that so long as any of the Current Bonds, are outstanding, the System will be continuously owned and operated by the City as a revenue producing public undertaking within the meaning of the aforesaid Act for the security and source of payment of the Current Bonds and that the City will fix, and if necessary adjust, from time to time, such rates for the services and facilities of the System and will collect and account for the revenues therefrom sufficient to pay promptly the principal of and interest on the Current Bonds, and all other bonds ranking on a parity therewith as may be outstanding from time to time, to pay the cost of operation and maintenance of the System and to provide for the depreciation thereof.

The City has reserved the right to issue additional bonds ranking on a parity as to security and source of payment with this Bond, if necessary in order to complete the aforesaid extensions, additions and improvements to the System and to finance future extensions, additions and improvements to the System, provided the City has met the requirements of the Current Bond Ordinance.

This Bond shall be registered as to principal and interest in the name of the owner hereof, after which it shall be transferable only upon presentation to the City Clerk of the City as the Bond Registrar, with a written transfer duly acknowledged by the registered owner or its duly authorized attorney, which transfer shall be noted upon this Bond and upon the registration book of the City kept for that purpose.

The City, at its option, shall have the right to prepay, on any interest payment date on and after January 1, 2030, in inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof, in a multiple of One Hundred Dollars (\$100), as the City may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by certified mail to the registered owner of this Bond or its assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the registered owner of this Bond.

So long as the registered owner of this Bond is the United States of America, or any agency thereof, the entire principal amount of this Bond, or installments in multiples of \$100, may be prepaid at any time in inverse chronological order of the installments due. Prepayments or extra payments on this Bond shall, after payment of interest, be applied to the installments last to become due thereunder and shall not affect the obligation of the City to pay the remaining installments in accordance with this Bond. Notice of such prepayment shall be given by certified mail to the Bondowner or his assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the consent of the Bondowner.

Upon default in the payment of any principal or interest payment on this Bond, or upon failure by the City to comply with any other provision of this Bond or with any provision of the Current Bond Ordinance, the registered owner may, at its option, institute all rights and remedies provided by law or by said Current Bond Ordinance.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond, do exist, have happened and have been performed in due time, form and manner as required by law, and that the face amount of this Bond, together with all other obligations of the City, does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky.

IN WITNESS WHEREOF said City of Caneyville, by its City Commission, has caused this Bond to be executed by its Mayor, its corporate seal to be hereunto affixed, and attested by its City Clerk, on the date of this Bond, which is

CITY OF CANEYVILLE, KENTUCKY

By _____
Mayor

Attest:

City Clerk

(Seal of City)

PROVISION FOR REGISTRATION

This Bond shall be registered on the registration book of the City kept for that purpose by the City Clerk, as Bond Registrar, upon presentation hereof to said City Clerk, who shall make notation of such registration in the registration blank, and this Bond may thereafter be transferred only upon written transfer acknowledged by the registered owner or its attorney, such transfer to be made on said book and endorsed hereon.

Date of Registration	Name of Registered Owner	Signature of Bond Registrar

ASSIGNMENT

For value received, this Bond is hereby assigned, without recourse and subject to all of its terms and conditions, unto _____, this ____ day of _____, _____.

By: _____

EXHIBIT C

REQUISITION CERTIFICATE

Re: City of Caneyville Water System Revenue Bonds, Series 2021, in the principal amount of \$1,198,000

The undersigned hereby certify as follows:

1. That they are the signatories required for construction and/or administrative draws pursuant to the Bond Ordinance enacted by the Issuer, the City of Caneyville, Kentucky (the "City").
2. That the named firms and/or persons set forth on Exhibit A attached hereto are now entitled to the aggregate sum of \$_____, itemized as set forth in said Exhibit A and as per approved invoices attached hereto.
3. That upon said amount being lent to said City and/or obtained by said City from the proceeds of the Current Bonds and/or other sources, the undersigned approve such expenditure and the payment of said amounts to said firms and/or persons, either directly or from amounts on deposit in the "City of Caneyville Water System Construction Account".
4. That we hereby certify that we have carefully inspected the work and, as a result of our inspection and to the best of our knowledge and belief, the amounts shown in this Requisition Certificate are correct and the work has been performed in accordance with the agreements between the City and the parties requesting payment.

IN TESTIMONY WHEREOF, witness the signature of the undersigned, this ____ day of _____, 20____.

City of Caneyville, Kentucky
By _____
Mayor

Water Management Services, LLC
By _____
Registered Professional Engineer
State of Kentucky No. _____

Approved on _____

Approved on _____

USDA, Rural Development

Amount expended heretofore \$ _____

By _____
Authorized RD Official

Amount approved herein _____

Total _____

EXHIBIT A TO REQUISITION CERTIFICATE

Name of Entity/Person

Amount

EXHIBIT 19

Grayson County Water District

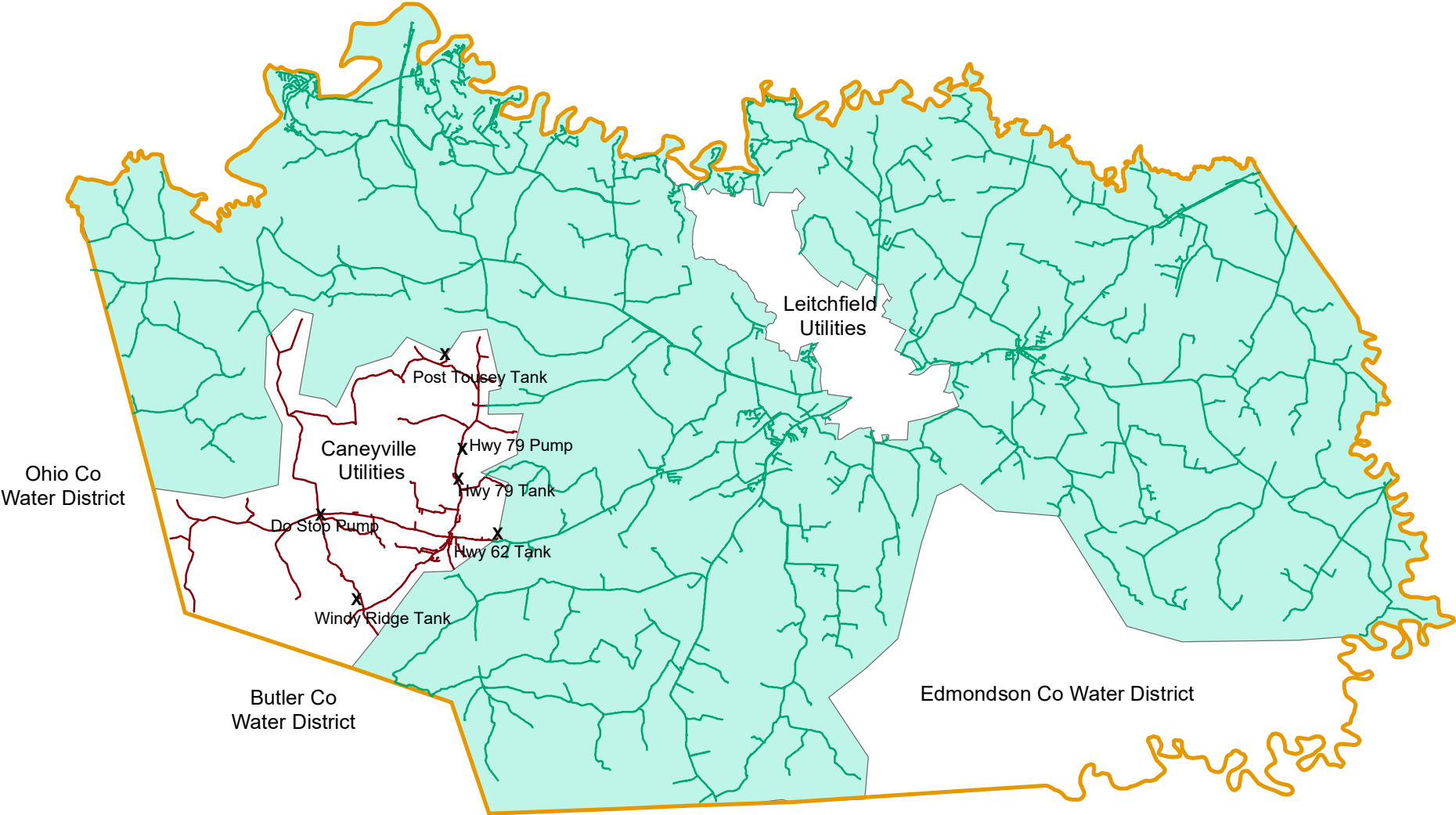


EXHIBIT 20

**GRAYSON COUNTY WATER DISTRICT
 CERTIFIED WATER TREATMENT OPERATORS
 CERTIFIED DRINKING WATER DISTRIBUTION SYSTEM OPERATORS**

Name	DISTRIBUTION SYSTEM		WATER TREATMENT	
	Certification Level	License Number	Certification Level	License Number
Jeremy S Woosley	Class IV	14588	Class IVA	15452
James D Hale	Class IV	15414	Class IVA	16039
David Poole	Class III	21651	Class IVA	19849
Jason K Tubb	Class III	17555		
Steve R Hill	Class II	2042		
Kyle Crawford	Class II	62142		
Seth L Beatty	Class II	62892		
Perry W Kiper	Class II	59715		
Kevin W Shaw			Class III A	14359
Marvin J Sallee			Class III A	58326
Russell A. Webb			Class III A	31067

EXHIBIT 21

**CANEYVILLE'S
CURRENT WATER RATES**

Water Rates

Usage (Gallons)	Inside City	Outside City
First 1,500	\$ 21.25 Minimum	\$ 26.50 Minimum
Next 3,000	\$ 9.15 per 1,000 gallons	\$ 11.14 per 1,000 gallons
Next 5,000	\$ 7.38 per 1,000 gallons	\$ 8.96 per 1,000 gallons
Over 9,500	\$ 5.72 per 1,000 gallons	\$ 6.22 per 1,000 gallons

EXHIBIT 22

CURRENT RATES

GRAYSON COUNTY WATER DISTRICT

EFFECTIVE DECEMBER 14, 2021

5/8-Inch Meter

First	1,500	Gallons	\$	20.37	Minimum Bill
Next	8,500	Gallons	\$	0.00955	Per Gallon
Next	40,000	Gallons	\$	0.00858	Per Gallon
Next	100,000	Gallons	\$	0.00761	Per Gallon
Over	150,000	Gallons	\$	0.00667	Per Gallon

3/4-Inch Meter

First	3,000	Gallons	\$	34.68	Minimum Bill
Next	7,000	Gallons	\$	0.00955	Per Gallon
Next	40,000	Gallons	\$	0.00858	Per Gallon
Next	100,000	Gallons	\$	0.00761	Per Gallon
Over	150,000	Gallons	\$	0.00667	Per Gallon

1-Inch Meter

First	5,000	Gallons	\$	53.78	Minimum Bill
Next	5,000	Gallons	\$	0.00955	Per Gallon
Next	40,000	Gallons	\$	0.00858	Per Gallon
Next	100,000	Gallons	\$	0.00761	Per Gallon
Over	150,000	Gallons	\$	0.00667	Per Gallon

1 1/2-Inch Meter

First	10,000	Gallons	\$	101.51	Minimum Bill
Next	40,000	Gallons	\$	0.00858	Per Gallon
Next	100,000	Gallons	\$	0.00761	Per Gallon
Over	150,000	Gallons	\$	0.00667	Per Gallon

2-Inch Meter

First	16,000	Gallons	\$	152.98	Minimum Bill
Next	34,000	Gallons	\$	0.00858	Per Gallon
Next	100,000	Gallons	\$	0.00761	Per Gallon
Over	150,000	Gallons	\$	0.00667	Per Gallon

3-Inch Meter

First	30,000	Gallons	\$	273.07	Minimum Bill
Next	20,000	Gallons	\$	0.00858	Per Gallon
Next	100,000	Gallons	\$	0.00761	Per Gallon
Over	150,000	Gallons	\$	0.00667	Per Gallon

4-Inch Meter

First	50,000	Gallons	\$	444.63	Minimum Bill
Next	100,000	Gallons	\$	0.00761	Per Gallon
Over	150,000	Gallons	\$	0.00667	Per Gallon

6-Inch Meter

First	100,000	Gallons	\$	825.11	Minimum Bill
Next	50,000	Gallons	\$	0.00761	Per Gallon
Over	150,000	Gallons	\$	0.00667	Per Gallon

8-Inch Meter

First	150,000	Gallons	\$	1,205.59	Minimum Bill
Over	150,000	Gallons	\$	0.00667	Per Gallon

10-Inch Meter

First	250,000	Gallons	\$	1,872.87	Minimum Bill
Over	250,000	Gallons	\$	0.00667	Per Gallon

EXHIBIT 23

CURRENT WATER RATES

Usage (Gallons)	Caneyville		Grayson County Water District
	Inside City	Outside City	
0 to 1,500	\$ 21.25 Minimum Bill	\$ 26.50 Minimum Bill	\$ 20.37 Minimum Bill
1,501 to 4,500	\$ 9.15 per 1,000 gallons	\$ 11.14 per 1,000 gallons	\$ 9.55 per 1,000 gallons
4,501 to 9,500	\$ 7.38 per 1,000 gallons	\$ 8.96 per 1,000 gallons	\$ 9.55 per 1,000 gallons
9,501 to 10,000	\$ 5.72 per 1,000 gallons	\$ 6.22 per 1,000 gallons	\$ 9.55 per 1,000 gallons
10,001 to 50,000	\$ 5.72 per 1,000 gallons	\$ 6.22 per 1,000 gallons	\$ 8.58 per 1,000 gallons
50,001 to 150,000	\$ 5.72 per 1,000 gallons	\$ 6.22 per 1,000 gallons	\$ 7.61 per 1,000 gallons
Over 150,000	\$ 5.72 per 1,000 gallons	\$ 6.22 per 1,000 gallons	\$ 6.67 per 1,000 gallons

Note: The current rates shown for Grayson County Water District are the rates approved by the Kentucky Public Service Commission in Case No. 2021-00191 by Order dated December 14, 2021. The rates shown for Grayson County Water District are for 5/8-inch meter service.

EXHIBIT 24

WATER BILL COMPARISON

Usage (Gallons)	Caneyville		Grayson County Water District
	Inside City	Outside City	
1,500	\$ 21.25	\$ 26.50	\$ 20.37
2,000	\$ 25.83	\$ 32.07	\$ 25.15
2,900	\$ 34.06	\$ 42.10	\$ 33.74
3,000	\$ 34.98	\$ 43.21	\$ 34.70
4,000	\$ 44.13	\$ 54.35	\$ 44.25
5,000	\$ 52.39	\$ 64.40	\$ 53.80
6,000	\$ 59.77	\$ 73.36	\$ 63.35
10,000	\$ 88.46	\$ 107.83	\$ 101.55

Note: Caneyville's average monthly usage is 2,900 gallons.