

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

ELECTRONIC INVESTIGATION OF JESSAMINE-
SOUTH ELKHORN WATER DISTRICT AND ITS
INDIVIDUAL COMMISSIONERS, JAMES F. HALL,
JERRY HAWS, THOMAS BEALL, AND CLAY
CORMAN, ALLEGED VIOLATION OF KRS 278.300

CASE NO. 2022-00344

**JESSAMINE-SOUTH ELKHORN WATER DISTRICT'S RESPONSES TO
COMMISSION STAFF'S POST-HEARING REQUEST FOR INFORMATION**

Respectfully submitted,

/s/ Bruce E. Smith

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VERIFICATION

COMMONWEALTH OF KENTUCKY)

)

COUNTY OF JESSAMINE)

The undersigned, Kimberly Horton Miller, being duly sworn, deposes and says that she is an employee of Jessamine South Elkhorn Water District, and that she has personal knowledge of the matters set forth in the responses for which she is identified as the witness, and the answers contained therein are true and correct to the best of her information, knowledge and belief.


Kimberly Horton Miller

Subscribed and sworn to before me, this 24th day of July 2023.

My commission expires: January 15, 2027.


NOTARY PUBLIC

KYNP 63908

REQUEST NO. 1: State the amount of any financing charges or expenses arising from the extensions of Central Bank Loans 943 and 958, and provide any documents reflecting the amount of those financing charges or expenses.

RESPONSE: \$2,998.00 – See **Ex. A-1 and A-2** attached.

Witness: Kimberly Horton Miller

REQUEST NO. 2: Provide copies of any checks used to pay financing charges or expenses related to the extensions of Central Bank Loans 943 and 958.

RESPONSE: No checks were written because expenses were deducted from loan closing proceeds.

Witness: Kimberly Horton Miller

REQUEST NO. 3: Provide a copy of the general ledgers for three months prior to and three months following the origination of the extension of Central Bank Loan 943 and 958 (September 29, 2019) and highlight any payments made on Central Bank Loans 943 and 958

RESPONSE:

See **Ex. B.**

Witness: Kimberly Horton Miller

REQUEST NO. 4: Provide all agendas and documents that were prepared and provided to the commissioners at all meetings between January 1, 2019, and December 31, 2019.

RESPONSE:

See **Group Ex. C – 1 through Group Ex. C – 12b**. The numbers correspond to the monthly meeting packages provided to each Commissioner. For the months of November 2019 and December 2019, the document packages were broken into sets “a” and “b”.

Witness: Kimberly Horton Miller

REQUEST NO. 5: State if at each meeting the water commissioners are provided a record of all accounting book entries (debits, credits, and balances), and state if that was the practice between January 1, 2019 and the present.

RESPONSE: The Commissioners do not receive a copy of “all” accounting book entries at each monthly meeting – they receive the types of records reflected in **Group Ex. C – 1 through C – 12b** attached in the prior Response which do not include the general ledger. All other records, including the General Ledger, are available to the Commissioners upon request. The only exception to the forgoing for the period in question is that a trial balance was added to the Commissioners’ meeting packet, starting with the November 7, 2019 meeting and continuing through the February 2022 meeting. Beginning with the March 2, 2022 meeting to present, the trial balance has not been included in the Commissioners’ meeting packet.

Witness: Kimberly Horton Miller

REQUEST NO. 6: Explain the discrepancy between Jessamine-South Elkhorn District's reporting of evidence of indebtedness in its annual audits and annual reports filed with the Public Service Commission for the year ending in 2021, including but not limited to the listing of zero dollars under Notes Payable on page 46 of the 2021 annual report.

RESPONSE: See **Group Ex. D-1** (Annual Report – YE 12/31/21 – see pages 40, 42 and 46) and **Group Ex. D-2** (Annual Audit – YE 12/31/21 – see pages 10 and 11).

Page 46 of the Annual Report discloses Accrued Interest and references four categories – including “Long Term Debt” and “Notes Payable.” The District reported all of its accrued interest (\$216,497.00) under Long Term Debt without differentiating between that category and the others. The total accrued interest reported matches a like amount found on the Income Statement of the Annual Audit (page 11) reported under Interest Expense. The perceived discrepancy is nothing more than a difference in the categorization between the Annual Report and the Annual Audit.

Pages 40 and 42 of the Annual Report reflect Long Term Debt and Bond Maturities. The District disclosed its KIA and Central Bank debts as “Long Term Debt” (\$3,728,195.00) on page 40 and its bond debts on page 42 (\$2,900,500.00). These amounts comprise all of the District's indebtedness. Reference to the Annual Audit on page 10 shows the same amounts of principal debt under Long-Term Liabilities as Notes Payable (\$3,728,195.00) and Bonds Payable (\$2,900,500.00). The Annual Audit agrees with the Annual Report.

Witness: Kimberly Horton Miller

REQUEST NO. 7: State who was hired to compile and file Jessamine-South Elkhorn District's annual reports and audit reports for each of the last nine years with the Public Service Commission.

RESPONSE: See **Ex. E** (RFH – CPAs, 300 W. Vine Street, Suite 800, Lexington, KY 40507 and Besten & Dieruf, PLLC, 190 Market Street, Lexington, KY 40507)

Witness: Kimberly Horton Miller

REQUEST NO. 8: Identify the water commissioner training attended by each of Jessamine-South Elkhorn District's water commissioners from 2005 to present, providing the name of the training program, the name of the organization(s) that provided the training, and the dates and hours each commissioner attended each training program.

RESPONSE: See **Ex. F** attached. The District was unable to locate a complete set of records of Commissioner training. However, it was able to gather some information from other sources for those years that it was missing. Notwithstanding the lack of complete records, the Commissioners have always been conscientious about acquiring their annual training and have usually attended such training as a group. The attendance during calendar year 2020, or lack thereof, can be explained by Mr. Hall's attendance early that year before COVID 19 brought gatherings to a halt. The disruption and confusion caused by the COVID 19 shutdown during the remainder of 2020 is the reason behind the other Commissioners missing their training that year.

Witness: Kimberly Horton Miller

REQUEST NO. 9: Provide the minutes from all meeting in which the annual report or audit report was approved during the last three years.

RESPONSE: See **Ex. G** and **Ex. H** for 2020 and 2021 (discussing FY19 and FY20 audits). These minutes do not expressly approve the annual audit, but it can be assumed from the lack of comment in the minutes that the Commissioners accepted the audit without objection. No minutes during 2022 evidence submission and approval of the annual audit although one was performed, prepared and delivered to the District (see **Ex. D – 2**).

Witness: Kimberly Horton Miller

REQUEST NO. 10: Refer to Jessamine-South Elkhorn District's 2021 Audit Report,¹ which references Series 2000B Revenue Bonds.

- a. Provide the principal amount and the date of origination of those bonds.
- b. State whether Commission approval was sought for the bonds, and if so, identify the case in which Commission approval was sought.
- c. State which water commissioners were present for the vote to approve the bonds, and state how each water commissioner voted.
- d. Provide the minutes for any meeting in which the bonds were approved by the board of Jessamine-South Elkhorn District.

RESPONSE:

- a. Principal Amount: \$2,301,000.00; date of origination: September 1, 2000.
- b. Kentucky Public Service Commission approval was sought and approved in Case No.99-287.
- c. and d. No meeting minutes are available due to a fire which destroyed the District's meeting minutes for the years 1994-2004.

Witness: Kimberly Horton Miller

¹ *Audit Report of Jessamine South Elkhorn Water District to the Public Service Commission for the Year Ending in December 31, 2021* (2021 Audit Report) at 17.

REQUEST NO. 11: Refer to the 2021 Audit Report,² which references Series 2009A Revenue Bonds.

- a. Provide the principal amount and the date of origination of those bonds.
- b. State whether Commission approval was sought for the bonds, and if so, identify the case in which Commission approval was sought.
- c. State which water commissioners were present for the vote to approve the bonds, and state how each water commissioner voted.
- d. Provide the minutes for any meeting in which the bonds were approved by the board of Jessamine-South Elkhorn District.

- RESPONSE:**
- a. Principal Amount: \$240,000.00; date of origination: March 4, 2010.
 - b. KPSC approval was sought and granted in Case No. 2010-100.
 - c. Commissioners present at 2009 and 2010 meetings – Strong, Hall, Blackford, Robinson and Haws – all voting to approve.
 - d. See **Ex. I and Ex. J** attached.

Witness: Kimberly Horton Miller

² 2021 Audit Report at 17.

REQUEST NO. 12: Referencing the 2021 Audit Report,³ which references Series 2008A Revenue Bonds.

- a. Provide the principal amount and the date of origination of those bonds.
- b. State whether Commission approval was sought for the bonds, and if so, identify the case in which Commission approval was sought.
- c. State which water commissioners were present for the vote to approve the bonds, and state how each water commissioner voted.
- d. Provide the minutes for any meeting in which the bonds were discussed or approved by the board of Jessamine-South Elkhorn District.

RESPONSE:

- a. Principal amount: \$750,000.00; date of origination: March 4, 2010.
- b. KPSC approval was sought and granted in Case No.2010-100
- c. Commissioners present at 2007 meeting – Strong, Hall, Blackford and Robinson – all voting to approve.
- d. See **Ex. K.**

Witness: Kimberly Horton Miller

³ 2021 Audit Report at 17.

REQUEST NO. 13: Referencing the 2021 Audit Report,⁴ which references Series 2016D Revenue Bonds, please provide the principal amount, date of origination, and state whether Commission approval was sought for the bonds and if so, identify the case in which it was sought. Also state which commissioners were present for the vote to approve the bond, which approved, objected, or did not vote.

RESPONSE: Principal Amount: \$470,000.00; date of origination: November 30, 2016; KPSC approval was sought and granted in Case No. 2015-397; see **Ex. L, Ex. M and Ex. N**; Strong, Hall, Haws, Corman, and Beall present and all voting in favor at October 2016 meeting; and Strong, Haws, Hall and Beall present and voting in favor at November 2016 meeting.

Witness: Kimberly Horton Miller

⁴ 2021 Audit Report at 17.