

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION**

IN THE MATTER OF:

**ELECTRONIC APPLICATION OF THE GRAYSON )**  
**COUNTY WATER DISTRICT FOR A )**  
**CERTIFICATE OF PUBLIC CONVENIENCE )**  
**AND NECESSITY TO CONSTRUCT A SYSTEM ) Case No. 2023-00117**  
**IMPROVEMENTS PROJECT AND AN ORDER )**  
**AUTHORIZING THE ISSUANCE OF SECURITIES )**  
**PURSUANT TO KRS 278.023 )**

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**Supplemental Information Filing**

The Applicant, Grayson County Water District ("Grayson District"), by Counsel, files this Supplemental Information Filing, as follows:

Grayson District filed its Application with the Kentucky Public Service Commission (Commission) on May 31, 2023 pursuant to KRS 278.023 requesting the issuance of a Certificate of Public Convenience and Necessity (CPCN) to construct a waterworks improvements project (Project) and authorization to issue securities to finance said Project. The Application was deemed filed on June 7, 2023. The Project funding as shown in Amendment No. 2 (Amendment No. 2) of the USDA, Rural Development (RD) letter of conditions (LOC) (attached to the original Application as Exhibit "B") consists of (i) an RD loan (RD Loan) in the amount of \$5,619,000; (ii) an RD grant in the amount of \$911,000; and (iii) a Kentucky Infrastructure Authority Drinking Water State Revolving Fund F Loan (KIA Loan) in the amount of \$7,231,000. As part of the original

Application, Grayson District requested the Commission to authorize the issuance of securities consisting of the RD Loan and the KIA Loan. An issue has been raised as to whether the KIA Loan can be authorized pursuant to the provisions of KRS 278.023 instead of KRS 278.300.

Grayson District and its Counsel are of the opinion that the KIA Loan can be authorized by the Commission under KRS 278.023 as such KIA Loan is included as part of the Project Funding in Amendment No. 2 of the LOC and also is included as part of the dollar bid awards in the RD Contract Award Concurrence letter issued by the RD State Engineer (filed with the original Application as Exhibit "C").

KRS 278.023 applies to construction projects undertaken by water districts which are "financed in whole or in part under the terms of an agreement between the water utility and the United States Department of Agriculture" (i.e. the RD letter of conditions). KRS 278.023 also states "it is declared to be the policy of the Commonwealth that such agreements shall be accepted by the Public Service Commission, and that the commission shall not prohibit a water utility from fulfilling its obligations under such an agreement". The KIA Loan is an integral part of the Project Funding and is specifically set out in the "agreement between the water utility and the United States Department of Agriculture" (the LOC) and accordingly, should be authorized to be issued as part of the federal financing of the Project.

#### **KIA Loan Authorization Pursuant to KRS 278.300**

Grayson District realizes that the Commission may not agree with Grayson District's interpretation of KRS 278.023 and in the interest of expediting the approval and commencement of

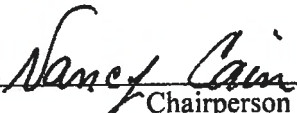
the Project and the authorization to issue securities, Grayson District hereby desires to comply with the filing requirements of KRS 278.300 and 807 KAR 5:001 and states as follows:

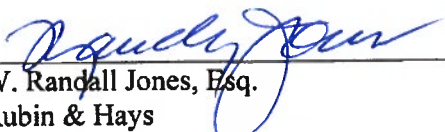
1. Pursuant to 807 KAR 5:001, Section 12 - Financial Exhibit; Grayson District hereby responds as follows:
  - (i) Section 12(1)(a): Grayson District states that it had less than \$5,000,000 in gross annual revenue in the immediate past calendar year and that no material changes have occurred since December 31, 2022.
  - (ii) Section 12(2)(a), (b) and (c) Stock: Grayson District does not have any authorized, issued or outstanding stock as of the date hereof.
  - (iii) Section 12(2)(d) Mortgages: Grayson District does not have any outstanding mortgages as of the date hereof.
  - (iv) Section 12(2)(e), (f) and (g) Indebtedness: Detailed information concerning the outstanding indebtedness of Grayson District is contained in the 2022 audited financial statements which have been filed with the Commission and are incorporated herein by reference.
  - (v) Section 12(2)(h) Dividends: Grayson District has no outstanding stock and therefore pays no dividends.
  - (vi) Section 12(2)(i) Financial Statements: See **Exhibit "A"** attached hereto.
2. Pursuant to 807 KAR 5:001, Section 18, Grayson District hereby responds as follows:
  - (i) Section 18(1)(a): Grayson District has complied with the requirements of 807 KAR 5:001, Section 14.

- (ii) Section 18(1)(b): A general description of Grayson District's property, its field of operation and a statement of original cost of said property and the cost to Grayson District is contained in Grayson District's 2022 Annual Report on file with this Commission.
- (iii) Section 18(1)(c): Grayson District is not issuing any stock as part of this financing. The information concerning the proposed KIA Loan is contained in the original Application and the supporting exhibits. The KIA Loan will be secured by and payable from the gross revenues of Grayson District's water system.
- (iv) Section 18(1)(d): Garrard Water is not refunding any outstanding obligations in connection with this Project. The proceeds of the KIA Loan are being used for the construction of the Project as described in the original Application.
- (v) Section 18(1)(f): Grayson District is not refunding any outstanding obligations in connection with this Project.
- (vi) Section 18(1)(g): Written notification of the proposed issuance of the KIA Loan is being provided to the State Local Debt Officer (see **Exhibit "B"** attached hereto).
- (vii) Section 18(2)(a): See paragraph #1 above.
- (viii) Section 18(2)(b): Grayson District does not have any outstanding trust deeds or mortgages.

Respectfully Submitted

Grayson County Water District

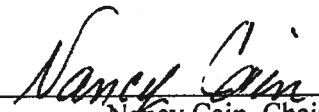
By:  \_\_\_\_\_  
Chairperson  
Board of Water Commissioners

 \_\_\_\_\_  
W. Randall Jones, Esq.  
Rubin & Hays  
Counsel for Grayson County Water District  
Kentucky Home Trust Building  
450 South Third Street  
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COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF GRAYSON )

The undersigned, Nancy Cain, being duly sworn, deposes and states that she is the Chairperson of the Board of Commissioners of the Grayson County Water District, Applicant, in the above proceedings; that she has read the foregoing Supplemental Information Filing and has noted the contents thereof; that the same is true of her own knowledge, except as to 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 June 20<sup>th</sup>, 2023.

  
\_\_\_\_\_  
Nancy Cain, Chairperson  
Grayson County Water District

Subscribed and sworn to before me by Nancy Cain, Chairperson of the Board of Commissioners of the Grayson County Water District, on this June 20<sup>th</sup>, 2023.

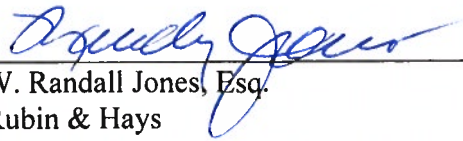
My Commission expires: 02/10/2026 .

  
\_\_\_\_\_  
Notary Public

Notary Public Number KYNP44526

**CERTIFICATE OF SERVICE**

The undersigned, in accordance with 807 KAR 5:001, Section 8, hereby certifies that Grayson County Water District's electronic filing of the foregoing Supplemental Information Filing is a true and accurate copy of the same document being transmitted via electronic filing to the Kentucky Public Service Commission on June 20, 2023; that there are currently no parties that the Kentucky Public Service Commission has excused from participation by electronic means in this proceeding.



W. Randall Jones, Esq.

Rubin & Hays

Kentucky Home Trust Building

450 South Third Street

Louisville, Kentucky 40202

Phone: (502) 569-7525

Fax: (502) 569-7555

Counsel for Grayson County Water District

[wrjones@rubinhays.com](mailto:wrjones@rubinhays.com)

# **EXHIBIT A**

## **Financial Statements**



**GRAYSON COUNTY WATER DISTRICT**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2022**

	<b>DECEMBER 31, 2022</b>	<b>DECEMBER 31, 2021</b>	<b>SUMMARY</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents			
Operation and maintenance	\$ 71,556	\$ 80,101	
Revenue	147,841	162,372	
Construction	1,974	1,974	
Accounts receivable			
Customer accounts receivable, net of allowance for uncollectibles of \$234,674 and \$216,504	343,261	312,096	
Other accounts receivable	27,823	0	
Unbilled revenue	168,334	153,860	
Prepaid expenses	57,365	54,454	
Inventory	266,488	329,857	
Current portion of notes receivable	0	7,904	
<b>TOTAL CURRENT ASSETS</b>	<b>1,084,642</b>	<b>1,102,618</b>	
<b>NONCURRENT ASSETS</b>			
Restricted cash and cash equivalents			
Bond and note sinking funds	543,794	619,392	
Depreciation fund	1,051,961	788,123	
Note receivable - City of Leitchfield	0	0	
Capital assets			
Land and land rights	431,941	431,941	
Construction in progress	1,455,598	945,109	
Utility plant and lines	34,725,881	33,559,341	
Utility equipment and other	1,096,733	1,001,633	
Less: Accumulated depreciation	(17,029,767)	(16,130,148)	
<b>TOTAL NONCURRENT ASSETS</b>	<b>22,276,141</b>	<b>21,215,391</b>	
<b>TOTAL ASSETS</b>	<b>\$ 23,360,783</b>	<b>\$ 22,318,009</b>	

(CONTINUED)

	<u>DECEMBER 31, 2022</u>	<u>DECEMBER 31, 2021</u> <u>SUMMARY</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 145,849	\$ 101,109
Accrued liabilities	151,297	151,110
School and sales taxes payable	12,844	10,359
Interest payable from restricted assets	103,777	57,901
Interest payable - Customer deposits	172	144
Customer deposits	69,230	40,190
Current portion of long-term debt	386,000	441,777
<b>TOTAL CURRENT LIABILITIES</b>	<u>869,169</u>	<u>802,590</u>
<b>NONCURRENT LIABILITIES</b>		
Bonds and loans payable	6,904,500	6,778,277
Less: Current portion of long-term debt	(386,000)	(441,777)
Bond premium, net of amortization of \$43,619 and \$16,555	362,381	389,445
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>6,880,881</u>	<u>6,725,945</u>
<b>TOTAL LIABILITIES</b>	<u>7,750,050</u>	<u>7,528,535</u>
<b>NET POSITION</b>		
Net investment in capital assets	13,775,886	13,029,599
Restricted for		
Debt service	543,794	619,392
Depreciation reserves	1,051,961	788,123
Unrestricted	239,092	352,360
<b>TOTAL NET POSITION</b>	<u>15,610,733</u>	<u>14,789,474</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 23,360,783</u>	<u>\$ 22,318,009</u>

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

**GRAYSON COUNTY WATER DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	<b>FOR THE YEAR ENDED DECEMBER 31, 2022</b>	<b>DECEMBER 31, 2021 SUMMARY</b>
<b>OPERATING REVENUES</b>		
<b>METERED SALES</b>		
Residential	\$ 3,268,370	\$ 3,021,892
Commercial	572,459	474,878
Agriculture	85,241	79,461
Resale	96,502	140,974
<b>TOTAL METERED SALES</b>	4,022,572	3,717,205
<b>FORFEITED DISCOUNTS</b>	49,374	18,125
<b>MISCELLANEOUS SERVICE REVENUE</b>	21,639	61,878
<b>TOTAL OPERATING REVENUES</b>	4,093,585	3,797,208
 <b>OPERATING EXPENSES</b>		
<b>PURCHASED WATER</b>	388,415	389,776
<b>SUPPLY AND PUMPING EXPENSE</b>		
Purchased power	41,601	33,469
Materials and supplies	8,458	14,285
Insurance	15,238	13,496
Transportation	8,505	5,929
Miscellaneous	0	0
Payroll and contractual services	151,421	147,586
<b>TOTAL SUPPLY AND PUMPING EXPENSE</b>	225,223	214,765
<b>WATER TREATMENT EXPENSE</b>		
Purchased power	134,719	110,587
Materials and supplies	226,706	149,185
Insurance	15,238	13,496
Transportation	2,835	556
Miscellaneous	4,588	4,284
Payroll and contractual services	454,860	365,036
Professional services	23,571	19,581
<b>TOTAL WATER TREATMENT EXPENSE</b>	862,517	662,725
<b>GENERAL DISTRIBUTION EXPENSE</b>		
Purchased power	1,587	1,243
Legal and consultants	3,200	0
Materials and supplies	9,729	13,240
Insurance	19,306	19,176
Transportation	20,340	13,379
Miscellaneous	13,470	9,267
Payroll and contractual services	254,818	192,095
<b>TOTAL GENERAL DISTRIBUTION EXPENSE</b>	322,450	248,400
<b>MAINTENANCE EXPENSE</b>		
Transportation	8,966	5,210
Payroll and contractual services	178,465	165,046
Distributions	7,655	9,751
Services	12,440	17,382
<b>TOTAL MAINTENANCE EXPENSE</b>	207,526	197,389

(CONTINUED)

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

**GRAYSON COUNTY WATER DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION (CONCLUDED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	<b>FOR THE YEAR ENDED DECEMBER 31, 2022</b>	<b>DECEMBER 31, 2021 SUMMARY</b>
<b>CUSTOMER ACCOUNTS EXPENSE</b>		
Bad debt expense	\$ 18,222	\$ 17,410
Materials and supplies	59,053	56,841
Transportation	26,379	18,768
Miscellaneous	13,201	6,704
Payroll and contractual services	420,075	390,457
Customer records	81,077	79,207
<b>TOTAL CUSTOMER ACCOUNTS EXPENSE</b>	<b>618,007</b>	<b>569,387</b>
<b>ADMINISTRATIVE AND GENERAL EXPENSE</b>		
Materials and supplies	37,520	35,398
Insurance	18,710	19,515
Transportation	8,505	1,185
Miscellaneous	67,844	65,232
Payroll and contractual services	309,824	298,075
Professional services	100,552	79,120
<b>TOTAL ADMINISTRATIVE AND GENERAL EXPENSE</b>	<b>542,955</b>	<b>498,525</b>
<b>DEPRECIATION EXPENSE</b>	899,619	869,816
<b>TOTAL OPERATING EXPENSES</b>	<b>4,066,712</b>	<b>3,650,783</b>
<b>OPERATING INCOME (LOSS)</b>	<b>26,873</b>	<b>146,425</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Grant income	150,000	322,825
Rent income	54,199	70,565
Interest income	1,519	8,142
Bond issuance costs	0	(69,996)
Gain (loss) on sale of equipment	7,100	1,900
Interest expense	(179,923)	(204,626)
PSC taxes	(5,669)	(7,089)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>27,226</b>	<b>121,721</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	54,099	268,146
<b>CAPITAL CONTRIBUTIONS</b>		
Contributions in aid of construction	767,160	177,460
<b>TOTAL CAPITAL CONTRIBUTIONS</b>	<b>767,160</b>	<b>177,460</b>
<b>CHANGE IN NET POSITION</b>	821,259	445,606
<b>TOTAL NET POSITION - BEGINNING</b>	14,789,474	14,343,868
<b>TOTAL NET POSITION - ENDING</b>	<b>\$ 15,610,733</b>	<b>\$ 14,789,474</b>

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

**GRAYSON COUNTY WATER DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<b>FOR THE YEAR ENDED DECEMBER 31, 2022</b>	<b>DECEMBER 31, 2021 SUMMARY</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 4,047,946	\$ 3,751,095
Payments to suppliers	(1,337,172)	(1,345,886)
Payments for payroll and contractual services	(1,724,536)	(1,639,956)
Other receipts (payments)	(1,967)	(7,115)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>984,271</b>	<b>758,138</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
	0	0
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Grant income	150,000	322,825
Bond proceeds	568,000	2,070,000
Bond issuance cost	0	(69,996)
Bond premium	0	315,637
Proceeds from capital debt	0	0
Principal repayments of capital debt	(441,777)	(3,155,662)
Capital contributions	767,160	177,460
Purchase of capital assets	(1,772,129)	(1,354,649)
Rent income	54,199	70,565
Miscellaneous income	0	0
Insurance proceeds	0	0
Proceeds on sale of capital assets	7,100	1,900
Interest paid on capital debt	(206,987)	(214,780)
Increase (decrease) in interest payable-Customer deposits	28	(4)
Increase (decrease) in interest payable from restricted assets	45,876	(46,852)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(828,530)</b>	<b>(1,883,556)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	1,519	8,142
Decrease in note receivable-City of Leitchfield	7,904	0
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>9,423</b>	<b>8,142</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>165,164</b>	<b>(1,117,276)</b>
<b>CASH AND CASH EQUIVALENTS - JANUARY 1, 2022</b>	<b>1,651,962</b>	<b>2,769,238</b>
<b>CASH AND CASH EQUIVALENTS - DECEMBER 31, 2022</b>	<b>\$ 1,817,126</b>	<b>\$ 1,651,962</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 26,873	\$ 146,425
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities		
Depreciation expense	899,619	869,816
Payment of PSC taxes	(5,669)	(7,089)
Changes in assets and liabilities		
Net (increase) decrease in accounts receivable	(31,165)	(41,194)
Net (increase) decrease in other accounts receivable	(27,823)	0
Net (increase) decrease in unbilled revenue	(14,474)	(4,919)
Net (increase) decrease in prepaid expenses	(2,911)	(997)
Net (increase) decrease in inventory	63,369	(122,217)
Net increase (decrease) in accounts payable	44,740	(92,703)
Net increase (decrease) in accrued liabilities	187	11,042
Net increase (decrease) in school and sales taxes payable	2,485	(1,566)
Net increase (decrease) in customer deposits	29,040	1,540
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 984,271</b>	<b>\$ 758,138</b>

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

## **EXHIBIT B**

Notification to the State Local Debt Officer

# Rubin & Hays

ATTORNEYS AT LAW

Kentucky Home Trust Building, 450 South Third Street, Louisville, Kentucky 40202-1410  
Telephone (502) 569-7525 Telefax (502) 569-7555 www.rubinhays.com

CHARLES S. MUSSON  
W. RANDALL JONES  
CHRISTIAN L. JUCKETT  
NICHOLAS J. LOCOCO

June 20, 2023

Honorable Dennis Keene  
Commissioner and State Local Debt Officer  
100 Airport Road, Third Floor  
Frankfort, Kentucky 40601

Re: Grayson County Water District - water project  
Notice of Intent to Issue Securities

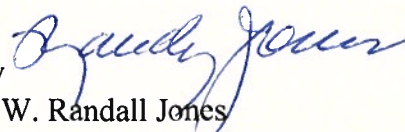
Dear Commissioner Keene:

Pursuant to the regulations of the Kentucky Public Service Commission, specifically 807 KAR 5:001: Section 18(1)(g), please be advised that the Grayson County Water District (the "District") hereby notifies the State Local Debt Officer that the District intends on issuing securities in the form of a loan from the Kentucky Infrastructure Authority for the purpose of financing, in part, certain improvements to the water system of the District.

We will file the appropriate documents with your office in accordance with the requirements of KRS 65.117, once the securities are issued.

Very truly yours,

Rubin & Hays

By   
W. Randall Jones

WRJ:jlm  
Enclosures