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Green River Valley Water District

Financial Statements

June 30, 2015 and 2014

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-6
Statements of Net Position	7-8
Statements of Revenues, Expenses and Changes in Net Position	9-10
Statements of Cash Flows	11
Notes to Financial Statements	12-21
Supplemental Information	
Schedules of Operating Expenses	22-23
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24-25



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INDEPENDENT AUDITOR'S REPORT

To the Commissioners
Green River Valley Water District

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Green River Valley Water District as of and for the years ended June 30, 2015 and 2014, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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 auditor's 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 Green River Valley Water District, as of June 30, 2015 and 2014, 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-6 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedules of operating expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of operating expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 schedules of operating expenses are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2015 on our consideration of the 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 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 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 Green River Valley Water District's internal control over financial reporting and compliance.

Campbell, Myers & Rathledge, PLLC

Glasgow, KY
August 5, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Green River Valley Water District, we offer readers of the District's financial statements this narrative overview of the financial activities of the District for the fiscal years ending June 30, 2015 and 2014. We encourage readers to consider the information presented here in conjunction with the District's financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

For the year ending June 30, 2015, total operating and non-operating revenues (including capital contributions) totaled \$4,295,066. This represents a .01% decrease in revenues from the prior year. The decrease was primarily due to a decrease in capital contributions.

Expenses amounted to \$4,167,360 an increase of \$38,101 from the prior year. This increase was primarily due to an increase in operating expenses.

Total assets decreased by \$552,271 while total liabilities and deferred inflows decreased by \$679,977. These changes resulted in an increase in net position of \$127,706.

At June 30, 2015 GRVWD had spent \$763,394 of the \$1,175,000 KIA Loan for the Rio Verde Dam Project. The remaining (\$411,606), along with an increase of \$117,500 will be used for the purchase of a 1,000 KW Emergency Generator at the Water Treatment Plant. The Water District has filed application with USDA-RD for a loan and grant for a WTP upgrade to increase the capacity of the water plant. This project is needed to make sure the District has sufficient water supply to meet the needs of our customers now and in the future.

Overview of the Financial Statements

This report consists of this Management's Discussion and Analysis report, the Independent Auditor's Report, Financial Statements and Supplementary Information. The Financial Statements include notes which explain in detail some of the information included in the Financial Statements.

Required Financial Statements

The financial statements of Green River Valley Water District report information of Green River Valley Water District using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Position includes all of Green River Valley Water District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Green River Valley Water District creditors (liabilities). It also provides the basis for evaluation the capital structure of Green River Valley Water District and assessing the liquidity and financial flexibility of Green River Valley Water District.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of Green River Valley Water District's operations over the past year and can be used to determine whether Green River Valley Water District has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Financial Analysis of Green River Valley Water District

**Green River Valley Water District
Summary of Net Position
June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Assets		
Total Current Assets	\$ 2,557,322	\$ 2,632,775
Total Restricted Assets	1,252,568	1,217,830
Net Capital Assets	<u>22,728,336</u>	<u>23,239,892</u>
Total Assets	<u>26,538,226</u>	<u>27,090,497</u>
Liabilities		
Total Current Liabilities	361,320	332,375
Total Liabilities Payable from Restricted Assets	793,370	816,962
Total Long-term Liabilities	<u>11,806,152</u>	<u>12,440,706</u>
Total Liabilities	<u>12,960,842</u>	<u>13,590,043</u>
Deferred Inflows of Resources	<u>227,745</u>	<u>278,521</u>
Net Position		
Net Investment in Capital Assets	10,272,168	10,133,499
Restricted for equipment replacement	671,366	647,207
Restricted for debt retirement	581,202	570,623
Unrestricted	<u>1,824,903</u>	<u>1,870,604</u>
Total Net Position	<u>\$ 13,349,639</u>	<u>\$ 13,221,933</u>

The largest portion (78%) of the District's net position reflects its investment in capital assets, less any related debt used to acquire those assets still outstanding. This represents a 1% increase from the prior year. This increase is primarily due to construction project that have been completed and reduction of outstanding bonds. The District uses these capital assets to provide services to citizens and consumers; consequently, these assets are not available for future spending.

Restricted net position (9%) represents resources that are subject to external restrictions on how they may be used. There was no change from the prior year.

The balance (13%) of unrestricted net position may be used to meet the Company's ongoing obligations to citizens, consumers and creditors. This has decreased 1% from the prior year.

**Green River Valley Water District
Summary of Changes in Net Position
For the Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Total operating revenues	\$ 4,213,598	\$ 4,192,932
Total operating expenses	<u>3,720,292</u>	<u>3,674,732</u>
Operating Income	493,306	518,200
Total non-operating revenue (expenses)	<u>(395,350)</u>	<u>(389,874)</u>
Income before capital contributions	97,956	128,326
Capital contributions	<u>29,750</u>	<u>40,500</u>
Increase in net position	127,706	168,826
Beginning of year	<u>13,221,933</u>	<u>13,053,107</u>
End of year	<u>\$ 13,349,639</u>	<u>\$ 13,221,933</u>

Net position increased by \$127,706 a decrease from the prior year of \$41,120.

Capital Asset Changes

At June 30, 2015, the District had invested \$22.728 million in capital assets net of accumulated depreciation. This amount represents a net decrease of \$488,444. This decrease is the result of construction projects completed during the year net of depreciation.

Debt Administration

At June 30, 2015, the District had \$11,710,500 bonds outstanding, a decrease of \$632,500 from the prior year's balance of \$12,343,000. This decrease resulted from current year scheduled payments. The District also received in 2014, \$763,394 from a .75% loan from the Kentucky Infrastructure Authority. The balance at June 30, 2015 is \$745,688. The balance of the total approved loan will be used for additional construction projects.

Request for Information

This financial report is designed to provide our customers and creditors with a general overview of Green River Valley Water District's finances and to demonstrate Green River Valley Water District's accountability for the funds it receives. If you have any questions about this report or need any additional information, please contact the Green River Valley Water District at P.O. Box 399, Cave City, Kentucky 42127, or by phone (270) 773-2135.

GREEN RIVER VALLEY WATER DISTRICT
Statements of Net Position
June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Current Assets		
Cash	\$ 1,844,779	\$ 1,926,048
Accounts receivable	327,604	332,983
Accrued interest	2,967	2,967
Plant materials and supplies, (at replacement cost)	214,436	216,695
Prepaid and other assets	<u>167,536</u>	<u>154,082</u>
Total Current Assets	<u>2,557,322</u>	<u>2,632,775</u>
Non-current Assets		
Restricted Assets		
Cash - Depreciation fund	144,166	120,007
Cash - Bond and interest redemption fund	581,202	570,623
Investments - Depreciation fund	<u>527,200</u>	<u>527,200</u>
Total Restricted Assets	<u>1,252,568</u>	<u>1,217,830</u>
Capital Assets		
Utility plant in service	39,027,041	38,645,084
Accumulated depreciation	<u>(16,298,705)</u>	<u>(15,405,192)</u>
Net Capital Assets	<u>22,728,336</u>	<u>23,239,892</u>
Total Non-current Assets	<u>23,980,904</u>	<u>24,457,722</u>
Total Assets	<u>26,538,226</u>	<u>27,090,497</u>

GREEN RIVER VALLEY WATER DISTRICT
Statements of Net Position (Continued)
June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 326,448	\$ 298,549
Customer deposits	34,872	33,826
Total Current Liabilities	<u>361,320</u>	<u>332,375</u>
Liabilities Payable from Restricted Assets		
Current maturities of long-term debt	650,016	665,688
Accrued interest	143,354	151,274
Total Liabilities Payable from Restricted Assets	<u>793,370</u>	<u>816,962</u>
Long-term Liabilities		
Long-term debt, less current maturities	11,806,152	12,440,706
Total Long-term Liabilities	<u>11,806,152</u>	<u>12,440,706</u>
Total Liabilities	<u>12,960,842</u>	<u>13,590,043</u>
Deferred Inflows of Resources		
Unamortized Premium on Bonds	227,745	278,521
Net Position		
Net investment in capital assets	10,272,168	10,133,499
Restricted for debt retirement	581,202	570,623
Restricted for equipment replacement	671,366	647,207
Unrestricted	1,824,903	1,870,604
Total Net Position	<u>\$ 13,349,639</u>	<u>\$ 13,221,933</u>

GREEN RIVER VALLEY WATER DISTRICT
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating revenue:		
Metered water sales:		
Residential	\$ 2,447,137	\$ 2,446,003
Commercial	282,477	261,544
	2,729,614	2,707,547
Wholesale water sales:		
Horse Cave	498,422	526,706
CEA Cave City	230,266	273,871
Munfordville	173,503	157,128
Larue County	188,742	191,497
Bonnieville	32,151	27,456
Green-Taylor	120,165	90,618
CEA	10,946	16,985
	1,254,195	1,284,261
Other operating revenues:		
Cash water sales	245	257
Revenues from maintenance and contract work, net of expenses of \$7,670 and \$8,150 respectively	81,490	87,426
Forfeited discounts	66,033	69,988
Miscellaneous	82,021	43,453
	229,789	201,124
Total operating revenues	4,213,598	4,192,932
Operating expenses:		
Source of supply and pumping expenses:		
Operations	596,531	516,809
Maintenance	5,906	69,825
Water treatment expenses:		
Operations	375,570	392,329
Transmission and distribution:		
Operations	83,716	96,784
Maintenance	893,764	812,204
Customer accounts expenses	300,187	307,829
Administrative and general expenses	479,163	464,100
Depreciation and amortization	910,433	942,946
Taxes other than income	75,022	71,906
	3,720,292	3,674,732
Total operating expenses	3,720,292	3,674,732
Operating income	493,306	518,200

GREEN RIVER VALLEY WATER DISTRICT
Statements of Revenues, Expenses and Changes in Net Position (Continued)
For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Nonoperating revenue (expenses):		
Gain on sale of equipment	\$ -	\$ 6,900
Interest income	942	1,807
Amortization of Premium on Bond Issue	50,776	55,946
Interest on long-term debt	<u>(447,068)</u>	<u>(454,527)</u>
Total nonoperating revenue (expenses)	<u>(395,350)</u>	<u>(389,874)</u>
Income (Loss) before capital contributions	<u>97,956</u>	<u>128,326</u>
Capital Contributions	<u>29,750</u>	<u>40,500</u>
Increase (Decrease) in net position	127,706	168,826
Net Position:		
Beginning of year	<u>13,221,933</u>	<u>13,053,107</u>
End of year	<u>\$ 13,349,639</u>	<u>\$ 13,221,933</u>

GREEN RIVER VALLEY WATER DISTRICT
Statements of Cash Flows
For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Cash receipts from customers	\$ 4,208,219	\$ 4,191,570
Cash payments to suppliers for goods and services	(1,791,196)	(1,790,731)
Cash payments to employees for services	(967,765)	(924,232)
Net cash provided (used) by operating activities	<u>1,449,258</u>	<u>1,476,607</u>
Cash flows from capital and related financing activities:		
Proceeds from issuance of long-term debt	-	763,394
Principal paid on long-term debt	(650,226)	(627,500)
Interest paid on long-term debt	(456,988)	(433,993)
Cash paid for capital assets	(410,267)	(862,263)
Sale of capital assets	-	6,900
Capital contributions	20,750	40,500
Net cash provided (used) in financing activities	<u>(1,496,731)</u>	<u>(1,112,962)</u>
Cash flows from investing activities:		
Investment Income	942	1,807
Net cash provided by (used) in investing activities	<u>942</u>	<u>1,807</u>
Net increase (decrease) in cash and cash equivalents	(46,531)	365,452
Cash and cash equivalents, beginning of year	2,616,678	2,251,226
Cash and cash equivalents, end of year	<u>\$ 2,570,147</u>	<u>\$ 2,616,678</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 493,306	\$ 518,200
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	910,433	942,946
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	5,379	(1,362)
(Increase) decrease in prepaid and other assets	13,454	30,664
(Increase) decrease in plant materials and supplies	(2,259)	(3,040)
Increase (decrease) in accounts payable	27,899	(5,079)
Increase (decrease) in customer deposits	1,046	(5,722)
Net cash provided (used) by operating activities	<u>\$ 1,449,258</u>	<u>\$ 1,476,607</u>

The accompanying notes are an integral part of the financial statements.

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2015 and 2014

Note 1 – Description of Entity and Summary of Significant Accounting Policies

Organization

Green River Valley Water District was organized in 1962 under KRS 74:010 to provide water to sections of Barren, Hart and Larue counties. In addition to the above, the District also wholesales water to certain other cities and water districts. The commissioners are appointed for specified terms by the respective county judges.

Basis of Accounting/Measurement Focus

The accounts of the District are organized on the basis of a proprietary fund accounting entity. The operations are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate.

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each major proprietary fund.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Fund Balance Disclosure

The District implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASBS No. 54) in 2011, as required. The purpose of GASB No. 54 is to improve the consistency and usefulness of the fund balance information to the financial user. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the organization is bound to honor constraints on the specific purpose for which amounts in the funds can be spent.

Proprietary Fund Financial Statements

In accordance with GASBS No. 54, the District classifies fund balances as follows:

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2015 and 2014

Note 1 – Description of Entity and Summary of Significant Accounting Policies, Continued

- *Investment in capital assets* - This component of net position consists of 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.

- *Restricted* - This component of net position consists of 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* - This component of net position consists of assets that do not meet the definition of "restricted" or "investment in capital assets."

Cash and Investments

The District considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. Investments are reported at fair market value.

Receivables

Accounts Receivable totaled \$327,604 and \$332,983 at June 30, 2015 and 2014 respectively, of which all was due from retail and wholesale customers.

The District uses the direct write-off method to account for bad debts. No allowance for bad debts has been provided, as no material write-offs are expected for receivables as of June 30, 2015. The direct write-off method does not significantly depart from generally accepted accounting principles. As of June 30, 2015 and 2014, bad debts were \$11,965 and \$9,225 respectively.

Capital Assets

The utility plant in service is stated at cost. The cost of additions to the utility plant and major replacements of retired units of property is capitalized. Cost includes direct labor, outside services, materials and transportation, employee fringe benefits, overhead, and interest on funds borrowed to finance construction. The cost and accumulated depreciation of property sold or retired is deducted from capital assets, and any profit or loss resulting from the disposal is credited or charged in the non operating section of the statement of revenues, expenses and changes in net position. The cost of current repairs, maintenance, and minor replacements is charged to expense as incurred. Depreciation has been provided over estimated useful lives of the assets using the straight-line method. Depreciation expense for the years ended June 30, 2015 and 2014 was \$893,513 and \$924,041 respectively.

The estimated useful lives of capital assets are as follows:

Utility plant	50 years
Equipment	10 years
Other	5 -20 years

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2015 and 2014

Note 1 – Description of Entity and Summary of Significant Accounting Policies, Continued

Compensated Absences

Accumulated unpaid vacation and sick pay amounts are accrued when benefits vest to employees and the unpaid liability is reflected in accrued liabilities.

Long-Term Obligations

Long-term debt and other obligations are reported as liabilities on the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds.

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Non operating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from non exchange transactions.

Capital Contributions

Transmission and distribution system assets contributed to the District by installers are capitalized at the installers' costs and recorded as capital contributions when received. Also included in capital contributions are various grants received for infrastructure and payments received from customers for tap fees.

Income Taxes

The District is exempt from federal and state income taxes.

Extraordinary and Special Items

Extraordinary items are transactions or other events that are both unusual in nature and infrequent in occurrence. Special items are significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence. If such items exist during the reporting period, they are reported separately in the statement of revenues, expenses and changes in net position.

Use of Restricted/Unrestricted Funds

When an expense is incurred for purposes for which both restricted and unrestricted funds are available, the District's policy is to apply restricted funds first.

Subsequent Events

The District has evaluated subsequent events through August 5, 2015, the date which the financial statements were available to be issued.

Note 2 – Cash and Investments

Depreciation Fund

The ordinances authorizing the various bond issues of the District require monthly transfers into a depreciation fund. These funds can be used for capital improvements, expansions and extraordinary repairs. The maximum requirement in these funds is \$517,200, and after this balance is reached transfers can cease. At June 30, 2015, the District had a fund balance that exceeded the maximum annual requirement.

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2015 and 2014

Note 2 – Cash and Investments, Concluded

Bond and Interest Redemption Fund

The ordinances authorizing the various bond issues require a monthly deposit of one-twelfth of the annual bond and interest due currently. The District has made all required deposits into these accounts.

Deposits

At year end, the carrying amount of the District's cash deposits was \$2,570,148 and the bank balances were \$2,612,863. The difference between book and bank balances primarily represents checks that have been issued, but have not cleared the bank as of June 30, 2015.

The District's investments included two certificates of deposit totaling \$527,200 with two different financial institutions at rates of approximately 1.0% and maturity dates ranging from one to two years.

Non-interest bearing accounts of the District are insured by the FDIC and up to \$250,000 of interest bearing accounts are insured per financial institution. All of the District's cash and investment accounts were insured by FDIC or by a financial institution. The District had securities pledged for deposits in excess of FDIC limits in the amount of \$2,664,348 at a total of two separate financial institutions at June 30, 2015. The District also had \$280,805 of deposits at one financial institution all of which were held as Federal Treasury Bills in trust accounts and insured by the financial institution.

The nature of the District's cash and investments and being restricted or unrestricted is as follows:

As reflected in the Statement of Net Position:

	<u>2015</u>	<u>2014</u>
<u>Unrestricted:</u>		
Cash and cash equivalents	\$ 1,844,779	\$ 1,926,048
Investments	-	-
<u>Restricted:</u>		
Cash and cash equivalents	725,368	690,630
Investments	<u>527,200</u>	<u>527,200</u>
Total Cash and Investments	<u>\$ 3,097,347</u>	<u>\$ 3,143,878</u>

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2015 and 2014

Note 3 – Capital Assets

Capital asset activity for the year ended June 30, 2015 and 2014 was as follows:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
<i>Non Depreciable Assets:</i>				
Construction in Progress	\$ -	\$ 54,394	\$ -	\$ 54,394
Land & Land Rights	149,672	2,500	-	152,172
L & L Rights Structures & Improvements	66,496	20,000	-	86,496
L & L Rights Water Treatment	76,386	-	-	76,386
L & L Rights Hydrants	6,900	-	-	6,900
Total Non Depreciable Assets	299,454	76,894	-	376,348
<i>Depreciable Assets:</i>				
Structures & Improvements	3,557,346	-	-	3,557,346
Structures & Improvements Office Bldg.	125,082	260,542	-	385,624
Collecting and Impounding Reservoirs	2,556,206	-	-	2,556,206
River Intakes	495,652	-	-	495,652
Supply Mains	312,627	-	-	312,627
Electric Pumping Equip	3,114,382	-	-	3,114,382
Water Treatment Equip	1,345,508	8,134	-	1,353,642
Distr Reserv & Stand Pipes	3,108,628	-	-	3,108,628
T & D Mains	19,333,217	3,548	-	19,336,765
Services	901,210	-	-	901,210
Meters	1,572,710	17,048	-	1,589,758
Meter Installation	157,159	-	-	157,159
Hydrants	118,140	-	-	118,140
Other Plant	25,564	-	-	25,564
Office Furniture & Equip	305,853	2,973	-	308,826
Trans Equip	590,787	-	-	590,787
Tools Shop & Equip	157,523	8,061	-	165,584
Lab Equip	3,343	-	-	3,343
Power Oper Equip	376,908	4,757	-	381,665
Communication Equip	187,785	-	-	187,785
Total Depreciable Assets	38,345,630	305,063	-	38,650,693
Total Capital Assets	38,645,084	381,957	-	39,027,041
Less: Accumulated Depreciation	(15,405,192)	(893,513)	-	(16,298,705)
	\$ 23,239,892	\$ (511,556)	\$ -	\$ 22,728,336

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2015 and 2014

Note 3 – Capital Assets, Concluded:

	<u>Balance</u>			<u>Balance</u>
	<u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
<i>Non Depreciable Assets:</i>				
Construction in Progress	\$ 65,116	\$ 709,300	\$ (774,416)	\$ -
Land & Land Rights	149,672	-	-	149,672
L & L Rights Structures & Improvements	66,496	-	-	66,496
L & L Rights Water Treatment	76,386	-	-	76,386
L & L Rights Hydrants	6,900	-	-	6,900
Total Non Depreciable Assets	<u>364,570</u>	<u>709,300</u>	<u>(774,416)</u>	<u>299,454</u>
<i>Depreciable Assets:</i>				
Structures & Improvements	3,557,346	-	-	3,557,346
Structures & Improvements Office Bldg.	125,082	-	-	125,082
Collecting and Impounding Reservoirs	1,781,790	774,416	-	2,556,206
River Intakes	495,652	-	-	495,652
Supply Mains	312,627	-	-	312,627
Electric Pumping Equip	3,113,703	679	-	3,114,382
Water Treatment Equip	1,345,508	-	-	1,345,508
Distr Reserv & Stand Pipes	3,108,628	-	-	3,108,628
T & D Mains	19,320,496	12,721	-	19,333,217
Services	897,371	3,839	-	901,210
Meters	1,547,893	24,817	-	1,572,710
Meter Installation	157,159	-	-	157,159
Hydrants	116,033	2,107	-	118,140
Other Plant	25,564	-	-	25,564
Office Furniture & Equip	292,466	13,387	-	305,853
Trans Equip	586,242	66,545	(62,000)	590,787
Tools Shop & Equip	156,537	986	-	157,523
Lab Equip	3,343	-	-	3,343
Power Oper Equip	371,643	5,265	-	376,908
Communication Equip	187,785	-	-	187,785
Total Depreciable Assets	<u>37,502,868</u>	<u>904,762</u>	<u>(62,000)</u>	<u>38,345,630</u>
Total Capital Assets	37,867,438	1,614,062	(836,416)	38,645,084
Less: Accumulated Depreciation	(14,543,151)	(924,041)	62,000	(15,405,192)
	<u>\$ 23,324,287</u>	<u>\$ 690,021</u>	<u>\$ (774,416)</u>	<u>\$ 23,239,892</u>

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2015 and 2014

Note 4 – Long-Term Debt

Long-term debt consists of the following at June 30, 2015:

Series 1996-A Water Revenue Bonds issued in the amount of \$1,050,000; due in annual installments on April 1 ranging from \$14,000 to \$16,000 through April, 2035; interest rate 4.5% due semi-annually on April 1 and October 1. \$ 758,000

Series 1996-B Water Revenue Bonds issued in the amount of \$650,000; due in annual installments on April 15 ranging from \$9,000 to \$34,500 through April, 2035; interest rate 4.5% due semi-annually on April 1 and October 1. 468,000

Series 1996-C Water Revenue Bonds issued in the amount of \$249,000; due in annual installments on April 15 ranging from \$3,500 to \$12,500 through April, 2036; interest rate 4.5% due semi-annually on April 1 and October 1. 185,000

Series 2004A Revenue Refunding Bonds issued on August 12, 2004 in the amount of \$5,000,000; due in annual installments on April 1 ranging from \$52,000 to \$266,000 through April, 2044; interest rate of 4.5% due semi-annually on April 1 and October 1. 4,438,000

Series 2010 Revenue Bonds(Build America) issued on December 22, 2010 in the amount of \$3,200,000; due in annual installments beginning April 1, 2012 ranging from \$51,500 to \$128,000 through April, 2049; interest rate of 2.25% due semi-annually on April 1 and October 1. Through the Build America bond issuance, the District receives a refund of 35% of each semi-annual interest payment. 2,986,500

Series 2013 B Refunding Bonds issued on March 27, 2013 in the amount of \$3,795,000; due in annual installments on January 1 ranging from \$460,000 to \$10,000 through January, 2028. Interest rates vary from 2.3% to 4.6% due on January and July of each year. 2,875,000

Total bonds \$ 11,710,500

Note Payable Kentucky Infrastructure Authority:

A \$1,292,500, .75% loan was approved by KIA for repairing a section of the Rio Verde Dam. As of June 30, 2015, \$763,394 of the funds had been advanced. The loan, plus principal and interest is to be repaid over a twenty year period, on June 1 and December 1. The first semi-annual payment of \$17,725 was made June 1, 2015. Semi-annual payments will be recalculated as additional funds are drawn down. \$ 745,668

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2015 and 2014

Note 4 – Long-Term Debt, Continued

Principal and interest maturities of bonded debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 614,500	\$ 419,070	\$ 1,033,570
2017	564,500	395,638	960,138
2018	414,500	375,783	790,283
2019-2023	2,666,500	1,614,276	4,280,776
2024-2028	1,726,000	1,202,016	2,928,016
2029-2033	1,677,000	893,642	2,570,642
2034-2038	1,478,000	582,094	2,060,094
2039-2043	1,757,000	284,799	2,041,799
Thereafter	<u>812,500</u>	<u>55,416</u>	<u>867,916</u>
Total	<u>\$ 11,710,500</u>	<u>\$ 5,822,734</u>	<u>\$ 17,533,234</u>

Bonded debt activities for the year ended June 30, 2015, are as follows:

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Debt Payments</u> <u>and Reductions</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Amount Due</u> <u>within One Year</u>
Series 1996A	\$ 781,000	\$ -	\$ (23,000)	\$ 758,000	\$ (25,000)
Series 1996B	482,500	-	(14,500)	468,000	(15,000)
Series 1996C	190,500	-	(5,500)	185,000	(5,500)
Series 2004 A	4,512,000	-	(74,000)	4,438,000	(77,000)
Series 2010	3,042,000	-	(55,500)	2,986,500	(57,000)
Series 2013 B	3,335,000	-	(460,000)	2,875,000	(435,000)
	<u>\$ 12,343,000</u>	<u>\$ -</u>	<u>\$ (632,500)</u>	<u>\$ 11,710,500</u>	<u>\$ (614,500)</u>

Capitalization of Interest:

Interest costs incurred during construction are capitalized, net of interest income from proceeds of tax-exempt debt as part of the cost of the related assets of the District. Interest capitalized for the year ended June 30, 2015 and 2014, was \$0 and \$0, respectively.

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements, Concluded
June 30, 2015 and 2014

Note 4 – Long-Term Debt, Concluded

Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. During the current year, the District performed calculations of excess investment earnings on various bonds and financings and at June 30, 2015, does not expect to incur a liability.

Note 5 - Deferred Outflows/Inflows of Resources

The District adopted GASB No. 63, and in addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no item that qualifies for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item that qualifies for reporting in this category. It is the deferred premium on refunding reported in the statement of net position. A deferred premium on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the life of the refunding debt.

Note 6 – Pension Plan

The District contributes to a defined contribution pension plan for employees who meet certain requirements as to age and length of service. Funding is based upon the level of funding method and there are no unfunded prior service costs. The District contributes 10% of employees' salaries and employees contribute nothing to the plan. Contributions by Green River Valley Water District to this plan, included in operations, were approximately \$85,674 and \$82,192 for the years ended June 30, 2015 and 2014, respectively.

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements, Concluded
June 30, 2015 and 2014

Note 7 –Commitments

At June 30, 2015, Green River Valley Water District had committed from the Kentucky Infrastructure Authority a .75% loan in the amount of \$1,292,500. The committed funds will be used to repair the Rio Verde Springs dam, the major source of the District's water source. As of June 30, 2015, \$763,394 of the funds had been expended on the project. The balance of the funds will be used to complete the project and additional projects.

Supplemental Information

GREEN RIVER VALLEY WATER DISTRICT
Schedule of Operating Expenses
For the Year Ended June 30, 2015

	Source of Supply and Pumping Expenses		Water Treatment Expenses		Transmission and Distribution		Customer Accounts Expenses	Administrative and General Expenses	Total (Memorandum Only)
	Operations	Maintenance	Operating	Maintenance	Operating	Maintenance			
Salaries and wages - employees	\$ 146,774	\$ -	\$ 118,657	\$ -	\$ -	\$ 320,898	\$ 133,538	\$ 231,149	\$ 951,016
Salaries and wages - directors	-	-	-	-	-	-	-	16,749	16,749
Employee pensions and benefits	30,870	-	8,838	-	-	26,465	11,732	20,434	98,339
Purchased water	3,011	-	-	-	-	-	-	-	3,011
Purchased power	224,359	-	-	-	83,716	-	-	17,802	325,877
Chemicals	-	-	168,857	-	-	-	-	-	168,857
Materials and supplies	17,776	-	14,397	-	-	180,273	54,886	23,255	290,587
Contractual services - accounting	-	-	-	-	-	-	-	24,030	24,030
Contractual services - legal	-	-	-	-	-	-	-	4,192	4,192
Contractual services - customer accounts	-	-	-	-	-	-	995	-	995
Contractual services - other	132,173	5,906	31,216	-	-	187,083	81	35,017	391,476
Transportation expense	-	-	-	-	-	81,471	39,049	3,099	123,619
Insurance - vehicle	-	-	-	-	-	6,693	3,137	5,395	15,225
Insurance - workers' compensation	6,278	-	5,075	-	-	13,725	5,711	9,886	40,675
Employee insurance	20,396	-	16,489	-	-	44,592	18,556	32,120	132,153
Employee flex reimbursements	7,160	-	5,788	-	-	15,654	6,514	11,276	46,393
Property and other Insurance	7,734	-	6,253	-	-	16,910	7,037	12,180	50,114
Bad debt expense	-	-	-	-	-	-	11,965	-	11,965
Miscellaneous	-	-	-	-	-	-	6,986	32,578	39,564
Totals	\$ 596,531	\$ 5,906	\$ 375,570	\$ -	\$ 83,716	\$ 893,764	\$ 300,187	\$ 479,163	\$ 2,734,837

GREEN RIVER VALLEY WATER DISTRICT
Schedule of Operating Expenses
For the Year Ended June 30, 2014

	Source of Supply and Pumping Expenses		Water Treatment Expenses		Transmission and Distribution		Customer Accounts Expenses	Administrative and General Expenses	Total (Memorandum Only)
	Operations	Maintenance	Operating	Maintenance	Operating	Maintenance			
Salaries and wages - employees	\$ 137,179	\$ -	\$ 116,405	\$ -	\$ -	\$ 316,908	\$ 129,976	\$ 213,624	\$ 914,092
Salaries and wages - directors	-	-	-	-	-	-	-	14,225	14,225
Employee pensions and benefits	24,679	-	9,987	-	-	24,031	12,103	21,450	92,250
Purchased water	10,824	-	-	-	-	-	-	-	10,824
Purchased power	227,724	-	-	-	96,784	-	-	17,872	342,380
Chemicals	-	-	178,614	-	-	-	-	-	178,614
Materials and supplies	15,696	-	17,060	-	-	103,679	70,687	23,160	230,282
Contractual services - accounting	-	-	-	-	-	-	-	26,750	-
Contractual services - legal	-	-	-	-	-	-	-	8,016	-
Contractual services - customer accounts	-	-	-	-	-	-	-	-	-
Contractual services - other	54,300	69,825	30,880	-	-	170,211	-	36,548	-
Transportation expense	-	-	-	-	-	82,432	37,200	3,600	-
Insurance - vehicle	-	-	-	-	-	7,728	3,621	6,229	-
Insurance - workers' compensation	8,720	-	7,400	-	-	20,146	8,262	13,580	-
Employee insurance	19,465	-	16,518	-	-	44,969	18,443	30,313	-
Employee flex reimbursements	11,249	-	9,546	-	-	25,988	10,659	17,518	-
Property and other Insurance	6,973	-	5,919	-	-	16,112	6,607	10,862	-
Bad debt expense	-	-	-	-	-	-	9,225	-	-
Miscellaneous	-	-	-	-	-	-	1,046	20,353	-
Totals	\$ 516,809	\$ 69,825	\$ 392,329	\$ -	\$ 96,784	\$ 812,204	\$ 307,829	\$ 464,100	\$ 2,659,880



CAMPBELL, MYERS AND RUTLEDGE, PLLC

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INDEPENDENT AUDITOR'S 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

To the Commissioners
Green River Valley Water District

We have audited, in accordance with the 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 Green River Valley Water District, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 5, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Green River Valley Water District's internal control over financial reporting (internal control) to determine the 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 the Green River Valley Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Green River Valley 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 Green River Valley 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.

Campbell, Myers & Rutledge, PLLC

Glasgow, KY
August 5, 2015