

Green River Valley Water District
Financial Statements
June 30, 2018 and 2017

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CAMPBELL, MYERS AND RUTLEDGE, PLLC

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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, 2018 and 2017 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, 2018 and, 2017, 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 as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2018, on our consideration of Green River Valley 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 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 & Rutledge, PLLC

Glasgow, KY
August 10, 2018

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, 2018 and 2017. 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, 2018, total operating and non-operating revenues (including capital contributions) totaled \$4,490,607. This represents a .06% increase in revenues from the prior year. The increase was primarily due to an increase in operating revenues.

Expenses amounted to \$4,455,606 an increase of \$201,135 from the prior year. This increase was primarily due to an increase in operating expenses.

Total assets decreased by \$584,430 while total liabilities and deferred inflows decreased by \$619,431. These changes resulted in an increase in net position of \$35,001.

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, 2018 and 2017**

| | <u>2018</u> | <u>2017</u> |
|--|----------------------|----------------------|
| Assets | | |
| Total Current Assets | \$ 1,859,740 | \$ 1,901,214 |
| Total Restricted Assets | 1,237,918 | 1,340,367 |
| Net Capital Assets | <u>21,760,385</u> | <u>22,200,892</u> |
| Total Assets | <u>24,858,043</u> | <u>25,442,473</u> |
| Liabilities | | |
| Total Current Liabilities | 438,185 | 394,886 |
| Total Liabilities Payable from Restricted Assets | 582,680 | 775,861 |
| Total Long-term Liabilities | <u>10,559,480</u> | <u>10,996,986</u> |
| Total Liabilities | <u>11,580,345</u> | <u>12,167,733</u> |
| Deferred Inflows of Resources | <u>112,251</u> | <u>144,294</u> |
| Net Position | | |
| Net Investment in Capital Assets | 10,731,218 | 10,550,188 |
| Restricted for equipment replacement | 642,925 | 686,891 |
| Restricted for debt retirement | 594,993 | 643,476 |
| Unrestricted | <u>1,196,311</u> | <u>1,249,891</u> |
| Total Net Position | <u>\$ 13,165,447</u> | <u>\$ 13,130,446</u> |

The largest portion (82%) 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 2% increase from the prior year. This increase is primarily due to depreciation 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. This represents a 1% decrease from the prior year.

The balance (9%) of unrestricted net position may be used to meet the Company's ongoing obligations to citizens, consumers and creditors. This represents a 1% decrease from the prior year.

**Green River Valley Water District
Summary of Changes in Net Position
For the Years Ended June 30, 2018 and 2017**

| | <u>2018</u> | <u>2017</u> |
|--|----------------------|----------------------|
| Total operating revenues | \$ 4,398,473 | \$ 4,112,063 |
| Total operating expenses | <u>4,072,684</u> | <u>3,839,492</u> |
| Operating Income | 325,789 | 272,571 |
| Total non-operating revenue (expenses) | <u>(345,088)</u> | <u>(353,737)</u> |
| Income before capital contributions | (19,299) | (81,166) |
| Capital contributions, tap fees | <u>54,300</u> | <u>50,500</u> |
| Increase (decrease) in net position | 35,001 | (30,666) |
| Beginning of year | <u>13,130,446</u> | <u>13,161,112</u> |
| End of year | <u>\$ 13,165,447</u> | <u>\$ 13,130,446</u> |

Net position decreased by \$35,001 an increase from the prior year of \$65,667.

Capital Asset Changes

At June 30, 2018, the District had invested \$21.760 million in capital assets net of accumulated depreciation. This amount represents a net decrease of \$440,507. This decrease is the result of limited construction projects completed during the year net of depreciation.

Debt Administration

At June 30, 2018, the District had \$9,935,217 bonds outstanding, a decrease of \$560,000 from the prior year's balance of \$10,494,717. This decrease resulted from current year scheduled payments. The District also received in 2014, a \$1,287,500 .75% loan from the Kentucky Infrastructure Authority. The balance at June 30, 2018 is \$1,191,627.

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 460, Horse City, Kentucky 42749, or by phone (270) 786-2134

GREEN RIVER VALLEY WATER DISTRICT
Statements of Net Position
June 30, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|---|-----------------------|-----------------------|
| Assets | | |
| Current Assets | | |
| Cash | \$ 1,086,488 | \$ 1,151,957 |
| Accounts receivable | 368,709 | 339,036 |
| Accrued interest | 2,967 | 2,967 |
| Plant materials and supplies, (at replacement cost) | 272,252 | 260,442 |
| Prepaid and other assets | <u>129,324</u> | <u>146,812</u> |
| Total Current Assets | <u>1,859,740</u> | <u>1,901,214</u> |
| Non-current Assets | | |
| Restricted Assets | | |
| Cash - Depreciation fund | 67,793 | 169,691 |
| Cash - Bond and interest redemption fund | 642,925 | 643,476 |
| Investments - Depreciation fund | <u>527,200</u> | <u>527,200</u> |
| Total Restricted Assets | <u>1,237,918</u> | <u>1,340,367</u> |
| Capital Assets | | |
| Utility plant in service | 40,714,717 | 40,255,929 |
| Accumulated depreciation | <u>(18,954,332)</u> | <u>(18,055,037)</u> |
| Net Capital Assets | <u>21,760,385</u> | <u>22,200,892</u> |
| Total Non-current Assets | <u>22,998,303</u> | <u>23,541,259</u> |
| Total Assets | <u>24,858,043</u> | <u>25,442,473</u> |

GREEN RIVER VALLEY WATER DISTRICT
Statements of Net Position (Concluded)
June 30, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|---|----------------------|----------------------|
| Liabilities | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | \$ 350,468 | \$ 355,912 |
| Customer deposits | 87,717 | 38,475 |
| Total Current Liabilities | <u>438,185</u> | <u>394,387</u> |
| Liabilities Payable from Restricted Assets | | |
| Current maturities of long-term debt | 469,687 | 653,219 |
| Accrued interest | 112,993 | 122,642 |
| Total Liabilities Payable from Restricted Assets | <u>582,680</u> | <u>775,861</u> |
| Long-term Liabilities | | |
| Long-term debt, less current maturities | <u>10,559,480</u> | <u>10,997,485</u> |
| Total Long-term Liabilities | <u>10,559,480</u> | <u>10,997,485</u> |
| Total Liabilities | <u>11,580,345</u> | <u>12,167,733</u> |
| Deferred Inflows of Resources | | |
| Unamortized Premium on Bonds | <u>112,251</u> | <u>144,294</u> |
| Net Position | | |
| Net investment in capital assets | 10,731,218 | 10,550,188 |
| Restricted for debt retirement | 642,925 | 643,476 |
| Restricted for equipment replacement | 594,993 | 686,891 |
| Unrestricted | <u>1,196,311</u> | <u>1,249,891</u> |
| Total Net Position | <u>\$ 13,165,447</u> | <u>\$ 13,130,446</u> |

GREEN RIVER VALLEY WATER DISTRICT
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|---|------------------|------------------|
| Operating revenue: | | |
| Metered water sales: | | |
| Residential | \$ 2,562,441 | \$ 2,479,204 |
| Commercial | <u>236,949</u> | <u>246,828</u> |
| | <u>2,799,390</u> | <u>2,726,032</u> |
| Wholesale water sales: | | |
| Horse Cave | 578,805 | 551,373 |
| CEA Cave City | 255,460 | 135,038 |
| Munfordville | 212,890 | 195,926 |
| Larue County | 197,387 | 193,127 |
| Bonnieville | 36,667 | 32,114 |
| Green-Taylor | 129,297 | 67,709 |
| CEA | <u>24,916</u> | <u>20,242</u> |
| | <u>1,435,422</u> | <u>1,195,529</u> |
| Other operating revenues: | | |
| Cash water sales | 284 | 226 |
| Revenues from maintenance and contract work, net of expenses of \$27,251 and \$5,800 respectively | 71,881 | 97,374 |
| Forfeited discounts | 65,772 | 63,449 |
| Miscellaneous | <u>25,724</u> | <u>29,453</u> |
| | <u>163,661</u> | <u>190,502</u> |
| Total operating revenues | <u>4,398,473</u> | <u>4,112,063</u> |
| Operating expenses: | | |
| Source of supply and pumping expenses: | | |
| Operations | 775,790 | 562,722 |
| Water treatment expenses: | | |
| Operations | 387,562 | 434,487 |
| Transmission and distribution: | | |
| Operations | 83,322 | 80,630 |
| Maintenance | 930,245 | 887,585 |
| Customer accounts expenses | 297,563 | 320,784 |
| Administrative and general expenses | 597,434 | 542,449 |
| Depreciation and amortization | 908,262 | 923,626 |
| Taxes other than income | <u>92,506</u> | <u>87,209</u> |
| Total operating expenses | <u>4,072,684</u> | <u>3,839,492</u> |
| Operating income | <u>325,789</u> | <u>272,571</u> |

GREEN RIVER VALLEY WATER DISTRICT
Statements of Revenues, Expenses and Changes in Net Position (Concluded)
For the Years Ended June 30, 2018 and 2017

Nonoperating revenue (expenses):

| | | |
|--|----------------------|----------------------|
| Interest income | \$ 5,791 | \$ 7,611 |
| Amortization of Premium on Bond Issue | 32,043 | 38,602 |
| Gain on Sale of Assets | - | 15,029 |
| Interest on long-term debt | <u>(382,922)</u> | <u>(414,979)</u> |
| Total nonoperating revenue (expenses) | <u>(345,088)</u> | <u>(353,737)</u> |
| Income (Loss) before capital contributions | <u>(19,299)</u> | <u>(81,166)</u> |
| Capital Contributions, Tap fees | <u>54,300</u> | <u>50,500</u> |
| Increase (Decrease) in net position | 35,001 | (30,666) |
| Net Position: | | |
| Beginning of year | <u>13,130,446</u> | <u>13,161,112</u> |
| End of year | <u>\$ 13,165,447</u> | <u>\$ 13,130,446</u> |

GREEN RIVER VALLEY WATER DISTRICT
Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Cash receipts from customers | \$ 4,398,473 | \$ 4,140,790 |
| Cash payments to suppliers for goods and services | (1,964,056) | (1,837,593) |
| Cash payments to employees for services | (1,199,179) | (1,169,099) |
| Net cash provided (used) by operating activities | <u>1,235,238</u> | <u>1,134,098</u> |
| Cash flows from capital and related financing activities: | | |
| Principal paid on long-term debt | (621,537) | (714,801) |
| Interest paid on long-term debt | (382,922) | (414,479) |
| Cash paid for capital assets | (458,788) | (88,637) |
| Proceeds from Sale Capital Assets | - | 125,082 |
| Capital contributions, Tap fees | 54,300 | 50,500 |
| Net cash provided (used) in financing activities | <u>(1,408,947)</u> | <u>(1,042,335)</u> |
| Cash flows from investing activities: | | |
| Investment Income | 5,791 | 7,611 |
| Net cash provided (used) in investing activities | <u>5,791</u> | <u>7,611</u> |
| Net increase (decrease) in cash and cash equivalents | (167,918) | 99,374 |
| Cash and cash equivalents, beginning of year | 1,965,124 | 1,865,750 |
| Cash and cash equivalents, end of year | <u>\$ 1,797,206</u> | <u>\$ 1,965,124</u> |
| Reconciliation of operating income to net cash provided by operating activities: | | |
| Operating income | \$ 325,789 | \$ 272,571 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation and amortization | 908,262 | 923,626 |
| Loss (Gain) on Sale of Assets | - | (15,029) |
| Changes in assets and liabilities: | | |
| (Increase) decrease in accounts receivable | (29,673) | 28,727 |
| (Increase) decrease in prepaid and other assets | 17,488 | 8,154 |
| (Increase) decrease in plant materials and supplies | (11,810) | (50,382) |
| Increase (decrease) in accounts payable | (24,060) | (28,556) |
| Increase (decrease) in customer deposits | 49,242 | (5,013) |
| Net cash provided (used) by operating activities | <u>\$ 1,235,238</u> | <u>\$ 1,134,098</u> |

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

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

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 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.

The District follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* as amended by Statement No. 61 *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34* and Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These statements establishes standards for external financial reporting for all state and local governmental entities which includes a management’s discussion and analysis section; a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. It requires the classification of net position into three components: net investment in capital assets, restricted; and unrestricted.

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

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

These classifications are defined as follows:

- *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 \$368,709 and \$339,036 at June 30, 2018 and 2017 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, 2018. The direct write-off method does not significantly depart from generally accepted accounting principles. As of June 30, 2018 and 2017, bad debts were \$13,451 and \$9,599 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, 2018 and 2017 was \$896,907 and \$910,575 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, 2018 and 2017

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.

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 10, 2018, 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, 2018, the District had a fund balance that exceeded the maximum annual requirement.

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

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 \$1,797,206 and the bank balances were \$1,822,316. The difference between book and bank balances primarily represents checks that have been issued, but have not cleared the bank as of June 30, 2018.

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 \$2,313,162 at a total of two separate financial institutions at June 30, 2018. The District also had \$131,089 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 being restricted or unrestricted is as follows:

As reflected in the Statement of Net Position:

| | | <u>2018</u> | | <u>2017</u> |
|----------------------------|----|-------------|----|-------------|
| <u>Unrestricted:</u> | | | | |
| Cash and cash equivalents | \$ | 1,086,488 | \$ | 1,151,957 |
| Investments | | - | | - |
| <u>Restricted:</u> | | | | |
| Cash and cash equivalents | | 710,718 | | 813,167 |
| Investments | | 527,200 | | 527,200 |
| Total Cash and Investments | \$ | 2,324,406 | \$ | 2,492,324 |

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

Note 3 – Capital Assets

Capital asset activity for the year ended June 30, 2018 and 2017 was as follows:

| | Balance <u>June 30, 2017</u> | <u>Additions</u> | <u>Deletions</u> | Balance <u>June 30, 2018</u> |
|--|---------------------------------|---------------------|------------------|---------------------------------|
| Construction in Progress | | | | |
| Land & Land Rights | \$ 152,172 | \$ 5,000 | \$ - | 157,172 |
| L & L Rights Structures & Improvements | 86,496 | - | - | 86,496 |
| L & L Rights Water Treatment | 76,386 | 112,000 | - | 188,386 |
| L & L Rights Hydrants | 6,900 | - | - | 6,900 |
| Total Non Depreciable Assets | <u>321,954</u> | <u>117,000</u> | <u>-</u> | <u>438,954</u> |
| Depreciable Assets: | | | | |
| Structures & Improvements | 3,557,346 | - | - | 3,557,346 |
| Structures & Improvements Office Bldg. | 610,371 | - | - | 610,371 |
| 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 | 3,975,879 | 13,853 | - | 3,989,732 |
| Water Treatment Equip | 1,362,392 | - | - | 1,362,392 |
| Distr Reserv & Stand Pipes | 3,108,627 | - | - | 3,108,627 |
| T & D Mains | 19,349,988 | 132,813 | - | 19,482,801 |
| Services | 915,785 | 16,987 | - | 932,772 |
| Meters | 1,657,705 | 39,714 | - | 1,697,419 |
| Meter Installation | 157,159 | - | - | 157,159 |
| Hydrants | 126,223 | 1,901 | - | 128,124 |
| Other Plant | 25,564 | - | - | 25,564 |
| Office Furniture & Equip | 312,745 | 5,721 | - | 318,466 |
| Trans Equip | 662,744 | - | - | 662,744 |
| Tools Shop & Equip | 168,417 | 1,395 | - | 169,812 |
| Lab Equip | 3,343 | - | - | 3,343 |
| Power Oper Equip | 387,167 | 126,270 | - | 513,437 |
| Communication Equip | 188,035 | 3,134 | - | 191,169 |
| Total Depreciable Assets | <u>39,933,975</u> | <u>341,788</u> | <u>-</u> | <u>40,275,763</u> |
| Total Capital Assets | 40,255,929 | 458,788 | - | 40,714,717 |
| Less: Accumulated Depreciation | <u>(18,055,037)</u> | <u>(899,295)</u> | <u>-</u> | <u>(18,954,332)</u> |
| | <u>\$ 22,200,892</u> | <u>\$ (440,507)</u> | <u>\$ -</u> | <u>\$ 21,760,385</u> |

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

Note 3 – Capital Assets, Concluded:

| | Balance <u>June 30, 2016</u> | <u>Additions</u> | <u>Deletions</u> | Balance <u>June 30, 2017</u> |
|--|---------------------------------|---------------------|--------------------|---------------------------------|
| Construction in Progress | | | | |
| Land & Land Rights | 152,172 | - | - | 152,172 |
| L & L Rights Structures & Improvements | 86,496 | - | - | 86,496 |
| L & L Rights Water Treatment | 76,386 | - | - | 76,386 |
| L & L Rights Hydrants | 6,900 | - | - | 6,900 |
| Total Non Depreciable Assets | <u>321,954</u> | <u>-</u> | <u>-</u> | <u>321,954</u> |
| Depreciable Assets: | | | | |
| Structures & Improvements | 3,557,346 | - | - | 3,557,346 |
| Structures & Improvements Office Bldg. | 730,452 | 5,001 | (125,082) | 610,371 |
| 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 | 3,975,879 | - | - | 3,975,879 |
| Water Treatment Equip | 1,361,830 | 562 | - | 1,362,392 |
| Distr Reserv & Stand Pipes | 3,108,627 | - | - | 3,108,627 |
| T & D Mains | 19,343,844 | 6,144 | - | 19,349,988 |
| Services | 910,238 | 5,547 | - | 915,785 |
| Meters | 1,621,960 | 35,745 | - | 1,657,705 |
| Meter Installation | 157,159 | - | - | 157,159 |
| Hydrants | 122,895 | 3,328 | - | 126,223 |
| Other Plant | 25,564 | - | - | 25,564 |
| Office Furniture & Equip | 311,781 | 964 | - | 312,745 |
| Trans Equip | 636,375 | 26,369 | - | 662,744 |
| Tools Shop & Equip | 168,417 | - | - | 168,417 |
| Lab Equip | 3,343 | - | - | 3,343 |
| Power Oper Equip | 382,739 | 4,428 | - | 387,167 |
| Communication Equip | 187,786 | 249 | - | 188,035 |
| Total Depreciable Assets | <u>39,970,720</u> | <u>88,337</u> | <u>(125,082)</u> | <u>39,933,975</u> |
| Total Capital Assets | 40,292,674 | 88,337 | (125,082) | 40,255,929 |
| Less: Accumulated Depreciation | (17,217,073) | (910,575) | 72,611 | (18,055,037) |
| | <u>\$ 23,075,601</u> | <u>\$ (822,238)</u> | <u>\$ (52,471)</u> | <u>\$ 22,200,892</u> |

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

Note 4 – Long-Term Debt

Long-term debt consists of the following at June 30, 2018:

| | |
|---|---------------------|
| 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. | \$ 641,717 |
| 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. | 438,000 |
| 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. | 167,500 |
| 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. | 4,196,000 |
| 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. | 2,812,000 |
| 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. | <u>1,680,000</u> |
| Total bonds | <u>\$ 9,935,217</u> |
| Note Payable Kentucky Infrastructure Authority: A \$1,287,500, .75% loan was approved by KIA for repairing a section of the Rio Verde Dam. As of June 30, 2016 all of the funds had been advanced and the project completed. The loan, plus principal and interest is to be repaid in semi-annual payments of \$35,398 through December 1, 2034. | <u>\$ 1,093,950</u> |

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

Note 4 – Long-Term Debt, Continued

Principal and interest maturities of bonded debt are as follows:

| Future Bond Maturities | | | |
|-------------------------------|---------------------|---------------------|----------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2019 | 408,000 | 359,059 | 767,059 |
| 2020 | 432,500 | 342,171 | 774,671 |
| 2021 | 462,500 | 324,176 | 786,676 |
| 2022 | 480,000 | 304,529 | 784,529 |
| 2023 | 465,500 | 284,341 | 749,841 |
| 2024-2028 | 1,894,000 | 1,270,891 | 3,164,891 |
| 2029-2033 | 1,606,500 | 956,578 | 2,563,078 |
| 2034-2038 | 1,486,217 | 641,436 | 2,127,653 |
| 2039-2043 | 1,690,500 | 348,791 | 2,039,291 |
| 2044-2048 | 881,500 | 78,113 | 959,613 |
| Thereafter | <u>128,000</u> | <u>7,624</u> | <u>135,624</u> |
| Total | <u>\$ 9,935,217</u> | <u>\$ 4,917,709</u> | <u>\$ 14,852,926</u> |

Bonded debt activities for the year ended June 30, 2018, are as follows:

| | <u>Balance</u> | | <u>Debt Payments</u> | <u>Balance</u> | <u>Amount Due</u> |
|---------------|----------------------|------------------|-----------------------|----------------------|------------------------|
| | <u>June 30, 2017</u> | <u>Additions</u> | <u>and Reductions</u> | <u>June 30, 2018</u> | <u>within One Year</u> |
| Series 1996A | \$ 666,717 | \$ - | (25,000) | \$ 641,717 | \$ (26,000) |
| Series 1996B | 453,500 | - | (15,500) | 438,000 | (16,500) |
| Series 1996C | 173,500 | - | (6,000) | 167,500 | (6,500) |
| Series 2004 A | 4,280,000 | - | (84,000) | 4,196,000 | (88,000) |
| Series 2010 | 2,871,500 | - | (59,500) | 2,812,000 | (61,000) |
| Series 2013 B | 2,050,000 | - | (370,000) | 1,680,000 | (210,000) |
| | <u>\$ 10,495,217</u> | <u>\$ -</u> | <u>\$ (560,000)</u> | <u>\$ 9,935,217</u> | <u>\$ (408,000)</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, 2018 and 2017, was \$0 and \$0, respectively.

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

Note 4 – Long-Term Debt, Concluded

Principal and interest maturities of KIA note payable are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|---------------------|------------------|---------------------|
| 2019 | 62,522 | 10,244 | 72,766 |
| 2020 | 62,992 | 9,649 | 72,641 |
| 2021 | 63,465 | 9,050 | 72,515 |
| 2022 | 63,942 | 7,572 | 71,514 |
| 2023 | 64,423 | 7,028 | 71,451 |
| 2024-2028 | 329,448 | 28,092 | 357,540 |
| 2029-2033 | 342,013 | 13,839 | 355,852 |
| 2034-2035 | 105,145 | 999 | 106,144 |
| | <u>\$ 1,093,950</u> | <u>\$ 86,473</u> | <u>\$ 1,180,423</u> |

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, 2018, does not expect to incur a liability.

Note 6 - 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

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

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 7 – 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 contributed 3% 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 \$31,292 and \$30,457 for the years ended June 30, 2018 and 2017, respectively.

Supplemental Information

GREEN RIVER VALLEY WATER DISTRICT
Schedule of Operating Expenses
For the Year Ended June 30, 2018

| | Source of Supply and Pumping Expenses | Water Treatment Expenses | Transmission and Distribution | | Customer Accounts Expenses | Administrative and General Expenses | Total (Memorandum Only) |
|--|---|-----------------------------|----------------------------------|-------------------|----------------------------------|--|-------------------------------|
| | Operations | Operations | Operations | Maintenance | | | |
| Salaries and wages - employees | \$ 197,819 | \$ 149,874 | \$ - | \$ 355,068 | \$ 154,592 | \$ 326,426 | \$ 1,183,779 |
| Salaries and wages - directors | - | - | - | - | - | 15,400 | 15,400 |
| Employee pensions and benefits | 8,158 | 5,112 | - | 12,874 | 5,375 | 8,625 | 40,144 |
| Purchased water | 15,400 | - | - | - | - | - | 15,400 |
| Purchased power | 288,179 | - | 83,322 | - | - | 17,907 | 389,408 |
| Chemicals | - | 155,024 | - | - | - | - | 155,024 |
| Materials and supplies | 23,240 | 10,601 | - | 196,185 | 56,979 | 22,546 | 309,551 |
| Contractual services - accounting | - | - | - | - | - | 25,350 | 25,350 |
| Contractual services - legal | - | - | - | - | - | 3,837 | 3,837 |
| Contractual services - customer accounts | - | - | - | - | 1,995 | - | 1,995 |
| Contractual services - other | 173,245 | 36,875 | - | 145,137 | - | 42,163 | 397,420 |
| Transportation expense | - | - | - | 91,484 | 37,200 | 3,600 | 132,284 |
| Insurance - vehicle | - | - | - | 14,438 | 5,871 | 568 | 20,877 |
| Insurance - workers' compensation | 5,763 | 4,366 | - | 10,344 | 4,503 | 9,509 | 34,485 |
| Employee insurance | 25,613 | 19,405 | - | 45,972 | 20,016 | 42,264 | 153,270 |
| Employee flex reimbursements | 8,322 | 6,305 | - | 14,937 | 6,503 | 13,732 | 49,799 |
| Property and other Insurance | 30,051 | - | - | 43,806 | - | 4,824 | 78,681 |
| Bad debt expense | - | - | - | - | - | 13,451 | 13,451 |
| Miscellaneous | - | - | - | - | 4,529 | 47,232 | 51,761 |
| Totals | \$ 775,790 | \$ 387,562 | \$ 83,322 | \$ 930,245 | \$ 297,563 | \$ 597,434 | \$ 3,071,916 |

GREEN RIVER VALLEY WATER DISTRICT
Schedule of Operating Expenses
For the Year Ended June 30, 2017

| | Source of Supply and Pumping Expenses | Water Treatment Expenses | Transmission and Distribution | | Customer Accounts Expenses | Administrative and General Expenses | Total (Memorandum Only) |
|--|---|-----------------------------|----------------------------------|-------------------|----------------------------------|--|-------------------------------|
| | Operations | Operations | Operations | Maintenance | | | |
| Salaries and wages - employees | \$ 172,789 | \$ 142,935 | \$ - | \$ 376,894 | \$ 153,147 | \$ 309,234 | \$ 1,154,999 |
| Salaries and wages - directors | - | - | - | - | - | 14,100 | 14,100 |
| Employee pensions and benefits | 7,457 | 4,992 | - | 11,313 | 4,693 | 7,771 | 36,226 |
| Purchased water | 4,467 | - | - | - | - | - | 4,467 |
| Purchased power | 249,042 | - | 80,630 | - | - | 12,685 | 342,357 |
| Chemicals | - | 186,336 | - | - | - | - | 186,336 |
| Materials and supplies | 20,691 | 17,729 | - | 167,615 | 56,701 | 15,716 | 278,452 |
| Contractual services - accounting | - | - | - | - | - | 23,525 | 23,525 |
| Contractual services - legal | - | - | - | - | - | 3,167 | 3,167 |
| Contractual services - customer accounts | - | - | - | - | 3,948 | - | 3,948 |
| Contractual services - other | 58,358 | 41,202 | - | 148,225 | - | 25,082 | 272,867 |
| Transportation expense | - | - | - | 65,478 | 37,200 | 3,600 | 106,278 |
| Insurance - vehicle | - | - | - | 9,178 | 4,301 | 7,398 | 20,877 |
| Insurance - workers' compensation | 5,159 | 4,268 | - | 11,253 | 4,573 | 9,233 | 34,485 |
| Employee insurance | 24,107 | 19,941 | - | 52,582 | 21,366 | 43,143 | 161,139 |
| Employee flex reimbursements | 8,767 | 7,253 | - | 19,124 | 7,771 | 15,691 | 58,605 |
| Property and other Insurance | 11,885 | 9,831 | - | 25,923 | 10,534 | 21,270 | 79,443 |
| Bad debt expense | - | - | - | - | 9,599 | - | 9,599 |
| Miscellaneous | - | - | - | - | 6,952 | 30,835 | 37,787 |
| Totals | \$ 562,722 | \$ 434,487 | \$ 80,630 | \$ 887,585 | \$ 320,784 | \$ 542,449 | \$ 2,828,657 |



Cindy L. Greer, CPA ■ Jonathan W. Belcher, CPA ■ R. Brent Billingsley, CPA

Skip R. Campbell, CPA ■ L. Joe Rutledge, CPA ■ Ryan A. Mosier, CPA ■ Jenna B. Glass, CPA ■ Van Shepard, CPA ■ Sharon Waggener, CPA

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, 2018 and 2017, 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 10, 2018.

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 Green River Valley Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 10, 2018

