

Green River Valley Water District
Financial Statements
June 30, 2019 and 2018

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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, 2019 and 2018 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, 2019 and 2018, 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 12, 2019, 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 12, 2019

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, 2019 and 2018. 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, 2019, total operating and non-operating revenues (including capital contributions) totaled \$4,344,306. This represents a 3% decrease in revenues from the prior year. The increase was primarily due to a decrease in operating revenues.

Expenses amounted to \$4,143,119 an increase of \$70,435 from the prior year. This increase was primarily due to an increase in operating expenses.

Total assets decreased by \$630,102 while total liabilities and deferred inflows decreased by \$503,925. These changes resulted in a decrease in net position of \$126,127.

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. The contracts and financing arrangements should be finalized in the upcoming year.

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, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Assets		
Total Current Assets	\$ 1,818,008	\$ 1,859,740
Total Restricted Assets	1,292,660	1,237,918
Net Capital Assets	<u>21,117,273</u>	<u>21,760,385</u>
Total Assets	<u>24,227,941</u>	<u>24,858,043</u>
Liabilities		
Total Current Liabilities	438,220	438,185
Total Liabilities Payable from Restricted Assets	580,585	582,680
Total Long-term Liabilities	<u>10,084,653</u>	<u>10,559,480</u>
Total Liabilities	<u>11,103,458</u>	<u>11,580,345</u>
Deferred Inflows of Resources	<u>85,213</u>	<u>112,251</u>
Net Position		
Net Investment in Capital Assets	10,558,628	10,731,218
Restricted for equipment replacement	730,832	642,925
Restricted for debt retirement	561,828	594,993
Unrestricted	<u>1,187,982</u>	<u>1,196,311</u>
Total Net Position	<u>\$ 13,039,270</u>	<u>\$ 13,165,447</u>

The largest portion (81%) 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% decrease from the prior year. This decrease 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 (10%) represents resources that are subject to external restrictions on how they may be used. This represents a 1% increase 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. There was a minimal decrease from the prior year.

**Green River Valley Water District
Summary of Changes in Net Position
For the Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Total operating revenues	\$ 4,278,806	\$ 4,398,473
Total operating expenses	<u>4,143,119</u>	<u>4,072,684</u>
Operating Income	135,687	325,789
Total non-operating revenue (expenses)	<u>(327,364)</u>	<u>(345,088)</u>
Income before capital contributions	(191,677)	(19,299)
Capital contributions, tap fees	<u>65,500</u>	<u>54,300</u>
Increase (decrease) in net position	(126,177)	35,001
Beginning of year	<u>13,165,447</u>	<u>13,130,446</u>
End of year	<u>\$ 13,039,270</u>	<u>\$ 13,165,447</u>

Net position decreased by \$126,177 an increase from the prior year of \$161,178.

Capital Asset Changes

At June 30, 2019, the District had invested \$21.117 million in capital assets net of accumulated depreciation. This amount represents a net decrease of \$643.00 thousand. This decrease is the result of limited construction projects completed during the year net of depreciation.

Debt Administration

At June 30, 2019, the District had \$9,527,218 bonds outstanding, a decrease of \$408,000 from the prior year's balance of \$9,935,218. 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, 2019 is \$1,031,408.

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets		
Cash	\$ 1,029,359	\$ 1,086,488
Accounts receivable	368,431	368,709
Accrued interest	2,967	2,967
Plant materials and supplies, (at replacement cost)	280,190	272,252
Prepaid and other assets	<u>137,061</u>	<u>129,414</u>
Total Current Assets	<u>1,818,008</u>	<u>1,859,830</u>
Non-current Assets		
Restricted Assets		
Cash - Depreciation fund	44,628	67,793
Cash - Bond and interest redemption fund	730,832	642,925
Investments - Depreciation fund	<u>517,200</u>	<u>527,200</u>
Total Restricted Assets	<u>1,292,660</u>	<u>1,237,918</u>
Capital Assets		
Utility plant in service	40,881,054	40,714,627
Accumulated depreciation	<u>(19,763,781)</u>	<u>(18,954,332)</u>
Net Capital Assets	<u>21,117,273</u>	<u>21,760,295</u>
Total Non-current Assets	<u>22,409,933</u>	<u>22,998,213</u>
 Total Assets	 <u>\$ 24,227,941</u>	 <u>\$ 24,858,043</u>

GREEN RIVER VALLEY WATER DISTRICT
Statements of Net Position (Concluded)
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 342,406	\$ 350,468
Customer deposits	95,814	87,717
Total Current Liabilities	<u>438,220</u>	<u>438,185</u>
Liabilities Payable from Restricted Assets		
Current maturities of long-term debt	473,992	469,687
Accrued interest	106,593	112,993
Total Liabilities Payable from Restricted Assets	<u>580,585</u>	<u>582,680</u>
Long-term Liabilities		
Long-term debt, less current maturities	<u>10,084,653</u>	<u>10,559,480</u>
Total Long-term Liabilities	<u>10,084,653</u>	<u>10,559,480</u>
Total Liabilities	<u>11,103,458</u>	<u>11,580,345</u>
Deferred Inflows of Resources		
Unamortized Premium on Bonds	<u>85,213</u>	<u>112,251</u>
Net Position		
Net investment in capital assets	10,558,628	10,731,218
Restricted for debt retirement	730,832	642,925
Restricted for equipment replacement	561,828	594,993
Unrestricted	<u>1,187,982</u>	<u>1,196,311</u>
Total Net Position	<u>\$ 13,039,270</u>	<u>\$ 13,165,447</u>

GREEN RIVER VALLEY WATER DISTRICT
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating revenue:		
Metered water sales:		
Residential	\$ 2,523,653	\$ 2,562,441
Commercial	<u>236,509</u>	<u>236,949</u>
	<u>2,760,162</u>	<u>2,799,390</u>
 Wholesale water sales:		
Horse Cave	568,450	578,805
CEA Cave City	240,465	255,460
Munfordville	183,327	212,890
Larue County	196,597	197,387
Bonnieville	30,553	36,667
Green-Taylor	96,943	129,297
CEA	<u>23,319</u>	<u>24,916</u>
	<u>1,339,654</u>	<u>1,435,422</u>
 Other operating revenues:		
Cash water sales	243	284
Revenues from maintenance and contract work, net of expenses of \$27,251 and \$27,251 respectively	81,967	71,881
Forfeited discounts	60,979	65,772
Miscellaneous	<u>35,801</u>	<u>25,724</u>
	<u>178,990</u>	<u>163,661</u>
 Total operating revenues	<u>4,278,806</u>	<u>4,398,473</u>
 Operating expenses:		
Source of supply and pumping expenses:		
Operations	613,002	775,790
Water treatment expenses:		
Operations	450,915	387,562
Transmission and distribution:		
Operations	77,351	83,322
Maintenance	1,013,545	930,245
Customer accounts expenses	321,805	297,563
Administrative and general expenses	644,040	597,434
Depreciation and amortization	926,808	908,262
Taxes other than income	<u>95,653</u>	<u>92,506</u>
 Total operating expenses	<u>4,143,119</u>	<u>4,072,684</u>
 Operating income	<u>\$ 135,687</u>	<u>\$ 325,789</u>

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

GREEN RIVER VALLEY WATER DISTRICT
Statements of Revenues, Expenses and Changes in Net Position (Concluded)
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Nonoperating revenue (expenses):		
Interest income	\$ 13,380	\$ 5,791
Amortization of Premium on Bond Issue	27,038	32,043
Interest on long-term debt	<u>(367,782)</u>	<u>(382,922)</u>
 Total nonoperating revenue (expenses)	 <u>(327,364)</u>	 <u>(345,088)</u>
 Income (Loss) before capital contributions	 <u>(191,677)</u>	 <u>(19,299)</u>
 Capital Contributions, Tap fees	 <u>65,500</u>	 <u>54,300</u>
 Increase (Decrease) in net position	 (126,177)	 35,001
 Net Position:		
Beginning of year	13,165,447	13,130,446
End of year	<u>\$ 13,039,270</u>	<u>\$ 13,165,447</u>

GREEN RIVER VALLEY WATER DISTRICT
Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Cash receipts from customers	\$ 4,278,528	\$ 4,398,473
Cash payments to suppliers for goods and services	(2,015,072)	(1,964,056)
Cash payments to employees for services	<u>(1,222,465)</u>	<u>(1,199,179)</u>
Net cash provided (used) by operating activities	<u>1,040,991</u>	<u>1,235,238</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(470,522)	(621,537)
Interest paid on long-term debt	(367,782)	(382,922)
Cash paid for capital assets	(273,954)	(458,788)
Capital contributions, Tap fees	<u>65,500</u>	<u>54,300</u>
Net cash provided (used) in financing activities	<u>(1,046,758)</u>	<u>(1,408,947)</u>
Cash flows from investing activities:		
Investment Income	<u>13,380</u>	<u>5,791</u>
Net cash provided (used) in investing activities	<u>13,380</u>	<u>5,791</u>
Net increase (decrease) in cash and cash equivalents	7,613	(167,918)
Cash and cash equivalents, beginning of year	<u>1,797,206</u>	<u>1,965,124</u>
Cash and cash equivalents, end of year	<u>\$ 1,804,819</u>	<u>\$ 1,797,206</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 135,687	\$ 325,789
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	926,808	908,262
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	278	(29,673)
(Increase) decrease in prepaid and other assets	(10,827)	17,488
(Increase) decrease in plant materials and supplies	(7,938)	(11,810)
Increase (decrease) in accounts payable	5,080	(24,060)
Increase (decrease) in customer deposits	<u>(8,097)</u>	<u>49,242</u>
Net cash provided (used) by operating activities	<u>\$ 1,040,991</u>	<u>\$ 1,235,238</u>

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

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2019 and 2018

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, 2019 and 2018

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 \$368,431 and \$368,709 at June 30, 2019 and 2018 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, 2019. The direct write-off method does not significantly depart from generally accepted accounting principles. As of June 30, 2019 and 2018, bad debts were \$22,622 and \$13,451 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, 2019 and 2018 was \$917,066 and \$896,907 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, 2019 and 2018

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

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 12, 2019, 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, 2019, the District had a fund balance that exceeded the maximum annual requirement.

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2019 and 2018

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 \$1,804,619 and the bank balances were \$1,816,904. The difference between book and bank balances primarily represents checks that have been issued, but have not cleared the bank as of June 30, 2019.

The District’s investments included two certificates of deposit totaling \$517,200 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 \$2,869,027 at a total of two separate financial institutions at June 30, 2019. The District also had \$161,959 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>2019</u>		<u>2018</u>
<u>Unrestricted:</u>			
Cash and cash equivalents	\$ 1,029,359	\$	1,086,488
Investments	-		-
 <u>Restricted:</u>			
Cash and cash equivalents	775,460		710,718
Investments	<u>517,200</u>		<u>527,200</u>
Total Cash and Investments	<u>\$ 2,322,019</u>	<u>\$</u>	<u>2,324,406</u>

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2019 and 2018

Note 3 – Capital Assets

Capital asset activity for the year ended June 30, 2019 and 2018 was as follows:

	Balance <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2019</u>
Construction in Progress				
Land & Land Rights	\$ 157,172	\$ -	\$ -	\$ 157,172
L & L Rights Structures & Improvements	86,496	-	-	86,496
L & L Rights Water Treatment	188,386	15,000	-	203,386
L & L Rights Hydrants	6,900	-	-	6,900
Total Non Depreciable Assets	<u>438,954</u>	<u>15,000</u>	<u>-</u>	<u>453,954</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	3,989,732	-	-	3,989,732
Water Treatment Equip	1,362,392	4,762	-	1,367,154
Distr Reserv & Stand Pipes	3,108,627	-	-	3,108,627
T & D Mains	19,482,801	107,065	-	19,589,866
Services	932,772	5,478	-	938,250
Meters	1,697,419	35,513	-	1,732,932
Meter Installation	157,159	-	-	157,159
Hydrants	128,124	224	-	128,348
Other Plant	25,564	-	-	25,564
Office Furniture & Equip	318,466	2,316	-	320,782
Trans Equip	662,744	67,926	(107,617)	623,053
Tools Shop & Equip	169,812	23,214	-	193,026
Lab Equip	3,343	-	-	3,343
Power Oper Equip	513,437	9,198	-	522,635
Communication Equip	191,169	3,258	-	194,427
Total Depreciable Assets	<u>40,275,763</u>	<u>258,954</u>	<u>(107,617)</u>	<u>40,427,100</u>
Total Capital Assets	40,714,627	273,954	(107,617)	40,881,054
Less: Accumulated Depreciation	(18,954,332)	(917,066)	107,617	(19,763,781)
	<u>\$ 21,760,295</u>	<u>\$ (643,112)</u>	<u>\$ -</u>	<u>\$ 21,117,273</u>

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2019 and 2018

Note 3 – Capital Assets, Concluded:

	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	187,945	3,134	-	191,079
Total Depreciable Assets	<u>39,933,885</u>	<u>341,788</u>	<u>-</u>	<u>40,275,673</u>
Total Capital Assets	40,255,839	458,788	-	40,714,627
Less: Accumulated Depreciation	<u>(18,055,037)</u>	<u>(899,295)</u>	<u>-</u>	<u>(18,954,332)</u>
	<u>\$ 22,200,802</u>	<u>\$ (440,507)</u>	<u>\$ -</u>	<u>\$ 21,760,295</u>

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2019 and 2018

Note 4 – Long-Term Debt

Long-term debt consists of the following at June 30, 2019:

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. \$ 615,717

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. 421,500

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. 161,000

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. 4,108,000

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. 2,751,000

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. 1,470,000

Total bonds \$ 9,527,217

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. \$ 1,031,428

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2019 and 2018

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>
2020	\$ 411,000	\$ 342,171	\$ 753,171
2021	432,500	324,176	756,676
2022	462,500	304,529	767,029
2023	480,000	284,341	764,341
2024	465,500	267,229	732,729
2025-2029	1,670,500	1,138,668	2,809,168
2030-2034	1,650,000	827,848	2,477,848
2035-2039	1,521,500	527,646	2,049,146
2040-2044	1,548,500	218,138	1,766,638
2045-2049	<u>885,217</u>	<u>39,563</u>	<u>924,780</u>
Total	<u>\$ 9,527,217</u>	<u>\$ 4,274,309</u>	<u>\$ 13,801,526</u>

Bonded debt activities for the year ended June 30, 2019, are as follows:

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Debt Payments</u> <u>and Reductions</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Amount Due</u> <u>within One Year</u>
Series 1996A	\$ 641,717	\$ -	\$ (26,000)	\$ 615,717	\$ (28,000)
Series 1996B	438,000	-	(16,500)	421,500	(17,000)
Series 1996C	167,500	-	(6,500)	161,000	(6,500)
Series 2004 A	4,196,000	-	(88,000)	4,108,000	(92,000)
Series 2010	2,812,000	-	(61,000)	2,751,000	(62,500)
Series 2013 B	1,680,000	-	(210,000)	1,470,000	(205,000)
	<u>\$ 9,935,218</u>	<u>\$ -</u>	<u>\$ (408,000)</u>	<u>\$ 9,527,217</u>	<u>\$ (411,000)</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, 2019 and 2018, was \$0 and \$0, respectively.

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2019 and 2018

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>
2020	\$ 62,992	\$ 9,649	\$ 72,641
2021	63,465	9,050	72,515
2022	63,942	8,445	72,387
2023	64,423	7,837	72,260
2024	64,907	7,224	72,131
2025-2029	331,923	26,759	358,682
2030-2034	344,583	10,723	355,306
2035	35,193	132	35,325
	<u>\$ 1,031,428</u>	<u>\$ 79,819</u>	<u>\$ 1,111,247</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, 2019, 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.

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2019 and 2018

Note 6 – Pension Plan

The District contributed 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 \$20,717 and \$31,292 for the years ended June 30, 2019 and 2018, respectively.

Beginning in April of 2019 the District changed to a defined contribution 457(B) Employee Retirement Plan. The District contributes 3% of employee compensation to individual employee accounts for each participating employee who meets certain requirements as to age and length of service. Employees are permitted to make contributions up to applicable Internal Revenue Code limits. For the year ended June 30, 2019, employee contributions totaled \$11,920, and the District recognized pension expense of \$7,436.

Note 7 – Subsequent events

Subsequent to audit date the District acquired from Bonnieville, Kentucky their municipal water customers. The district began billing the approximately 244 customers made up of both residential and commercial, in August, 2019

The District entered into contracts for the expansion of the water pumping plant in the amount of \$11,625,000. This addition is to be financed with the issuance of Rural Development bonds and RD grants. In conjunction with this construction the District has applied for a rate increase with the public Service Commission. As of June 30, 2019 no funds had been expended on the above project.

Supplemental Information

GREEN RIVER VALLEY WATER DISTRICT
Schedule of Operating Expenses
For the Year Ended June 30, 2019

	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	\$ 204,502	\$ 147,777	\$ -	\$ 370,360	\$ 159,773	\$ 322,753	\$ 1,205,165
Salaries and wages - directors	-	-	-	-	-	17,300	17,300
Employee pensions and benefits	11,367	4,277	-	8,864	3,342	5,033	32,883
Purchased water	5,313	-	-	-	-	-	5,313
Purchased power	254,649	-	77,351	-	-	19,739	351,739
Chemicals	-	174,854	-	-	-	-	174,854
Materials and supplies	19,526	14,372	-	204,722	62,704	18,405	319,729
Contractual services - accounting	-	-	-	-	-	22,175	22,175
Contractual services - legal	-	-	-	-	-	4,239	4,239
Contractual services - customer accounts	-	-	-	-	-	2,275	2,275
Contractual services - other	60,120	68,068	-	159,820	-	55,060	343,068
Transportation expense	-	-	-	156,421	37,200	3,600	197,221
Insurance - vehicle	-	-	-	9,178	4,301	7,398	20,877
Insurance - workers' compensation	5,852	4,228	-	10,598	4,572	9,235	34,485
Employee insurance	29,574	21,370	-	53,560	23,106	46,675	174,285
Employee flex reimbursements	9,590	6,930	-	17,367	7,491	15,135	56,513
Property and other Insurance	12,509	9,039	-	22,655	9,773	19,743	73,719
Bad debt expense	-	-	-	-	-	22,622	22,622
Miscellaneous	-	-	-	-	9,543	52,653	62,196
Totals	\$ 613,002	\$ 450,915	\$ 77,351	\$ 1,013,545	\$ 321,805	\$ 644,040	\$ 3,120,658

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



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, 2019 and 2018, 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 12, 2019.

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 12, 2019

