

**Green River Valley Water District**  
**Financial Statements**  
**June 30, 2020 and 2019**



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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, 2020 and 2019 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, 2020 and 2019, 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 31, 2020, 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 31, 2020

## 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, 2020 and 2019. 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, 2020, total operating, and non-operating revenues (including capital contributions) totaled \$5,084,100. This represents a 15% increase in revenues from the prior year. The increase was primarily due to a rate increase in October of 2019.

Expenses amounted to \$4,427,386 an increase of \$284,267 from the prior year. This increase was primarily due to an increase in operating expenses.

Total assets increased by \$2,921,180 while total liabilities and deferred inflows increased by \$2,797,682. These changes resulted in an increase in net position of \$123,498.

The Water District had filed application with USDA-RD for a loan and grant for a WTP upgrade to increase the capacity of the water plant. This project was needed to make sure the District has sufficient water supply to meet the needs of our customers now and in the future. The application was approved, and contracts awarded. Construction has begun and is expected to be completed in calendar year 2021.

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.

### ***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 evaluating 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, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Total Current Assets	\$ 2,257,225	\$ 1,818,008
Total Restricted Assets	1,727,255	1,292,660
Net Capital Assets	<u>23,164,641</u>	<u>21,117,273</u>
Total Assets	<u>27,149,121</u>	<u>24,227,941</u>
<b>Liabilities</b>		
Total Current Liabilities	495,062	438,220
Total Liabilities Payable from Restricted Assets	3,681,018	604,042
Total Long-term Liabilities	<u>9,810,273</u>	<u>10,146,409</u>
Total Liabilities	<u>13,986,353</u>	<u>11,188,671</u>
<b>Net Position</b>		
Net Investment in Capital Assets	10,144,623	10,558,628
Restricted for equipment replacement	808,166	730,832
Restricted for debt retirement	579,789	561,828
Unrestricted	<u>1,630,190</u>	<u>1,187,982</u>
Total Net Position	<u>\$ 13,162,768</u>	<u>\$ 13,039,270</u>

The largest portion (77%) 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 4% 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 (11%) represents resources that are subject to external restrictions on how they may be used. There was a minimal increase from the prior year.

The balance (12%) of unrestricted net position may be used to meet the Company's ongoing obligations to citizens, consumers, and creditors. This was a 4% increase from the prior year.



**Green River Valley Water District  
Summary of Changes in Net Position  
For the Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Total operating revenues	\$ 5,021,850	\$ 4,278,806
Total operating expenses	<u>4,427,386</u>	<u>4,143,119</u>
Operating Income	594,464	135,687
Total non-operating revenue (expenses)	<u>(533,216)</u>	<u>(327,364)</u>
Income before capital contributions	61,248	(191,677)
Capital contributions, tap fees	<u>62,250</u>	<u>65,500</u>
Increase (decrease) in net position	123,498	(126,177)
Beginning of year	<u>13,039,270</u>	<u>13,165,447</u>
End of year	<u>\$ 13,162,768</u>	<u>\$ 13,039,270</u>

Net position increased by \$123,498 an increase from the prior year of \$249,675.

**Capital Asset Changes**

On June 30, 2020, the District had invested \$23.165 million in capital assets net of accumulated depreciation. This amount represents a net increase of \$2.047 million. This increase is primarily from a major plant expansion underway which is to total approximately \$11 million dollars.

***Debt Administration***

As of June 30, 2020, the District had \$9,013,500 bonds outstanding, a decrease of \$513,718 from the prior year's balance of \$9,527,218. This decrease resulted from current year scheduled payments and a refinancing of four USDA Rural Development bond issues with a new KRWFC issue of \$5,060,000. The District also received in 2014, a \$1,287,500 .75% loan from the Kentucky Infrastructure Authority. The balance on June 30, 2020 is \$968,416. The above major plant expansion is to be financed upon completion with a \$8,062,000 loan and a \$3,563,000 grant from USDA Rural Development. The construction is temporarily being financed with a note of \$8,062,000 from KRWFC. As of June 30, 2020, \$1,995,116 had been advanced on this interim loan.

***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, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 1,409,206	\$ 1,029,359
Accounts receivable	456,555	368,431
Accrued interest	2,967	2,967
Plant materials and supplies, (at replacement cost)	297,205	280,190
Prepaid and other assets	91,292	137,061
Total Current Assets	2,257,225	1,818,008
<b>Non-current Assets</b>		
Restricted Assets		
Cash - Construction account	339,300	-
Cash - Depreciation fund	55,587	44,628
Cash - Bond and interest redemption fund	808,166	730,832
Investments - Depreciation fund	524,202	517,200
Total Restricted Assets	1,727,255	1,292,660
Capital Assets		
Utility plant in service	43,869,747	40,881,054
Accumulated depreciation	(20,705,106)	(19,763,781)
Net Capital Assets	23,164,641	21,117,273
Total Non-current Assets	24,891,896	22,409,933
Total Assets	\$ 27,149,121	\$ 24,227,941

**GREEN RIVER VALLEY WATER DISTRICT**  
**Statements of Net Position (Concluded)**  
**June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 393,659	\$ 342,406
Customer deposits	101,403	95,814
Total Current Liabilities	<u>495,062</u>	<u>438,220</u>
<b>Liabilities Payable from Restricted Assets</b>		
Interim financing note KRWFC, expected to be refinanced	1,995,116	-
Construction accounts payable	1,042,986	-
Current maturities of long-term debt	537,094	497,449
Accrued interest	105,822	106,593
Total Liabilities Payable from Restricted Assets	<u>3,681,018</u>	<u>604,042</u>
<b>Long-term Liabilities</b>		
Long-term debt, less current maturities, net with premium	<u>9,810,273</u>	<u>10,146,409</u>
Total Long-term Liabilities	<u>9,810,273</u>	<u>10,750,451</u>
Total Liabilities	<u>13,986,353</u>	<u>11,188,671</u>
<b>Net Position</b>		
Net investment in capital assets	10,144,623	10,558,628
Restricted for debt retirement	808,166	730,832
Restricted for equipment replacement	579,789	561,828
Unrestricted	<u>1,630,190</u>	<u>1,187,982</u>
<b>Total Net Position</b>	<u>\$ 13,162,768</u>	<u>\$ 13,039,270</u>

**GREEN RIVER VALLEY WATER DISTRICT**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Operating revenue:</b>		
Metered water sales:		
Residential	\$ 3,015,939	\$ 2,523,653
Commercial	280,471	236,509
	3,296,410	2,760,162
Wholesale water sales:		
Horse Cave	690,961	568,450
CEA Cave City	252,904	240,465
Munfordville	212,393	183,327
Larue County	237,461	196,597
Bonnieville	2,415	30,553
Green-Taylor	95,824	96,943
CEA	26,499	23,319
	1,518,457	1,339,654
Other operating revenues:		
Cash water sales	239	243
Revenues from maintenance and contract work, net of expenses of \$29,778 and \$27,251 respectively	94,830	81,967
Forfeited discounts	50,293	60,979
Miscellaneous	61,621	35,801
	206,983	178,990
Total operating revenues	5,021,850	4,278,806
<b>Operating expenses:</b>		
Source of supply and pumping expenses:		
Operations	719,936	613,002
Water treatment expenses:		
Operations	404,620	450,915
Transmission and distribution:		
Operations	80,899	77,351
Maintenance	1,146,834	1,013,545
Customer accounts expenses	318,251	321,805
Administrative and general expenses	712,707	644,040
Depreciation and amortization	950,124	926,808
Taxes other than income	94,015	95,653
	4,427,386	4,143,119
Total operating expenses	4,427,386	4,143,119
Operating income	\$ 594,464	\$ 135,687

**GREEN RIVER VALLEY WATER DISTRICT**  
**Statements of Revenues, Expenses and Changes in Net Position (Concluded)**  
**For the Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Nonoperating revenue (expenses):</b>		
Interest income	\$ 21,038	\$ 13,380
Amortization of Premium on Bond Issue	23,457	27,038
Bond Issuance Costs	(208,371)	-
Interest on long-term debt	<u>(369,340)</u>	<u>(367,782)</u>
 Total nonoperating revenue (expenses)	 <u>(533,216)</u>	 <u>(327,364)</u>
 Income (Loss) before capital contributions	 <u>61,248</u>	 <u>(191,677)</u>
 Capital Contributions, Tap fees	 <u>62,250</u>	 <u>65,500</u>
 Increase (Decrease) in net position	 123,498	 (126,177)
 <b>Net Position:</b>		
Beginning of year	<u>13,039,270</u>	<u>13,165,447</u>
End of year	<u>\$ 13,162,768</u>	<u>\$ 13,039,270</u>

**GREEN RIVER VALLEY WATER DISTRICT**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities:</b>		
Cash receipts from customers	\$ 5,021,850	\$ 4,278,528
Cash payments to suppliers for goods and services	(2,244,712)	(2,015,072)
Cash payments to employees for services	(1,234,809)	(1,222,465)
Net cash provided (used) by operating activities	<u>1,542,329</u>	<u>1,040,991</u>
<b>Cash flows from capital and related financing activities:</b>		
Proceeds from issuance of long term debt	5,060,000	-
Premium on bonds issued	303,695	-
Bond issuance costs	(208,371)	-
Interim Financing for Construction	1,995,116	-
Principal paid on long-term debt	(5,636,729)	(470,522)
Interest paid on long-term debt	(369,340)	(367,782)
Cash paid for capital assets	(1,956,066)	(273,954)
Capital contributions, Tap fees	62,500	65,500
Net cash provided (used) in financing activities	<u>(749,195)</u>	<u>(1,046,758)</u>
<b>Cash flows from investing activities:</b>		
Purchase of investments	(7,002)	-
Investment Income	21,308	13,380
Net cash provided (used) in investing activities	<u>14,306</u>	<u>13,380</u>
Net increase (decrease) in cash and cash equivalents	807,440	7,613
Cash and cash equivalents, beginning of year	<u>1,804,819</u>	<u>1,797,206</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 2,612,259</u>	<u>\$ 1,804,819</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 594,464	\$ 135,687
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	950,124	926,808
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(88,124)	278
(Increase) decrease in prepaid and other assets	45,769	(10,827)
(Increase) decrease in plant materials and supplies	(17,015)	(7,938)
Increase (decrease) in accounts payable	51,522	5,080
Increase (decrease) in customer deposits	5,589	(8,097)
Net cash provided (used) by operating activities	<u>\$ 1,542,329</u>	<u>\$ 1,040,991</u>

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

**GREEN RIVER VALLEY WATER DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**

**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, 2020 and 2019**

**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 \$456,555 and \$368,431 on June 30, 2020 and 2019 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, 2020. The direct write-off method does not significantly depart from generally accepted accounting principles. As of June 30, 2020, and 2019, bad debts were \$20,626 and \$22,622, 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, 2020 and 2019 was \$941,325 and \$917,066, 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, 2020 and 2019**

**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 31, 2020, 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 \$132,000, and after this balance is reached transfers can cease. On June 30, 2020, the District had a fund balance that exceeded the maximum annual requirement.

**GREEN RIVER VALLEY WATER DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**

**Note 2 – Cash and Investments, Concluded**

Bond and Interest Redemption Fund

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

Deposits

At year end, the carrying amount of the District’s cash deposits was \$2,612,259 and the bank balances were \$2,625,276. The difference between book and bank balances primarily represents checks that have been issued but have not cleared the bank as of June 30, 2020.

The District’s investments include a certificate of deposit totaling \$524,202 at one financial institution at a rate of 1.74% with a maturity date of November 3, 2020.

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 \$3,691,005 at a total of three separate financial institutions on June 30, 2020. The District also had \$240,092 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>2020</u>	<u>2019</u>
<u>Unrestricted:</u>		
Cash and cash equivalents	\$ 1,409,206	\$ 1,029,359
Investments	-	-
 <u>Restricted:</u>		
Cash and cash equivalents	1,203,053	775,460
Investments	524,202	517,200
Total Cash and Investments	\$ 3,136,461	\$ 2,322,019

**GREEN RIVER VALLEY WATER DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**

**Note 3 – Capital Assets**

Capital asset activity for the year ended June 30, 2020 and 2019 was as follows:

	Balance			Balance
	<u>June 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2020</u>
Construction in Progress	\$ -	\$ 2,717,311	\$ -	\$ 2,717,311
Land & Land Rights	157,172	-	-	157,172
L & L Rights Structures & Improvements	86,496	19,000	-	105,496
L & L Rights Water Treatment	203,386	-	-	203,386
L & L Rights Hydrants	6,900	-	-	6,900
Total Non Depreciable Assets	<u>453,954</u>	<u>2,736,311</u>	<u>-</u>	<u>3,190,265</u>
 <b>Depreciable Assets:</b>				
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	8,850	-	3,998,582
Water Treatment Equip	1,367,154	5,788	-	1,372,942
Distr Reserv & Stand Pipes	3,108,627	-	-	3,108,627
T & D Mains	19,589,866	123,975	-	19,713,841
Services	938,250	7,556	-	945,806
Meters	1,732,932	41,479	-	1,774,411
Meter Installation	157,159	-	-	157,159
Hydrants	128,348	1,098	-	129,446
Other Plant	25,564	-	-	25,564
Office Furniture & Equip	320,782	10,547	-	331,329
Trans Equip	623,053	47,296	-	670,349
Tools Shop & Equip	193,026	4,100	-	197,126
Lab Equip	3,343	-	-	3,343
Power Oper Equip	522,635	1,693	-	524,328
Communication Equip	194,427	-	-	194,427
Total Depreciable Assets	<u>40,427,100</u>	<u>252,382</u>	<u>-</u>	<u>40,679,482</u>
Total Capital Assets	40,881,054	2,988,693	-	43,869,747
Less: Accumulated Depreciation	<u>(19,763,781)</u>	<u>(941,325)</u>	<u>-</u>	<u>(20,705,106)</u>
	<u>\$ 21,117,273</u>	<u>\$ 2,047,368</u>	<u>\$ -</u>	<u>\$ 23,164,641</u>

**Construction in Progress:**

During the year, the District received final approval from USDA Rural Development, and contracts were awarded for the water plant expansion project to increase from 6 MGD to 8 MGD as well as other major plant improvements. The total cost of these additions is projected to be \$11,625,000. The contracts have been awarded and construction began during the year. As of June 30, 2020, \$2,717,311 had been expended on the project. Permanent financing will be provided by issuance of RD bonds of \$8,062,000 and grants of \$3,563,000. Interim financing is being provided by Kentucky Rural Water Finance Corporation.

**GREEN RIVER VALLEY WATER DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**

**Note 3 – Capital Assets, Concluded:**

	Balance			Balance
	<u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<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>
 <b>Depreciable Assets:</b>				
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, 2020 and 2019**

**Note 4 – Long-Term Debt**

Long-term debt consists of the following on June 30, 2020:

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. \$ 2,688,500

Series 2013 B Refunding Bonds issued on March 27, 2013 in the amount of \$3,795,000; due in annual installments on January 1 ranging from \$460,000 to \$10,000 through January, 2028. Interest rates vary from 2.3% to 4.6% due on January and July of each year. 1,265,000

Series 2020 D Refunding Bonds issued May 6, 2020 in the amount of \$5,060,000 due in annual installments on January 1 ranging from \$155,000 to \$275,000 through January, 2044. Interest rates vary from 3.2% to 5.2% due on January and July of each year. 5,060,000

Total bonds \$ 9,013,500

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. \$ 968,416

**GREEN RIVER VALLEY WATER DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**

**Note 4 – Long-Term Debt, Continued**

Principal and interest maturities of bonded debt are as follows:

<b>Future Bond Maturities</b>			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 434,000	\$ 157,403	\$ 591,403
2022	461,000	292,176	753,176
2023	482,500	271,607	754,107
2024	469,000	250,376	719,376
2025	371,000	232,107	603,107
2026-2030	1,712,000	649,523	2,361,523
2031-2035	1,727,500	827,848	2,555,348
2036-2040	1,449,000	407,613	1,856,613
2041-2045	1,413,500	190,538	1,604,038
2046-2049	<u>494,000</u>	<u>37,163</u>	<u>531,163</u>
 Total	 <u>\$ 9,013,500</u>	 <u>\$ 3,316,354</u>	 <u>\$ 12,329,854</u>

Bonded debt activities for the year ended June 30, 2020, are as follows:

	<u>Balance</u>		<u>Debt Payments</u>	<u>Balance</u>	<u>Amount Due</u>
	<u>June 30, 2019</u>	<u>Additions</u>	<u>and Reductions</u>	<u>June 30, 2020</u>	<u>within One Year</u>
Series 1996A	\$ 615,717	\$ -	\$ (615,717)	\$ -	\$ -
Series 1996B	421,500	-	(421,500)	-	-
Series 1996C	161,000	-	(161,000)	-	-
Series 2004 A	4,108,000	-	(4,108,000)	-	-
Series 2010	2,751,000	-	(62,500)	2,688,500	(64,000)
Series 2013 B	1,470,000	-	(205,000)	1,265,000	(215,000)
Series 2020 D	-	5,060,000	-	5,060,000	(155,000)
	<u>9,527,217</u>	<u>5,060,000</u>	<u>(5,573,717)</u>	<u>9,013,500</u>	<u>(434,000)</u>
Bond Premiums	85,213	303,695	(23,457)	365,451	(39,629)
 Total bonds net with premium	 <u>\$ 9,612,430</u>	 <u>\$ 5,363,695</u>	 <u>\$ (5,597,174)</u>	 <u>\$ 9,378,951</u>	 <u>\$ (473,629)</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, 2020 and 2019, was \$0 and \$0, respectively. However, see below the capitalized interest on interim financing loans.

**GREEN RIVER VALLEY WATER DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**

**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>
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	65,394	6,606	72,000
2026-2030	334,417	23,599	358,016
2031-2035	311,868	10,723	322,591
	<u>\$ 968,416</u>	<u>\$ 73,484</u>	<u>\$ 1,041,900</u>

Interim financing note KRWFC:

The District entered into an agreement with Kentucky Rural Water Finance Corporation to finance the construction project with a short term note in the amount of \$8,062,000, at an interest rate of 3.10%. The project will be permanently financed with an USDA Rural Development bond issue of \$8,062,000 and grants of \$3,563,000. As of June 30, 2020, \$1,995,116 of the interim financing has been advanced. Interest expense of \$125,827 has been capitalized into construction in progress.

Refinancing of Bonds

On May 6, 2020, the District issued \$5,060,000 of Serial Revenue Bonds, Series 2020 D to refinance the Series 1996A, 1996B, 1996C and 2004A issues. The bonds consist of serial bonds bearing various fixed rates ranging from 3.2% to 5.2%. The refinancing resulted in bond issuance costs of \$208,371 expensed in the current period and a premium on issuance of \$303,695 which will be amortized over the life of the bond.

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 on June 30, 2020, does not expect to incur a liability.

**GREEN RIVER VALLEY WATER DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**

**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.

**Note 6 – Retirement Plan**

The District contributed to a defined contribution retirement 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 \$0 and \$20,717 for the years ended June 30, 2020 and 2019, 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 years ended June 30, 2020 and 2019, employee contributions totaled \$54,206 and \$11,920, and the District recognized retirement expense of \$31,273 and \$7,436, respectively.



## **Supplemental Information**

**GREEN RIVER VALLEY WATER DISTRICT**  
**Schedule of Operating Expenses**  
**For the Year Ended June 30, 2020**

	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	\$ 191,523	\$ 143,910	\$ -	\$ 383,630	\$ 169,434	\$ 330,712	\$ 1,219,209
Salaries and wages - directors	-	-	-	-	-	15,600	15,600
Employee retirement and benefits	6,356	5,539	-	15,280	5,778	10,098	43,051
Purchased water	6,824	-	-	-	-	-	6,824
Purchased power	292,786	-	80,899	-	-	27,978	401,663
Chemicals	-	184,801	-	-	-	-	184,801
Materials and supplies	19,766	9,293	-	286,376	56,451	17,896	389,782
Contractual services - accounting	-	-	-	-	-	26,165	26,165
Contractual services - legal	-	-	-	-	-	60,534	60,534
Contractual services - customer accounts	-	-	-	-	1,582	-	1,582
Contractual services - other	136,622	30,865	-	184,549	-	65,073	417,109
Transportation expense	-	-	-	142,544	34,100	6,700	183,344
Insurance - vehicle	-	-	-	16,231	3,883	763	20,877
Insurance - workers' compensation	5,417	4,070	-	10,851	4,792	9,354	34,484
Employee insurance	26,723	20,080	-	53,528	23,641	46,144	170,116
Employee flex reimbursements	8,068	6,062	-	16,161	7,138	13,931	51,360
Property and other Insurance	25,851	-	-	37,684	-	4,150	67,685
Bad debt expense	-	-	-	-	-	20,626	20,626
Miscellaneous	-	-	-	-	11,452	56,983	68,435
<b>Totals</b>	<b>\$ 719,936</b>	<b>\$ 404,620</b>	<b>\$ 80,899</b>	<b>\$ 1,146,834</b>	<b>\$ 318,251</b>	<b>\$ 712,707</b>	<b>\$ 3,383,247</b>

**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 retirement 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
<b>Totals</b>	<b>\$ 613,002</b>	<b>\$ 450,915</b>	<b>\$ 77,351</b>	<b>\$ 1,013,545</b>	<b>\$ 321,805</b>	<b>\$ 644,040</b>	<b>\$ 3,120,658</b>



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, 2020 and 2019, 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 31, 2020.

**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 31, 2020