

CAVE RUN WATER COMMISSION, INC.
Wellington, Kentucky

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
for the year ended June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Cave Run Water Commission, Inc.
Wellington, Kentucky

We have audited the accompanying financial statements of the business-type activities of the Cave Run Water Commission, Inc. (the Commission) as of and for the year ended June 30, 2018, which comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Cave Run Water Commission, Inc.'s management. Our responsibility is to an express opinion on these financial statements based on our audit.

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 opinion.

Opinion

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 the Cave Run Water Commission, Inc., as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 and historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Cave Run Water Commission, Inc.'s basic financial statements. The Comparative Statement of Revenues and Expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Comparative Statement of Revenues and Expenses is the responsibility of management and was 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 Comparative Statement of Revenues and Expenses is 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 29, 2019, on our consideration of the Cave Run Water Commission, Inc.'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 the Cave Run Water Commission, Inc.'s internal control over financial reporting and compliance.

John T. Lane & Associates LLC

Mount Sterling, Kentucky

August 29, 2019

This report contains 14 pages.

Cave Run Water Commission, Inc.
Statement of Net Position
Proprietary Fund
June 30, 2018

ASSETS	
Current Assets	
Cash and cash equivalents - unrestricted	\$ 595,085
Cash and cash equivalents - restricted	481,916
Accounts receivable - wholesale water sales	118,423
Total Current Assets	1,195,424
Noncurrent Assets	
Capital assets:	
Land	116,300
Office furniture	8,607
Machinery & equipment	310,715
Water treatment plant	8,143,651
Water lines	5,142,553
Construction in process	721,621
Accumulated depreciation	(3,463,257)
Capital assets, net of accumulated depreciation	10,980,190
Other Noncurrent Assets	
Prepaid water storage lease	72,897
Accumulated amortization	(35,539)
Total Other Noncurrent Assets	37,358
Total Noncurrent Assets	11,017,548
Total Assets	\$ 12,212,972
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 41,558
Accrued interest	60,676
Bonds/loans payable	58,300
Total Current Liabilities	160,534
Noncurrent Liabilities	
Bonds/loans payable	3,363,145
Total Noncurrent Liabilities	3,363,145
Total Liabilities	3,523,679
NET POSITION	
Net investment in capital assets	7,558,745
Restricted	481,916
Unrestricted	648,632
Total Net Position	\$ 8,689,293

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

Cave Run Water Commission, Inc.
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the year ended June 30, 2018

<hr/>	
Revenues	
Wholesale water sales	<u>\$ 1,016,576</u>
Total Revenues	<u>1,016,576</u>
Expenses	
Advertising expenses	673
Amortization expense	2,430
Bank service charges	909
Chemicals	129,615
Commission office expenses	1,053
Commissioner mileage	691
Contract labor	1,575
Depreciation expense	285,561
Dues and subscriptions	325
Insurance	56,476
Lab supplies	31,350
Licenses and permits	1,508
Mileage	645
Mowing/weed removal	750
Payroll expenses	196,078
Pipe & materials	2,208
Postage and delivery	173
Professional fees	7,150
Pump & motor expense	1,170
Repairs	26,637
Rock for roads	518
Supplies	4,650
Training operator license	1,211
Travel & entertainment	645
Uniforms	337
Utilities	194,755
Vehicle expense	8,713
Total Operating Expenses	<u>957,806</u>
Operating Income (Loss)	<u>58,770</u>
Nonoperating Revenues (Expenses)	
Interest income	5,135
Interest expense	<u>(118,638)</u>
Net Nonoperating Revenues (Expenses)	<u>(113,503)</u>
Change in Net Position	(54,733)
Total Net Position - beginning	<u>8,744,026</u>
Total Net Position - ending	<u><u>\$ 8,689,293</u></u>

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

Cave Run Water Commission, Inc.
Statement of Cash Flows
Proprietary Fund
June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating revenues	\$ 1,002,029
Cash paid to employees	(196,078)
Cash paid for general and administrative expenses	<u>(452,077)</u>
Net Cash provided / (used) by operating activities	<u>353,874</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest earned	<u>5,135</u>
Net Cash provided / (used) by investing activities	<u>5,135</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:	
Bond payments	130,469
Purchase of capital assets	(247,310)
Interest paid	<u>(119,462)</u>
Net Cash provided/ (used) in capital and financing activities	<u>(236,303)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	122,706
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>954,295</u>
CASH AND CASH EQUIVALENTS - END OF THE YEAR	<u><u>\$ 1,077,001</u></u>
RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Net Operating Income	\$ 58,770
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
decrease in prepaid expenses	1,035
depreciation	285,561
amortization	2,430
(increase) / decrease in accounts receivable	(14,547)
increase / (decrease) in accounts payable	<u>20,625</u>
Net cash provided / (used) by operating activities	<u><u>\$ 353,874</u></u>

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

CAVE RUN WATER COMMISSION, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies

The Commission's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

A. Financial Reporting Entity

The Commission is a non-profit, non-stock corporation formed pursuant to Kentucky Revised Statutes (Chapter 74.420 through 74.990). The Commission was organized on March 07, 2001. The purpose of the Commission is to construct a regional water treatment plant and main distribution system to be located in Menifee County. The treatment plant obtains water from Cave Run Lake. The Commission is required to make annual payments to the United States Corps of Engineers for access to this water source. The fee is equal to .0956% of the joint-use operating and maintenance cost of the project. The Commission consists of members from the communities of Menifee County, the City of Frenchburg, the City of Jeffersonville and Morgan County. The Commission does not have any individual customers. The only customers are the City of Frenchburg, the City of Jeffersonville and Morgan County Water District.

B. Basis of Presentation

The Commission's resources are allocated to and accounted for in these basic financial statements as an enterprise fund type of the proprietary fund group. The enterprise fund is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to its customers on a continuing basis be financed or recovered primarily through user charges, or where the governing body had decided that periodic determination of revenues earned, expenses incurred, and /or net income is appropriate for capital maintenance, public policy, management control, accountability or other policies. Net position represents the amount available for future operations.

C. Proprietary Fund

The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenditures) in net total position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water services which are accrued. Expenses are recognized at the time the liability is incurred. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary fund include the cost of contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Cash and Cash Equivalents

The Commission's cash and cash equivalents include unrestricted and restricted cash in bank accounts.

E. Capital Assets

Capital assets are recorded at acquisition or construction cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and construction in progress are not depreciated. Interest incurred during construction is capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

<u>Capital Asset Type</u>	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land improvements	\$12,500	10-60
Buildings and building improvements	\$25,000	10-75
Machinery and equipment	\$2,500	3-25
Infrastructure	\$20,000	10-50

F. Net Position

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted 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 improvements of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that does not meet the definition of “restricted” or “net investment in capital assets. “

G. Interest Expense

Interest expense incurred during the construction of financed projects is capitalized during the construction period. Interest expense on notes and bonds payable in subsequent years is expensed currently.

H. Use of Estimates

The preparation of financial statements in conformity with accounting standards generally accepted in the U.S. requires management to make estimates that effect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

I. Budgetary Information

The Commission prepared a budget for the fiscal year ended June 30, 2018, and it was accepted and approved by the board as required by the Commission’s by-laws.

Note 2. Deposits

The Commission maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) in accordance with KRS 66.480 (1)(d). KRS 66.480 authorizes the Commission to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240 (4). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Commission and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk- Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Commission's deposits may not be returned to it. The Commission does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240 (4). As of June 30, 2018, the bank balance was \$1,077,001. These deposits were covered by FDIC insurance or a properly executed collateral security agreement.

	<u>Reconciled Bank Balance</u>	<u>Deposits in Bank</u>
Insured by FDIC	\$ 250,000	\$ 250,000
Collateralized with specific securities in the Commission's name which are held by the financial institution	827,001	827,261
Uncollateralized	<u>0</u>	<u>0</u>
	<u>\$ 1,077,001</u>	<u>\$ 1,077,261</u>

Note 3. Restricted Cash

Depreciation Reserve

Rural Development currently requires a \$1,490 monthly payment to be deposited into the depreciation reserve until the balance is at least \$178,800. The amount in the Reserve Account at June 30, 2018 was \$276,331.

Sinking Fund Reserve

Rural Development requires one-sixth of the next succeeding interest payment and one-twelfth of the next succeeding principle payment of any current bond to be deposited into this reserve. The money that accumulates in this reserve is to be used to pay current interest and principal on bonds as they come due. The amount in the Sinking Fund Reserve as of June 30, 2018 was \$205,585.

Restricted cash is composed of the following:

Depreciation reserve fund	\$ 276,331
Sinking fund	<u>205,585</u>
	\$ 481,916

Note 4. Prepaid Water Storage Lease

On November 18, 2003, Cave Run Water Commission, Inc. entered into a 30-year lease agreement with the U. S. Army Corps of Engineers for water storage in the amount of \$72,897. This lease was paid in full during fiscal year ending June 30, 2004 and has been amortized over the life of the lease. Water storage lease expense (amortization) at June 30, 2018 was \$2,430.

Note 5. Long-Term Debt*Bonds*

- A. On March 25, 2003, Cave Run Water Commission, Inc. issued \$3,000,000 in Waterworks Revenue Bonds from the United States Department of Agriculture (USDA), Rural Development for the construction of the water treatment plant and water lines. Semiannual interest payments at a 4.25% interest rate are required on January 01 and July 01 of each year beginning January 01, 2006 and annual principal payments are required on January 01 of each year beginning January 01, 2008. The bonds will be paid in full July 01, 2044. As of June 30, 2018, the principal balance on these bonds was \$2,516,000.

Maturity:

Fiscal Year Ended	Principal	Interest	Total Payment
June 30			
2019	\$ 53,000	\$ 113,220	\$ 166,220
2020	55,000	110,835	165,835
2021	58,000	108,360	166,360
2022	60,000	105,750	165,750
2023	63,000	103,050	166,050
2024-2028	361,000	470,025	831,025
2029-2033	450,000	381,150	831,150
2034-2038	561,000	270,270	831,270
2039-2043	700,000	132,075	832,075
2044	155,000	6,975	161,975
Total	\$ 2,516,000	\$ 1,801,710	\$ 4,317,710

- B. On December 3, 2009, Cave Run Water Commission, Inc. issued \$280,000 in Waterworks Revenue Bonds from the United States Department of Agriculture (USDA), Rural Development for a 500,000-gallon ground storage tank. Semi-annual interest payments at a 2.5% interest rate are required on January 01 and July 01 of each year beginning January 01, 2010 and annual principal payments are required on January 01 of each year beginning January 01, 2011. The bonds will be paid in full January 01, 2048. As of June 30, 2018, the principal balance on these bonds was \$242,300.

Maturity:

Fiscal Year Ended June 30	Principal	Interest	Total Payment
2019	\$ 5,300	\$ 6,664	\$ 11,964
2020	5,500	6,518	12,018
2021	5,600	6,367	11,967
2022	5,800	6,213	12,013
2023	5,900	6,053	11,953
2024-2028	32,100	27,739	59,839
2029-2033	37,000	23,061	60,061
2034-2038	42,200	17,696	59,896
2039-2043	48,200	11,573	59,773
2044-2048	54,700	4,554	59,254
Total	\$ 242,300	\$ 116,438	\$ 358,738

Notes/Loans

- C. The Commission entered into an agreement with Kentucky Infrastructure Authority ("KIA") to borrow money to be used for the improvement of its water treatment plant. The Commission was still in the process of obtaining funding from KIA at June 30, 2018, and no amortization schedule was available at June 30, 2018. As of June 30, 2018, the principal balance on this loan was \$663,145.

D. Long-Term Debt Maturity in the Aggregate

Bonds			
Fiscal Year Ended			
June 30	Principal	Interest	Total Payment
2019	\$ 58,300	\$ 119,884	\$ 178,184
2020	60,500	117,353	177,853
2021	63,600	114,727	178,327
2022	65,800	111,963	177,763
2023	68,900	109,103	178,003
2024-2028	393,100	497,764	890,864
2029-2033	487,000	404,211	891,211
2034-2038	603,200	287,966	891,166
2039-2043	748,200	143,648	891,848
2044-2048	209,700	11,529	221,229
Total Bonds	\$ 2,758,300	\$ 1,918,148	\$ 4,676,448
KIA note/loan	663,145		
Total Bonds/Loans	\$ 3,421,445		
Less: current portion	(58,300)		
Long-Term Portion	\$ 3,363,145		

Note 6. Risk Management

Significant losses are covered by commercial insurance.

Note 7. Contingencies

If major repair expenses are incurred by the United States Corp of Engineers to maintain the Cave Run Lake, the Commission will be required to provide approximately one tenth of one percent (.1%) of such costs. An estimate of these future costs cannot be determined.

Note 8. Subsequent Review

Subsequent events have been evaluated through August 29, 2019, which is the date the financial statements were available to be issued.

(Note 9 on next page)

Note 9 - Changes in Capital Assets

The following is a summary of changes in the capital assets for the year:

	Balance 7/1/2017	Additions	Deletions	Balance 6/30/2018
Capital assets not being depreciated:				
Land, non-depreciable	\$ 116,300	\$ -	\$ -	\$ 116,300
Construction in process	517,189	204,432	-	721,621
Total capital assets not being depreciated	<u>633,489</u>	<u>204,432</u>	<u>-</u>	<u>837,921</u>
Capital assets being depreciated:				
Office furniture	8,607	-	-	8,607
Machinery & equipment	267,837	42,878	-	310,715
Water treatment plant	8,143,651	-	-	8,143,651
Water lines	<u>5,142,553</u>	<u>-</u>	<u>-</u>	<u>5,142,553</u>
Total capital assets being depreciated	<u>13,562,648</u>	<u>42,878</u>	<u>-</u>	<u>13,605,526</u>
Total capital assets, gross	<u>14,196,137</u>	<u>247,310</u>	<u>-</u>	<u>14,443,447</u>
Less accumulated depreciation for:				
Office furniture	8,606	-	-	8,606
Machinery & equipment	118,250	19,839	-	138,089
Water treatment plant	1,852,414	162,871	-	2,015,285
Water lines	<u>1,198,426</u>	<u>102,851</u>	<u>-</u>	<u>1,301,277</u>
Total accumulated depreciation	<u>3,177,696</u>	<u>285,561</u>	<u>-</u>	<u>3,463,257</u>
Capital assets, net of accumulated depreciation	<u>\$ 11,018,441</u>	<u>\$ (38,251)</u>	<u>\$ -</u>	<u>\$ 10,980,190</u>

SUPPLEMENTARY INFORMATION

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Cave Run Water Commission, Inc.
Wellington, Kentucky

We have audited the financial statements of the business-type activities of the Cave Run Water Commission, Inc., as of and for the year ended June 30, 2018, and have issued our report thereon dated August 29, 2019. 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Cave Run Water Commission, Inc.'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cave Run Water Commission, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Cave Run Water Commission, Inc.'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 Cave Run Water Commission, Inc.'s financial statements are free of 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.

John T. Lane & Associates LLC

Mount Sterling, Kentucky

August 29, 2019

Cave Run Water Commission, Inc.
COMPARATIVE STATEMENT OF REVENUES AND EXPENSES
For the years ended June 30, 2017 and June 30, 2018

	2017	2018
Revenues		
Wholesale water sales	\$ 970,274	\$ 1,016,576
US 460 line relocation reimbursement	66	-
Total Revenues	970,340	1,016,576
Expenses		
Advertising expenses	127	673
Amortization expense	2,430	2,430
Bank service charges	10	909
Chemicals	92,954	129,615
Commission office expenses	543	1,053
Commissioner mileage	972	691
Contract labor	1,595	1,575
Depreciation expense	285,022	285,561
Dues and subscriptions	699	325
Insurance	20,536	56,476
Lab supplies	19,342	31,350
Licenses and permits	823	1,508
Machine expenses	960	-
Mileage	135	645
Mowing/weed removal	-	750
Pipe & materials	6,993	2,208
Postage and delivery	230	173
Professional fees	21,715	7,150
Repairs	27,446	26,637
Supplies	4,225	4,650
Training operator license	515	1,211
Utilities	188,034	194,755
Vehicle expense	3,232	8,713
Water treatment plant - monthly operation & maintenance	240,000	-
Total Operating Expenses	922,768	759,058
Operating Income (Loss)	47,572	257,518
Nonoperating Revenues (Expenses)		
Interest income	4,054	5,135
Interest expense	(118,607)	(118,638)
Net Nonoperating Revenues (Expenses)	(114,553)	(113,503)
Change in Net Position	\$ (66,981)	\$ 144,015