

GREENUP JOINT SEWER AGENCY, INC.

REPORT OF AUDIT OF FINANCIAL STATEMENTS

AND SUPPORTING DATA

YEAR ENDED JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Greenup Joint Sewer Agency, Inc.
Greenup, Kentucky

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of and Greenup Joint Sewer Agency, Inc., as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Greenup Joint Sewer Agency, Inc.'s basic financial statement 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statement are free from material misstatement.

An audit involves performing procedure to obtain audit evidence about the amounts and disclosures in the financial statements. The procedure 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 presentations 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, I 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.

I believe that the evidence I obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions


In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of and Sewer District, as of June 30, 2019 and 2018, and the respective changes in financial position and where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information on pages 3-7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial statements in an appropriate operational, economic, or historical context. I 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 methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide assurance.

Other Reporting Required by Governmental Auditing Standards

In accordance with Governmental Auditing Standards, I have also issued my report dated February 24, 2020, on my consideration of and Greenup Joint Sewer Agency, Inc.'s internal control over financial reporting and on 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards in considering and Sewer District's internal control over financial reporting and compliance.


Richard F. Paulmann CPA, LLC
Pewee Valley, KY
February 24, 2020

GREENUP JOINT SEWER AGENCY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2019

This discussion and analysis of the Greenup Joint Sewer Agency's financial performance provides an overview of the Agency's financial activities for the year ended June 30, 2019. This information is presented in conjunction with the audited financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- The Agency's liabilities exceeded its assets at the end of the year by \$148,651. This was an increase of \$12,506 from the year ended June 30, 2018.
- At June 30, 2019, the Agency had \$1,731,626 in assets and \$1,880,277 in liabilities. The investment in capital assets, net of related debt, balance at this date was (\$227,741). The restricted for debt service balance was \$23,426. The unrestricted balance was \$55,664.
- The Agency had a net income of \$12,506 for the year ended June 30, 2019. For the year ended June 30, 2018 the net income was \$6,155.
- The Agency's wastewater revenue was \$485,466 for the year ended June 30, 2019. For the year ended June 30, 2018 the wastewater revenue was \$454,751. This represented an increase of 6.33%, which is attributed to increased storm water flow.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements comprise two components: 1) financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Financial statements. The financial statements are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private – sector business.

The Statement of Net Position presents information on all of the Agency's assets and liabilities, in a comparative format, showing the balances as of June 30, 2019 and June 30, 2018. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing the Agency's net income or (loss) for the years then ended.

The Statement of Cash Flows shows the increase or decrease in the cash and cash equivalents for the year ended by the different types of activities.

The financial statements can be found on pages 8 through 12 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The Notes to the Financial Statements can be found on pages 13 through 18 of this report.

GREENUP JOINT SEWER AGENCY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2019

FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the Agency's financial position. In the case of the Agency, liabilities exceeded assets by \$148,651 at the close of the most recent year.

Greenup Joint Sewer Agency's Net Assets

	<u>2019</u>
Current assets	\$ 99,552
Restricted assets	23,426
Fixed assets	1,608,648
Other assets	<u>0</u>
 Total assets	 <u>1,731,626</u>
 Current liabilities	 173,473
Long-term liabilities	<u>1,706,804</u>
 Total liabilities	 <u>1,880,277</u>
 Net assets:	
Investment in	
Capital Assets	(227,741)
Restricted	23,426
Unrestricted	<u>55,664</u>
 Total net assets	 \$ <u><u>(148,651)</u></u>

By far the largest portion of the Agency's net assets reflects its investment in fixed assets (e.g., land, sewer plant, tanks), less any related debt used to acquire those assets still outstanding.

GREENUP JOINT SEWER AGENCY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2019

Greenup Joint Sewer Agency's Statement of Revenues, Expenses, and Changes in Net Position

	2019
Revenues:	
Wastewater Revenue	\$ 485,466
Other	85
Total revenues	485,551
Expenses:	
Depreciation and Amortization	74,611
Repairs and Maintenance	21,964
Solid Waste Payments	3,697
Power for Pumping	79,872
Outside Services	20,935
Miscellaneous and Commissioners	11,162
Insurance	17,835
Telephone & Internet	3,230
Payroll and Other Taxes	6,638
Management Fees	32,700
Professional Fees	20,125
Wages	89,155
Sewer Supplies and Expense	21,925
Employee Benefits	32,975
Total operating expenses	436,824
Net operating income (loss)	48,727
Non-operating income (expense)	
Interest income	25
Interest expense	(36,246)
Insurance Recovery	0
Total non-operating (expense)	(36,221)
Net income (loss) before contributions and transfers	12,506
Total net assets, beginning	(161,157)
Total net assets, ending	(148,651)

Operations.

The Agency showed a net income (loss) of \$12,506.

Key elements of this income are as follows:

- Depreciation for the year was \$74,611.
- Wastewater income of \$485,466 was received during the year.

GREENUP JOINT SEWER AGENCY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2019

Greenup Joint Sewer Agency, Inc. Budget Comparison

	Actual Amounts	Original Budget Amounts	Variance Positive (Negative) 2019
	2019	2019	
Revenues:			
Wastewater Revenue	\$ 485,466	\$ 476,908	\$ 8,558
Other	85	25	60
Total Revenues	485,551	476,933	8,618
Expenses:			
Depreciation and Amortization	74,611	75,000	389
Repairs and Maintenance	21,964	26,975	5,011
Solid Waste Payments	3,697	6,925	3,228
Power for Pumping	79,872	88,625	8,753
Outside Services	20,935	20,700	(235)
Miscellaneous and Commissioners	11,162	11,277	115
Insurance	17,835	15,650	(2,185)
Telephone and Internet	3,230	3,800	570
Payroll and Other Taxes	6,638	7,268	630
Management Fees	32,700	30,000	(2,700)
Professional Fees	20,125	10,700	(9,425)
Wages	89,155	95,000	5,845
Sewer Supplies and Expense	21,925	16,500	(5,425)
Employee Benefits	32,975	32,270	(705)
Total operating expenses	436,824	440,690	3,866
Net operating income	48,727	36,243	12,484
Non-operating income (expense)			
Interest Income	25	40	(15)
Interest Expense	(36,246)	(36,283)	37
Insurance Recovery	0	0	0
Total non-operating income	(36,221)	(36,243)	22
Net income (loss)	12,506	0	12,506
Total net assets, beginning	(161,157)		
Total net assets, ending	\$ (148,651)	\$	\$

Budget Comparisons

- Revenues were \$8,618 higher than budgeted.
- Operating expenses were \$3,866 lower than budgeted. Insurance, management fees, professional fees, sewer supplies and expenses (chemicals), and employee benefits were over budget. However, repairs, solid waste (sludge hauling), power for pumping (utilities), and wages were under budget for the year.

GREENUP JOINT SEWER AGENCY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2019

FINANCIAL ANALYSIS OF THE AGENCY'S FUNDS

The Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the Statement of Net Position. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The accrual basis of accounting is utilized by the Agency. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred.

Capital Assets

The Agency's investment in utility plant and equipment as of June 30, 2019 amounts to \$1,608,648 (net of accumulated depreciation). The increase in the Agency's investment in utility plant (net of accumulated depreciation) for the current year was 1.24% percent, before current depreciation.

Additional information on the Agency's utility plant can be found in Note 10 of the financial statements.

Debt Administration

At the end of the current fiscal year, the Agency had total debt outstanding of \$1,836,389. Additional information on the Agency's long-term debt can be found in Note 12 of the financial statements.

Contacting the District's Financial Management

This financial report is designed to provide our customers, creditors, and other users with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Agency's Manager, at the Greenup Joint Sewer District, 211 Wurts Road, Wurtland, KY 41144, 606-833-8100.

GREENUP JOINT SEWER AGENCY, INC.
STATEMENT OF NET POSITION
For the Fiscal Year Ended 30, 2019

	<u>June 2019</u>		<u>June 2018</u>
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 7,180	\$	10,132
Accounts Receivable (Net of Allowance for Delinquencies of 0 in 2019 and 0 in 2018)	82,064		139,843
Prepaid Expense	3,108		223
Inventory	<u>7,200</u>		<u>7,200</u>
Total Current Assets	<u>99,552</u>		<u>157,398</u>
 Noncurrent Assets			
Restricted Cash	23,426		28,453
 Capital Assets:			
Sewer Treatment Plant and Land	1,879,221		1,868,865
Automotive Equipment	26,000		16,500
Furniture, Fixtures and Equipment	<u>60,805</u>		<u>60,090</u>
Total Capital Assets	<u>1,966,026</u>		<u>1,945,455</u>
Less: Accumulated Depreciation	<u>(357,378)</u>		<u>(282,767)</u>
Net Capital Assets	1,608,648		1,662,688
 Total Noncurrent Assets	 1,632,074		 1,691,141
 Total Assets	 <u>\$ 1,731,626</u>	 \$	 <u>1,848,539</u>

GREENUP JOINT SEWER AGENCY, INC.
STATEMENT OF NET POSITION
For the Fiscal Year Ended 30, 2019

	<u>June</u> <u>2019</u>		<u>June</u> <u>2018</u>
Liabilities			
Current Liabilities			
Accounts Payable	\$ 28,510	\$	45,361
Current Portion Notes Payable	129,585		158,354
Accrued Interest Payable	2,917		-
Payroll Liabilities	<u>12,461</u>		<u>10,665</u>
Total Current Liabilities	173,473		214,380
 Noncurrent Liabilities			
Notes Payable-Net of Current Portion	1,706,804		1,795,316
Total Long Term Liabilites	1,706,804		1,795,316
 Total Liabilities	<u>1,880,277</u>		<u>2,009,696</u>
 Net Position:			
Invested in Capital Assets, Net of Related Debt	(227,741)		(290,982)
Restricted for Debt Service	23,426		28,453
Unrestricted	<u>55,664</u>		<u>101,372</u>
Total Net Position	<u>\$ (148,651)</u>	\$	<u>(161,157)</u>

GREENUP JOINT SEWER AGENCY, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2019
(with prior data for comparison purposes only)

	For the Year Ended June 30	
	2019	2018
Operating Revenue:		
Wastewater Revenue	\$ 485,466	\$ 454,751
Other	85	17
Total Operating Revenue	485,551	454,768
Operating Expenses:		
Depreciation and Amortization	74,611	73,979
Repairs and Maintenance	21,964	22,552
Solid Waste Payments	3,697	6,468
Power for Pumping	79,872	85,307
Outside Services	20,935	20,895
Miscellaneous and Commissioners	11,162	10,003
Insurance	17,835	15,413
Telephone and Internet	3,230	3,833
Payroll and Other Taxes	6,638	6,719
Management Fees	32,700	26,369
Professional Fees	20,125	15,550
Wages	89,155	83,829
Sewer Supplies	21,925	9,458
Employee Benefits	32,975	30,453
Total Operating Expense	436,824	410,828
Operating Income (Loss)	48,727	43,940
Non-Operating Revenue (Expense)		
Interest Income	25	33
Interest Expense	(36,246)	(37,818)
Insurance Recovery	-	-
Total Non-Operating Revenue (Expenses)	(36,221)	(37,785)
Change in Net Position	12,506	6,155
Total Net Position, Beginning	(161,157)	(167,312)
Total Position Assets, Ending	(148,651)	(161,157)

See accompanying notes to the basic financial statements

GREENUP JOINT SEWER AGENCY, INC.
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2019
(with prior year data for comparison purposes only)

	For the Year Ended June 30	
	2019	2018
Cash flows from operating activity		
Cash received from customers	\$ 403,402	\$ 439,583
Cash payments to suppliers for goods and services	<u>(237,308)</u>	<u>(375,624)</u>
Net cash provided by operating activities	166,094	63,959
 Cash flows from capital and related financing activities		
(Increase) decrease in Restricted Assets Accounts	5,027	7,516
Interest Paid	(36,246)	(37,818)
Principal Payment on Notes	(117,281)	(56,293)
Purchase of Equipment	(20,571)	(4,741)
Proceeds from Notes	<u>-</u>	<u>-</u>
Net cash provided by (used for) capital and related financing activities	(169,071)	(91,336)
 Cash flows from investing activities		
Proceeds from earnings on investments	<u>25</u>	<u>33</u>
Net cash provided by (used for) investing activities	<u>25</u>	<u>33</u>
 Total increase (decrease) in cash and cash equivalents	(2,952)	(27,344)
 Cash and cash equivalents at beginning of year	<u>10,132</u>	<u>37,476</u>
 Cash and cash equivalents at end of year (Note 2)	<u>\$ 7,180</u>	<u>\$ 10,132</u>

See accompanying notes to the basic financial statements

GREENUP JOINT SEWER AGENCY, INC.
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2019
(with prior year data for comparison purposes only)

	For the Year Ended June 30	
	2019	2018
Reconciliation of Income from operations to net cash provided by operated activities:		
Income from operations	\$ 48,727	\$ 43,940
Adjustment to reconcile income from operations to net cash provided by operating activities:		
Operating Activities:		
Depreciation and amortization	74,611	73,979
Changes in assets and liabilities:		
Decrease (increase) in utility accounts receivable	57,779	(15,168)
Decrease (increase) in prepaid expense	(2,885)	(223)
Decrease (increase) in material and supplies inventory	-	(7,200)
Increase (decrease) in accounts payable and other payable	(15,055)	(12,074)
Increase (decrease) in accrued interest	2,917	(19,295)
Net cash provided by operating activities	\$ 166,094	\$ 63,959

GREENUP JOINT SEWER AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies

The significant policies of the Agency are as follows:

Organization and Business Activities – The Agency is a governmental organization with its primary activities consisting of sale of sewer services to residents in Greenup County Kentucky, pursuant to the provisions of the Inter Local Cooperation Act of Kentucky Revised Standards Statutes Sections 65.210 through 65.300, inclusive, for the purpose of acquiring and operating sewage treatment facilities.

Basis of Accounting – The accounting and reporting policies of the and Sewer Agency relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable for local governments. Generally accepted accounting principles for local Governments includes those principles presented by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publications entitled Audits of State and Local Governments and by the Financial Accounting Standards Board (when applicable). As allowed in section PBO of GASB's Codification of Governmental Accounting and Financial Reporting Standards the Agency has elected not to apply Financial Accounting Board Statements and Interpretations, Accounting Research Bulletins of the Committee of Accounting Principle Board Opinions, and Accounting Research Bulletins of the Committee of Accounting and Procedures issued after November 30, 1969. The Agency first applies restricted resources when an expense is incurred for restricted and unrestricted purposes. The more significant polices of the district are described below.

Basis of Presentation

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the Agency uses Proprietary Fund financial statement reporting including a Statement of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

The Statement of Net Position includes the Agency's assets and liabilities and provides Information about the nature and amounts of investments in resources (assets) and the obligations to the Agency's creditors (liabilities). The difference between the assets and liabilities is shown as net assets. The statement also provides the basis of evaluating the capital structure of the Agency and assessing its liquidity and financial flexibility.

The Statement of Revenues, Expenses and Changes in Net Position accounts for the current year's revenue and expense. This statement measures the success of the Agency's operations over the past year and determines whether the Agency has recovered its cost through user fees and other charges.

The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash disbursements, and changes in cash resulting from operations and investments during the reporting period.

GREENUP JOINT SEWER AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

The Notes to the basic financial statements provide a description of the accounting policies used to prepare the financial statements and present disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

The Agency's basic financial statements include the accounts of all Agency operations. The Agency's criteria for including organizations as component units with the Agency's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Standards includes whether:

- The Organization is legally separate (can sue and be sued in their own name).
- The Agency holds the corporate powers of the Organization.
- The Agency appoints voting majority of the Organization.
- The Organization has the potential to impose a financial benefit/burden on the Agency.
- There is fiscal dependency by the Organization on the Agency.

Component Unit Presentation – Based on the aforementioned criteria the Agency has no component units.

Cash - For the purpose of the statement of cash flows, the Agency considers cash to include cash on hand and unrestricted cash in bank.

Inventory – Inventory consists primarily of pipes and supplies to be used for future expansion and repairs of existing lines. Inventory is valued at the lower of cost or market under first – in, first- out (FIFO) method.

Allowance for Doubtful Accounts – The Agency utilizes the allowance method for accounting for bad debts. This method is based on historical experience and evaluation of outstanding accounts at year end. The Allowance for Doubtful as of June 30, 2019 and 2018 is \$0 and \$0.

Operating and Non – Operating Revenue – Only solid waste revenue and related service charges and penalties are considered as operating revenue.

Applying Resources – Restricted resources are applied first for expenses incurred for which both restricted and unrestricted net assets are available.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results can differ from those estimates.

GREENUP JOINT SEWER AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

Note 2 – Restricted Cash Accounts

The District had the following restricted cash accounts as of June 30, 2019 and 2018:

	2019	2018
Debt Service	\$23,426	\$28,453
Totals	<u>\$23,426</u>	<u>\$28,453</u>

The amounts held were below the required minimum for 2019 for all restricted requirements.

Note 3 – Prepaid Items

Prepaid items include prepayment of service contracts, software rights and insurance. These amounts represent payments made in the current year for which services will be provided in the subsequent fiscal year. There were \$3,108 in prepaid items for 2019. In 2018, there were \$223 in prepaid items.

Note 4 – Deferred Income

Unearned revenue was \$0 for 2019 and 2018.

Note 5 – Deposits with Financial Institutions

As of June 30, 2019, the company had amounts of \$30,606 on deposit with financial institutions with \$30,606 insured by FDIC and \$0 is uninsured.

As of June 30, 2018, the company had amounts of \$38,585 on deposit with financial institutions with \$38,585 insured by FDIC and \$0 is uninsured.

Note 6 – Risk Management

Significant losses covered by commercial insurance with premiums (based on industry information adjusted for any District Claims) for general liability, vehicles, personal and real property. Settlement amounts have not exceeded insurance coverage for the current year.

Note 7 – Subsequent Events

The Agency's management has valuated subsequent events through February 24, 2020 which is the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosures in these financial statements.

GREENUP JOINT SEWER AGENCY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

Note 8 – Capital and Net Assets

Changes in contributed capital and net assets during the year ended June 30, 2019:

	Contributed Capital	Reserves	Net Assets (Deficit)	Total
Balance July 01, 2017	\$2,111,057	\$35,969	\$(338,458)	\$(167,312)
Transfer		(7,516)	7,516	
Net Income (Loss)			6,155	6,155
Balance June 30, 2018	\$2,111,057	\$28,453	\$(324,787)	\$(161,157)
Transfer		(5,027)	5,027	
Net Income (Loss)			12,506	12,506
Balance June 30, 2019	\$2,111,057	\$23,426	\$(307,254)	\$(148,651)

Note 9 - Retirement Plan

The Agency maintains a SIMPLE IRA retirement plan under the provisions of section 408 (p) of the Internal Revenue Code. The plan is a deferred compensation plan which is available to all employees.

The maximum salary deferral is limited to amounts allowed per the Internal Revenue Code, which for 2019 was \$13,000. The Agency contributes 2% of the employee's gross pay. All contributions are immediately vested. Expenses charged to operations for the retirement plan were \$2,432 for 2019.

Note 10 - Property and Equipment

Capital assets, which include property, plant, equipment and vehicles, are reported in the applicable governmental column in the government-wide financial statements. All capital assets are valued at their historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows. Changes requested by Public Service Commission with the last rate increase were made during 2013.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	20 – 50 Years
Improvements	20 – 50 Years
Vehicles	5 – 10 Years
Equipment	7 – 20 Years

GREENUP JOINT SEWER AGENCY, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2019

Note 10 - Property and Equipment (Continued)

The following summarizes the changes to capital assets for 2019:

	Balance 07/01/18	Additions	Disposals	Balance 06/30/19
Sewer Treatment Plant and Land	\$1,868,865	10,356	-0-	\$1,879,221
Automotive Equipment	16,500	9,500	-0-	26,000
Furniture, Fixtures and Equipment	60,090	715	-0-	60,805
Construction in Progress	-0-	-0-	-0-	-0-
TOTAL ASSETS	\$1,945,455	\$20,571	-0-	\$1,966,026
Less				
Accumulated Depreciation				
Sewer Treatment Plant and Land	259,393	67,705	-0-	327,098
Automotive Equipment	10,450	4,073	-0-	14,523
Furniture, Fixtures and Equipment	12,924	2,833	-0-	15,757
Total Accumulated Depreciation	282,767	74,611	-0-	357,378
Balance – June 30	<u>\$1,662,688</u>			<u>\$1,608,648</u>

The following summarizes the changes to capital assets for 2018:

	Balance 07/01/17	Additions	Disposals	Balance 06/30/18
Sewer Treatment Plant and Land	\$1,868,865	-0-	-0-	\$1,868,865
Automotive Equipment	16,500	-0-	-0-	16,500
Furniture, Fixtures and Equipment	55,349	4,741	-0-	60,090
Construction in Progress	-0-	-0-	-0-	-0-
TOTAL ASSETS	\$1,940,714	\$4,741	-0-	\$1,945,455
Less				
Accumulated Depreciation				
Sewer Treatment Plant and Land	192,323	67,070	-0-	259,393
Automotive Equipment	7,150	3,300	-0-	10,450
Furniture, Fixtures and Equipment	9,315	3,609	-0-	12,924
Total Accumulated Depreciation	208,788	73,979	-0-	282,767
Balance – June 30	<u>\$1,731,926</u>			<u>\$1,662,688</u>

Note 11 – Concentrations of Credit Risk

Concentrations of credit risk are limited due to the large number of customers comprising the agency's customer base.

GREENUP JOINT SEWER AGENCY, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2019

Note 12 – Notes Payable

All notes are secured by the Sewer Treatment Plant and related assets unless stated as non – secured:

Summary of Notes Payable

	2019	2018
a) Kentucky Infrastructure Authority 1.75% installment note, 40 semi-annual payments of \$59,772 including interest due 06/01 and 12/1. Final payment 12/01/2036	\$1,836,389	\$1,953,670
Total Long-Term Notes Payable	\$1,836,389	\$1,953,670
Less Current Maturities	129,585	158,354
Notes Payable Less Current Portion	\$1,706,804	\$1,795,316

During July 2017, the Agency made agreements with Kentucky Infrastructure Authority to catch up the reserve requirements and loan payments on this note. During the fiscal year, the note was in technical default. As of the date of the audit report, the Agency is current and caught up on reserve and payments for this note. Ten years' reserve payment of \$4,900 are made to be made each December 1, starting in 2017, with a total funded balance of \$49,000 maintained by December 2027.

Following are maturities of long-term debt as of June 30, 2019:

	Principal	Interest
2019	\$41,074	
2020	88,511	31,032
2021	90,067	29,477
2022	91,650	27,894
2023	93,261	26,283
2024	94,900	24,644
2025-2029	500,115	97,603
2030-2034	545,639	52,080
2035-2037	291,172	7,688
Total	\$1,836,389	\$296,701

Note 13 – Agreed Order

On November 21, 2019, the Agency entered an Agreed Order with the Energy and Environment Cabinet to be paid over in six monthly installments. As of the date of this report, the Agency is current with payments to the Cabinet.

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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

February 24, 2020

To the Board of Commissioners
Greenup Joint Sewer Agency, Inc.
Greenup, Kentucky

I 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, each major fund, and the aggregate remaining fund information of and Greenup Joint Sewer Agency, Inc., (a Kentucky Special District) as of and for the year ended June 30, 2019, and the related notes to the financial statements; which collectively comprise and Greenup Joint Sewer Agency, Inc.'s basic financial statements and have issued my report thereon dated February 24, 2020.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered and Greenup Joint Sewer Agency, 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 my opinion on the financial statements; but not for the purpose of expressing an opinion on the effectiveness of Greenup Joint Sewer Agency, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of Greenup Joint Sewer Agency, 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 are 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 would 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 and Greenup Joint Sewer Agency, Inc.'s financial statements are free of material misstatement, I 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 my audit, and, accordingly, I do not express such an opinion. The results of my 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 my testing on 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 purposes.



Richard F. Paulmann, LLC

February 24, 2020