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Green River Valley Water District

Financial Statements

June 30, 2021 and 2020

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-6
Statements of Net Position	7-8
Statements of Revenues, Expenses and Changes in Net Position	9-10
Statements of Cash Flows	11
Notes to Financial Statements	12-21
Supplemental Information	
Schedules of Operating Expenses	22-23
Schedule of Findings and Responses	24-25
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 <i>Government Auditing Standards</i>	26-27



CAMPBELL, MYERS AND RUTLEDGE, PLLC

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INDEPENDENT AUDITOR'S REPORT

To the Commissioners
Green River Valley Water District

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Green River Valley Water District, as of and for the years ended June 30, 2021 and 2020 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, 2021 and 2020, 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, 2021, 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, 2021

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, 2021 and 2020. 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, 2021, total operating, and non-operating revenues (including capital contributions and grants) totaled \$6,150,108. This represents a 33% increase in revenues from the prior year. The increase was primarily due to a rate increase in October of 2019 and USDA grant revenue.

Operating expenses amounted to \$4,393,142, a decrease of \$34,244 from the prior year. This decrease was primarily due to a decrease in source of supply and pumping expenses.

Total assets increased by \$7,276,210 while total liabilities increased by \$5,823,519. These changes resulted in an increase in net position of \$1,452,691.

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 began in 2020 and is expected to be completed in calendar year 2022.

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 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 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 cash came 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, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Assets		
Total Current Assets	\$ 3,167,408	\$ 2,257,225
Total Restricted Assets	2,333,160	1,727,255
Net Capital Assets	28,924,763	23,164,641
Total Assets	<u>34,425,331</u>	<u>27,149,121</u>
Liabilities		
Total Current Liabilities	617,364	495,062
Total Liabilities Payable from Restricted Assets	2,028,416	3,681,018
Total Long-term Liabilities	17,164,092	9,810,273
Total Liabilities	<u>19,809,872</u>	<u>13,986,353</u>
Net Position		
Net Investment in Capital Assets	10,210,251	10,144,623
Restricted for equipment replacement	851,346	579,789
Restricted for debt retirement	1,187,735	808,166
Unrestricted	2,366,127	1,630,190
Total Net Position	<u>\$ 14,615,459</u>	<u>\$ 13,162,768</u>

The largest portion (70%) 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 7% decrease from the prior year. This decrease is primarily due to expenditures for new construction issuance of new bond issues for such construction. 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 (14%) represents resources that are subject to external restrictions on how they may be used. There was a 3% increase from the prior year.

The balance (16%) 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, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Total operating revenues	\$ 5,381,047	\$ 5,021,850
Total operating expenses	<u>4,393,142</u>	<u>4,427,386</u>
Operating Income	987,905	594,464
Total non-operating revenue (expenses)	<u>392,786</u>	<u>(533,216)</u>
Income before capital contributions	1,380,691	61,248
Capital contributions, tap fees	<u>72,000</u>	<u>62,250</u>
Increase (decrease) in net position	1,452,691	123,498
Beginning of year	<u>13,162,768</u>	<u>13,039,270</u>
End of year	<u>\$ 14,615,459</u>	<u>\$ 13,162,768</u>

Net position increased by \$1,452,691 an increase from the prior year of \$1,329,193.

Capital Asset Changes

On June 30, 2021, the District had invested \$28.925 million in capital assets net of accumulated depreciation. This amount represents a net increase of \$5.76 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, 2021, the District had \$16,641,500 of bonds outstanding, an increase of \$7,628,000 from the prior year's balance of \$9,013,500. This increase resulted from current year scheduled payments and issuance of two USDA bonds of \$5,600,000 and \$2,462,000 in June 2021. The District also received in 2014, a \$1,287,500 .75% loan from the Kentucky Infrastructure Authority. The balance on June 30, 2021 is \$904,951. The major plant expansion is being financed with the \$8,062,000 bond issues and a \$3,563,000 grant from USDA Rural Development. The construction was temporarily financed with a note of \$8,062,000 from KRWFC. As of June 30, 2021, all the advanced funds were repaid with the issuance of the two USDA bond issues.

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets		
Cash	\$ 1,730,101	\$ 1,409,206
Accounts receivable	508,206	456,555
Grants receivable (USDA)	503,563	-
Accrued interest	2,967	2,967
Plant materials and supplies, (at replacement cost)	330,251	297,205
Prepaid and other assets	92,320	91,292
Total Current Assets	<u>3,167,408</u>	<u>2,257,225</u>
Non-current Assets		
Restricted Assets		
Cash - Construction account	294,079	339,300
Cash - Depreciation funds	321,008	55,587
Cash - Bond and interest redemption fund	1,187,735	808,166
Investments - Depreciation fund	530,338	524,202
Total Restricted Assets	<u>2,333,160</u>	<u>1,727,255</u>
Capital Assets		
Utility plant in service	50,530,199	43,869,747
Accumulated depreciation	<u>(21,605,436)</u>	<u>(20,705,106)</u>
Net Capital Assets	<u>28,924,763</u>	<u>23,164,641</u>
Total Non-current Assets	<u>31,257,923</u>	<u>24,891,896</u>
Total Assets	<u>\$ 34,425,331</u>	<u>\$ 27,149,121</u>

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

GREEN RIVER VALLEY WATER DISTRICT
Statements of Net Position (Concluded)
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 491,706	\$ 393,659
Customer deposits	125,658	101,403
Total Current Liabilities	<u>617,364</u>	<u>495,062</u>
Liabilities Payable from Restricted Assets		
Interim financing note KRWFC, expected to be refinanced	-	1,995,116
Construction accounts payable	1,168,101	1,042,986
Current maturities of long-term debt	708,181	537,094
Accrued interest	152,134	105,822
Total Liabilities Payable from Restricted Assets	<u>2,028,416</u>	<u>3,681,018</u>
Long-term Liabilities		
Long-term debt, less current maturities, net with premium	<u>17,164,092</u>	<u>9,810,273</u>
Total Long-term Liabilities	<u>17,164,092</u>	<u>9,810,273</u>
Total Liabilities	<u>19,809,872</u>	<u>13,986,353</u>
Net Position		
Net investment in capital assets	10,210,251	10,144,623
Restricted for debt retirement	1,187,735	808,166
Restricted for equipment replacement	851,346	579,789
Unrestricted	<u>2,366,127</u>	<u>1,630,190</u>
Total Net Position	<u>\$ 14,615,459</u>	<u>\$ 13,162,768</u>

GREEN RIVER VALLEY WATER DISTRICT
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating revenue:		
Metered water sales:		
Residential	\$ 3,335,135	\$ 3,015,939
Commercial	322,173	280,471
	<u>3,657,308</u>	<u>3,296,410</u>
Wholesale water sales:		
Horse Cave	683,261	690,961
CEA Cave City	348,818	252,904
Munfordville	249,297	212,393
Larue County	239,940	237,461
Bonnieville	-	2,415
Green-Taylor	86,195	95,824
CEA	36,548	26,499
	<u>1,644,059</u>	<u>1,518,457</u>
Other operating revenues:		
Cash water sales	147	239
Revenues from maintenance and contract work, net of expenses of \$25,098 and \$29,778 respectively	91,592	94,830
Forfeited discounts	38,916	50,293
Miscellaneous	(50,975)	61,621
	<u>79,680</u>	<u>206,983</u>
Total operating revenues	<u>5,381,047</u>	<u>5,021,850</u>
Operating expenses:		
Source of supply and pumping expenses:		
Operations	651,657	719,936
Water treatment expenses:		
Operations	428,640	404,620
Transmission and distribution:		
Operations	105,267	80,899
Maintenance	1,041,475	1,146,834
Customer accounts expenses	402,640	318,251
Administrative and general expenses	758,393	712,707
Depreciation and amortization	908,207	950,124
Taxes other than income	96,862	94,015
	<u>4,393,142</u>	<u>4,427,386</u>
Total operating expenses	<u>4,393,142</u>	<u>4,427,386</u>
Operating income	<u>\$ 987,905</u>	<u>\$ 594,464</u>

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

GREEN RIVER VALLEY WATER DISTRICT
Statements of Revenues, Expenses and Changes in Net Position (Concluded)
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Nonoperating revenue (expenses):		
Interest income	\$ 16,511	\$ 21,038
Grant Revenues	640,921	-
Amortization of Premium on Bond Issue	39,629	23,457
Bond Issuance Costs	-	(208,371)
Interest on long-term debt	<u>(304,275)</u>	<u>(369,340)</u>
 Total nonoperating revenue (expenses)	 <u>392,786</u>	 <u>(533,216)</u>
 Income (Loss) before capital contributions	 <u>1,380,691</u>	 <u>61,248</u>
 Capital Contributions, Tap fees	 <u>72,000</u>	 <u>62,250</u>
 Increase (Decrease) in net position	 1,452,691	 123,498
Net Position:		
Beginning of year	13,162,768	13,039,270
End of year	<u>\$ 14,615,459</u>	<u>\$ 13,162,768</u>

GREEN RIVER VALLEY WATER DISTRICT
Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash receipts from customers	\$ 5,381,047	\$ 5,021,850
Cash payments to suppliers for goods and services	(2,181,379)	(2,244,712)
Cash payments to employees for services	(1,266,979)	(1,234,809)
Net cash provided (used) by operating activities	<u>1,932,689</u>	<u>1,542,329</u>
Cash flows from capital and related financing activities:		
Proceeds from issuance of long term debt	8,062,000	5,060,000
Premium on bonds issued	-	303,695
Bond issuance costs	-	(208,371)
Interim Financing for Construction	5,710,224	1,995,116
Principal paid on long-term debt	(8,299,161)	(5,636,729)
Interest paid on long-term debt	(304,275)	(369,340)
Cash paid for capital assets	(6,904,109)	(1,956,066)
Grant Revenues	640,921	-
Capital contributions, Tap fees	72,000	62,500
Net cash provided (used) in financing activities	<u>(1,022,400)</u>	<u>(749,195)</u>
Cash flows from investing activities:		
Purchase of investments	(6,136)	(7,002)
Investment Income	16,511	21,308
Net cash provided (used) in investing activities	<u>10,375</u>	<u>14,306</u>
Net increase (decrease) in cash and cash equivalents	920,664	807,440
Cash and cash equivalents, beginning of year	2,612,259	1,804,819
Cash and cash equivalents, end of year	<u>\$ 3,532,923</u>	<u>\$ 2,612,259</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 987,905	\$ 594,464
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	908,207	950,124
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(51,651)	(88,124)
(Increase) decrease in prepaid and other assets	(1,028)	45,769
(Increase) decrease in plant materials and supplies	(33,046)	(17,015)
Increase (decrease) in accounts payable	98,047	51,522
Increase (decrease) in customer deposits	24,255	5,589
Net cash provided (used) by operating activities	<u>\$ 1,932,689</u>	<u>\$ 1,542,329</u>

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

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2021 and 2020

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 establish 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, 2021 and 2020

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.

Inventories

Inventory is valued using average cost method. Inventory consists of expendable supplies held for future consumption or capitalization. The cost is recorded as an expense or capitalized as inventory items are consumed.

Receivables

Accounts Receivable totaled \$508,206 and \$456,555 on June 30, 2021, and 2020 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, 2021. The direct write-off method does not significantly depart from generally accepted accounting principles. As of June 30, 2021, and 2020, bad debts were \$15,231 and \$20,626, 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, 2021, and 2020 was \$900,330 and \$941,325, 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, 2021 and 2020

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, 2021, the date which the financial statements were available to be issued.

Note 2 – Cash and Investments

Depreciation Fund / Short Lived Asset 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 (Series 2010) and \$320,400 (Series 2019) totaling \$452,400. After this balance is reached transfers can cease. On June 30, 2021, the District's depreciation fund balance exceeded the maximum annual requirement.

The USDA bond issues 2019 A and 2019 B require a monthly transfer of \$38,570 per month into a short lived asset account. These funds may be used at any time for the replacement of all equipment and short lived assets. These transfers shall continue as long as these bonds are outstanding.

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2021 and 2020

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 \$3,532,923 and the bank balances were \$3,541,087. The difference between book and bank balances primarily represents checks that have been issued but have not cleared the bank as of June 30, 2021.

The District's investments include a certificate of deposit totaling \$530,338 at one financial institution at a rate of 1.00% with a maturity date of November 2, 2021.

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 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 \$4,004,617 at a total of three separate financial institutions on June 30, 2021. The District also had \$326,082 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:

	<u>2021</u>	<u>2020</u>
<u>Unrestricted:</u>		
Cash and cash equivalents	\$ 1,730,101	\$ 1,409,206
<u>Restricted:</u>		
Cash and cash equivalents	1,802,822	1,203,053
Investments	<u>530,338</u>	<u>524,202</u>
Total Cash and Investments	\$ <u>4,063,261</u>	\$ <u>3,136,461</u>

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2021 and 2020

Note 3 – Capital Assets

Capital asset activity for the year ended June 30, 2021 and 2020 was as follows:

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021
Construction in Progress	\$ 2,717,311	\$ 6,342,365	\$ -	\$ 9,059,676
Land & Land Rights	157,172	-	-	157,172
L & L Rights Structures & Improvements	105,496	-	-	105,496
L & L Rights Water Treatment	203,386	-	-	203,386
L & L Rights Hydrants	6,900	-	-	6,900
Total Non Depreciable Assets	<u>3,190,265</u>	<u>6,342,365</u>	<u>-</u>	<u>9,532,630</u>
Depreciable Assets:				
Structures & Improvements	3,557,346	-	-	3,557,346
Structures & Improvements Office Bldg.	610,371	-	-	610,371
Collecting and Impounding Reservoirs	2,556,206	-	-	2,556,206
River Intakes	495,652	-	-	495,652
Supply Mains	312,627	-	-	312,627
Electric Pumping Equip	3,998,582	124,756	-	4,123,338
Water Treatment Equip	1,372,942	-	-	1,372,942
Distr Reserv & Stand Pipes	3,108,627	-	-	3,108,627
T & D Mains	19,713,841	15,539	-	19,729,380
Services	945,806	10,457	-	956,263
Meters	1,774,411	52,770	-	1,827,181
Meter Installation	157,159	-	-	157,159
Hydrants	129,446	-	-	129,446
Other Plant	25,564	-	-	25,564
Office Furniture & Equip	331,329	-	-	331,329
Trans Equip	670,349	92,670	-	763,019
Tools Shop & Equip	197,126	17,056	-	214,182
Lab Equip	3,343	-	-	3,343
Power Oper Equip	524,328	4,341	-	528,669
Communication Equip	194,427	498	-	194,925
Total Depreciable Assets	<u>40,679,482</u>	<u>318,087</u>	<u>-</u>	<u>40,997,569</u>
Total Capital Assets	43,869,747	6,660,452	-	50,530,199
Less: Accumulated Depreciation	<u>(20,705,106)</u>	<u>(900,330)</u>	<u>-</u>	<u>(21,605,436)</u>
	<u>\$ 23,164,641</u>	<u>\$ 5,760,122</u>	<u>\$ -</u>	<u>\$ 28,924,763</u>

Construction in Progress:

During the year 2020, the District, received final approval from USDA Rural Development, and contracts were awarded for a water plant expansion project to increase production 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 were awarded, and construction began during the year 2020. As of June 30, 2021, \$9,059,676 had been expended on the project. RD bonds of \$8,062,000 issued June 21, 2021 provided permanent financing and grants of \$3,563,000, of which \$558,775 have been requested to date. Kentucky Rural Water Finance Corporation provided interim financing.

Note 3 – Capital Assets, Concluded:

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2021 and 2020

	Balance <u>June 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	Balance <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>
Depreciable Assets:				
Structures & Improvements	3,557,346	-	-	3,557,346
Structures & Improvements Office Bldg.	610,371	-	-	610,371
Collecting and Impounding Reservoirs	2,556,206	-	-	2,556,206
River Intakes	495,652	-	-	495,652
Supply Mains	312,627	-	-	312,627
Electric Pumping Equip	3,989,732	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>

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2021 and 2020

Note 4 – Long-Term Debt

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.

\$ 2,624,500

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.

1,050,000

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.

4,905,000

Series 2019 A Revenue Bonds Issued on June 21, 2021 in the amount of \$5,600,000, due in annual installments beginning April 1, 2022 ranging from \$98,000 to \$189,000 through April 2061; interest rate of 1.75% due semi-annually on April and October 1.

5,600,000

Series 2019 B Revenue Bonds Issued on June 21, 2021 in the amount of \$2,462,000, due in annual installments beginning April 1, 2022 ranging from \$98,000 to \$189,000 through April 2061; interest rate of 1.75% due semi-annually on April and October 1.

2,462,000

Total bonds \$ 16,641,500

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.

\$ 904,951

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2021 and 2020

Note 4 – Long-Term Debt, Continued

Principal and interest maturities of bonded debt are as follows:

Future Bond Maturities			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 605,000	\$ 433,261	\$ 1,038,261
2023	628,500	410,224	1,038,724
2024	617,000	386,474	1,003,474
2025	522,000	365,649	887,649
2026	541,500	347,220	888,720
2027-2031	2,460,500	1,488,866	3,949,366
2032-2036	2,567,500	1,140,121	3,707,621
2037-2041	2,439,500	828,289	3,267,789
2042-2046	2,271,000	525,232	2,796,232
2047-2050	1,521,000	308,020	1,829,020
2051-2061	2,468,000	252,718	2,720,718
Total	<u>\$ 16,641,500</u>	<u>\$ 6,486,074</u>	<u>\$ 23,127,574</u>

Bonded debt activities for the year ended June 30, 2021, are as follows:

	<u>Balance</u> <u>June 30, 2020</u>	<u>Additions</u>	<u>Debt Payments</u> <u>and Reductions</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Amount Due</u> <u>within One Year</u>
Series 2010	\$ 2,688,500	\$ -	\$ (64,000)	\$ 2,624,500	\$ (66,500)
Series 2013 B	1,265,000	-	(215,000)	1,050,000	(235,000)
Series 2020 D	5,060,000	-	(155,000)	4,905,000	(160,000)
Series 2019 A	-	5,600,000	-	5,600,000	(98,000)
Series 2019 B	-	2,462,000	-	2,462,000	(43,000)
	<u>9,013,500</u>	<u>8,062,000</u>	<u>(434,000)</u>	<u>16,641,500</u>	<u>(602,500)</u>
Bond Premiums	<u>365,451</u>	<u>-</u>	<u>(39,629)</u>	<u>325,822</u>	<u>(41,739)</u>
Total bonds net with premium	<u>\$ 9,378,951</u>	<u>\$ 8,062,000</u>	<u>\$ (473,629)</u>	<u>\$ 16,967,322</u>	<u>\$ (644,239)</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, 2021 and 2020, 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, 2021 and 2020

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>
2022	\$ 63,942	\$ 8,445	\$ 72,387
2023	64,423	7,837	72,260
2024	64,907	7,224	72,131
2025	65,395	6,606	72,001
2026	65,886	5,984	71,870
2027-2031	336,930	20,416	357,346
2032-2035	243,468	4,643	248,111
	<u>\$ 904,951</u>	<u>\$ 61,155</u>	<u>\$ 966,106</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, as of June, 2021 has been permanently financed with an USDA Rural Development bond issue of \$8,062,000 and grants of \$3,563,000. As of June 30, 2021, \$7,533,963 of the interim financing has been retired and, interest expense of \$291,559 has been capitalized into construction in progress.

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, 2021, does not expect to incur a liability.

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2021 and 2020

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

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, 2021 and 2020, employee contributions totaled \$51,294 and \$54,206, and the District recognized retirement expense of \$65,341 and \$31,273, respectively.

Supplemental Information

GREEN RIVER VALLEY WATER DISTRICT
Schedule of Operating Expenses
For the Year Ended June 30, 2021

	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	\$ 188,945	\$ 141,411	\$ -	\$ 319,885	\$ 238,376	\$ 365,262	\$ 1,253,879
Salaries and wages - directors	-	-	-	-	-	13,100	13,100
Employee retirement and benefits	7,938	7,938	-	21,923	7,469	20,074	65,342
Purchased water	6,218	-	-	-	-	-	6,218
Purchased power	280,538	-	105,267	-	-	28,500	414,305
Chemicals	-	184,012	-	-	-	-	184,012
Materials and supplies	31,954	12,345	-	270,711	49,282	15,606	379,898
Contractual services - accounting	-	-	-	-	-	21,950	21,950
Contractual services - legal	-	-	-	-	-	56,627	56,627
Contractual services - customer accounts	-	-	-	-	-	13,674	13,674
Contractual services - other	87,948	46,923	-	189,548	-	46,923	371,342
Transportation expense	-	-	-	151,339	37,200	3,600	192,139
Insurance - vehicle	-	-	-	6,611	3,098	5,329	15,039
Insurance - workers' compensation	4,320	3,233	-	7,313	5,460	8,340	28,666
Employee insurance	26,851	20,096	-	45,458	33,875	51,906	178,186
Employee flex reimbursements	11,482	8,593	-	19,438	14,485	22,196	76,194
Property and other Insurance	5,463	4,089	-	9,249	6,892	10,562	36,255
Bad debt expense	-	-	-	-	-	15,231	15,231
Miscellaneous	-	-	-	-	6,503	59,513	66,016
Totals	<u>\$ 651,657</u>	<u>\$ 428,640</u>	<u>\$ 105,267</u>	<u>\$ 1,041,475</u>	<u>\$ 402,640</u>	<u>\$ 758,393</u>	<u>\$ 3,388,073</u>

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
Totals	<u>\$ 719,936</u>	<u>\$ 404,620</u>	<u>\$ 80,899</u>	<u>\$ 1,146,834</u>	<u>\$ 318,251</u>	<u>\$ 712,707</u>	<u>\$ 3,383,247</u>

**Green River Valley Water District
Schedule of Findings and Responses
June 30, 2021**

**Significant Deficiency
2021-001**

Criteria:

The financial statements of the District are a vital indication of the financial stability and reliance is placed on these items.

Condition:

There was an excessive amount of monthly adjustments to revenue to reconcile accounts receivable, and corresponding cash in bank accounts.

Cause:

Personnel are not recognizing on a timely basis, issues with the billing and customer coding causing this situation.

Effect:

Revenue was not properly recorded in the general ledger.

Recommendation:

We recommend that accounting personnel identify such issues on a timelier basis and make necessary changes to the accounting and billing systems.

Management Response:

The District understands importance of properly reporting and identifying revenues and will emphasize this to its personnel. Management has contacted the software company prior to audit issuance date and have made corrections to numerous coding's to help prevent this issue in the future.

**Significant Deficiency
2021-002**

Criteria:

An employee handbook outlining District policies and procedures helps to ensure compliance with federal and state laws and to ensure that key policies of the District are clearly and consistently applied.

Condition:

When reviewing District retirement contributions, it was noted that only employee's base pay was used to calculate employer and employee contributions which is inconsistent with the policy in the current handbook.

Cause:

Policies and procedures of the District have not been reviewed and clearly communicated to District personnel.

Effect:

Confusion exists among employees and management on policies related to retirement benefit payments.

Recommendation:

We recommend that management and the Board review and update as necessary the policies and procedures handbook and ensure that those policies are applied accordingly to all employees pay and benefits.

Management Response:

District management along with the Board will review the policies and procedures handbook and update where necessary, ensuring that employees benefits are paid in accordance with the District handbook.

Cindy L. Greer, CPA ▪ R. Brent Billingsley, CPA ▪ Ryan A. Mosier, CPA

Skip R. Campbell, CPA ▪ L. Joe Rutledge, CPA ▪ Jenna B. Glass, CPA ▪ L. Caitlin Hagan, CPA

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

To the Commissioners
Green River Valley Water District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Green River Valley Water District, as of and for the years ended June 30, 2021 and 2020, 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, 2021.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 that we consider to be significant deficiencies.

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*.

Green River Valley Water District's Response to Findings

Green River Valley Water District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Green River Valley Water District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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, 2021