

Green River Valley Water District

Financial Statements

June 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Commissioners
Green River Valley Water District
Horse Cave, Kentucky

Report on the Audit of the Financial Statements

Opinions

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, 2022 and 2021 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Green River Valley Water District, as of June 30, 2022 and 2021, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Green River Valley Water District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Green River Valley Water District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Green River Valley Water District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Green River Valley Water District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Green River Valley Water District's basic financial statements. The accompanying statements of operating expenses and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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 17, 2022, on our consideration of the 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 solely 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 the effectiveness of the Green River Valley Water District's 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 and Ratledge, PLLC

Glasgow, Kentucky
August 17, 2022

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, 2022 and 2021. 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, 2022, total operating, and non-operating revenues (including capital contributions and grants) totaled \$7,607,669. This represents a 24% increase in revenues from the prior year. The increase was primarily due to USDA grant revenues.

Operating expenses amounted to \$4,583,032, an increase of \$197,767 from the prior year. This increase was primarily due to an increase in water treatment expenses and depreciation expense.

Total assets increased by \$1,340,493 while total liabilities decreased by \$1,306,987. These changes resulted in an increase in net position of \$2,647,480.

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 Bonnierville, 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.

**Green River Valley Water District
Summary of Net Position
June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Assets		
Total Current Assets	\$ 2,667,357	\$ 3,112,434
Total Restricted Assets	2,546,720	2,333,160
Net Capital Assets	<u>30,496,773</u>	<u>28,924,763</u>
Total Assets	<u>35,710,850</u>	<u>34,370,357</u>
Liabilities		
Total Current Liabilities	566,115	614,398
Total Liabilities Payable from Restricted Assets	1,419,156	1,957,565
Total Long-term Liabilities	<u>16,462,640</u>	<u>17,182,935</u>
Total Liabilities	<u>18,447,911</u>	<u>19,754,898</u>
Net Position		
Net Investment in Capital Assets	12,791,342	10,230,476
Restricted for equipment replacement	889,687	851,346
Restricted for debt retirement	1,636,975	1,187,735
Unrestricted	<u>1,944,935</u>	<u>2,345,902</u>
Total Net Position	<u>\$ 17,262,939</u>	<u>\$ 14,615,459</u>

The largest portion (74%) of the District's net position reflects its investment in capital assets, less any related debt used to acquire those assets still outstanding. This represents a 4% increase from the prior year. 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 (15%) represents resources that are subject to external restrictions on how they may be used. There was a 1% increase from the prior year.

The balance (11%) of unrestricted net position may be used to meet the Company's ongoing obligations to citizens, consumers, and creditors. This was a 5% decrease from the prior year.

**Green River Valley Water District
Summary of Changes in Net Position
For the Years Ended June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Total operating revenues	\$ 5,475,926	\$ 5,381,047
Total operating expenses	<u>4,583,032</u>	<u>4,385,265</u>
Operating income	892,894	995,782
Total non-operating revenue (expense)	<u>1,665,524</u>	<u>384,909</u>
Income before capital contributions	2,558,418	1,380,691
Capital contributions, tap fees	<u>89,062</u>	<u>72,000</u>
Increase (decrease) in net position	2,647,480	1,452,691
Net position, beginning of the year	<u>14,615,459</u>	<u>13,162,768</u>
Net position, end of the year	<u>\$ 17,262,939</u>	<u>\$ 14,615,459</u>

Net position increased by \$2,647,480 an increase from the prior year of \$1,194,789.

Capital Asset Changes

On June 30, 2022, the District had invested \$30.497 million in capital assets net of accumulated depreciation. This amount represents a net increase of \$1.572 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, 2022, the District had \$16,039,000 of bonds outstanding, a decrease of \$602,500 from the prior year's balance of \$16,641,500. This decrease resulted from current year scheduled payments. The District also received in 2014, a \$1,287,500 .75% loan from the Kentucky Infrastructure Authority. The balance on June 30, 2022 is \$841,009. 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, 2022, 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 Cave, Kentucky 42749, or by phone (270) 786-2134

GREEN RIVER VALLEY WATER DISTRICT
Statements of Net Position
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets		
Cash	\$ 1,521,766	\$ 1,730,101
Accounts receivable	451,280	508,206
Grants receivable (USDA)	100,587	503,563
Accrued interest	2,967	2,967
Plant materials and supplies, (at replacement cost)	546,506	330,251
Prepaid and other assets	44,251	37,346
Total Current Assets	2,667,357	3,112,434
Non-current Assets		
Restricted Assets		
Cash - Construction account	20,058	294,079
Cash - Depreciation funds	358,819	321,008
Cash - Bond and interest redemption fund	1,636,975	1,187,735
Investments - Depreciation fund	530,868	530,338
Total Restricted Assets	2,546,720	2,333,160
Capital Assets		
Utility plant in service	53,138,828	50,530,199
Accumulated depreciation	(22,642,055)	(21,605,436)
Net Capital Assets	30,496,773	28,924,763
Total Non-current Assets	33,043,493	31,257,923
Total Assets	\$ 35,710,850	\$ 34,370,357

GREEN RIVER VALLEY WATER DISTRICT
Statements of Net Position (Concluded)
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 429,350	\$ 488,740
Customer deposits	<u>136,765</u>	<u>125,658</u>
Total Current Liabilities	<u>566,115</u>	<u>614,398</u>
Liabilities Payable from Restricted Assets		
Construction accounts payable	605,996	1,168,101
Current maturities of long-term debt	656,853	637,330
Accrued interest	<u>156,307</u>	<u>152,134</u>
Total Liabilities Payable from Restricted Assets	<u>1,419,156</u>	<u>1,957,565</u>
Long-term Liabilities		
Long-term debt, less current maturities, net of premium and discount	<u>16,462,640</u>	<u>17,182,935</u>
Total Long-term Liabilities	<u>16,462,640</u>	<u>17,182,935</u>
Total Liabilities	<u>18,447,911</u>	<u>19,754,898</u>
Net Position		
Net investment in capital assets	12,791,342	10,230,476
Restricted for debt retirement	1,636,975	1,187,735
Restricted for equipment replacement	889,687	851,346
Unrestricted	<u>1,944,935</u>	<u>2,345,902</u>
Total Net Position	<u>\$ 17,262,939</u>	<u>\$ 14,615,459</u>

GREEN RIVER VALLEY WATER DISTRICT
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating revenue:		
Metered water sales:		
Residential	\$ 3,237,722	\$ 3,335,135
Commercial	311,284	322,173
	3,549,006	3,657,308
Wholesale water sales:		
Horse Cave	636,220	683,261
CEA Cave City	311,792	348,818
Munfordville	306,427	249,297
Larue County	251,022	239,940
Green-Taylor	123,804	86,195
CEA	16,528	36,548
	1,645,793	1,644,059
Other operating revenues:		
Cash water sales	449	147
Revenues from maintenance and contract work, net of expenses of \$23,570 and \$25,098 respectively	81,266	91,592
Forfeited discounts	86,397	38,916
Miscellaneous	113,015	(50,975)
	281,127	79,680
Total operating revenues	5,475,926	5,381,047
Operating expenses:		
Source of supply and pumping expenses:		
Operations	926,200	651,467
Water treatment expenses:		
Operations	269,106	428,498
Transmission and distribution:		
Operations	92,657	105,267
Maintenance	1,007,706	1,039,754
Customer accounts expenses	397,494	403,176
Administrative and general expenses	751,525	760,695
Depreciation and amortization	1,036,619	900,330
Taxes other than income	101,725	96,078
	4,583,032	4,385,265
Total operating expenses	4,583,032	4,385,265
Operating income	\$ 892,894	\$ 995,782

The accompanying notes are an integral part of the financial statements.
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GREEN RIVER VALLEY WATER DISTRICT
Statements of Revenues, Expenses and Changes in Net Position (Concluded)
For the Years Ended June 30, 2022 and 2021

Nonoperating revenue (expenses):

Interest income	\$ 10,078	\$ 16,511
Grant revenues	1,997,773	640,921
Amortization of bond premium and discount	34,830	31,752
Interest on long-term debt	<u>(377,157)</u>	<u>(304,275)</u>
 Total nonoperating revenue (expenses)	 <u>1,665,524</u>	 <u>384,909</u>
 Income (Loss) before capital contributions	 <u>2,558,418</u>	 <u>1,380,691</u>
 Capital Contributions, Tap fees	 <u>89,062</u>	 <u>72,000</u>
 Increase (Decrease) in net position	 2,647,480	 1,452,691
 Net Position:		
Beginning of year	<u>14,615,459</u>	<u>13,162,768</u>
End of year	<u>\$ 17,262,939</u>	<u>\$ 14,615,459</u>

GREEN RIVER VALLEY WATER DISTRICT
Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Cash receipts from customers	\$ 5,543,959	\$ 5,381,047
Cash payments to suppliers for goods and services	(2,556,820)	(2,181,379)
Cash payments to employees for services	(1,272,143)	(1,266,979)
Net cash provided (used) by operating activities	1,714,996	1,932,689
Cash flows from capital and related financing activities:		
Proceeds from issuance of long term debt	-	8,062,000
Interim financing for construction	-	5,710,224
Principal paid on long-term debt	(602,000)	(8,299,161)
Interest paid on long-term debt	(372,984)	(304,275)
Cash paid for capital assets	(3,235,206)	(6,904,109)
Grant revenues	2,400,749	640,921
Capital contributions, tap fees	89,062	72,000
Net cash provided (used) in financing activities	(1,720,379)	(1,022,400)
Cash flows from investing activities:		
Purchase of investments	-	(6,136)
Investment Income	10,078	16,511
Net cash provided (used) in investing activities	10,078	10,375
Net increase (decrease) in cash and cash equivalents	4,695	920,664
Cash and cash equivalents, beginning of year	3,532,923	2,612,259
Cash and cash equivalents, end of year	\$ 3,537,618	\$ 3,532,923
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 892,894	\$ 995,782
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,036,619	900,330
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	56,926	(51,651)
(Increase) decrease in prepaid and other assets	(6,905)	(1,028)
(Increase) decrease in plant materials and supplies	(216,255)	(33,046)
Increase (decrease) in accounts payable	(59,390)	98,047
Increase (decrease) in customer deposits	11,107	24,255
Net cash provided (used) by operating activities	\$ 1,714,996	\$ 1,932,689

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2022 and 2021

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, 2022 and 2021

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 \$451,280 and \$508,206 on June 30, 2022, and 2021 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, 2022. The direct write-off method does not significantly depart from generally accepted accounting principles. As of June 30, 2022, and 2021, bad debts were \$26,486 and \$15,231, 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, 2022, and 2021 was \$1,036,619 and \$900,330, 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, 2022 and 2021

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 17, 2022 the date which the financial statements were available to be issued.

Note 2 – Cash and Investments

Depreciation Fund -Debt Reserve Fund / Short Lived Asset Fund

The ordinances authorizing the USDA bond issues of the District require monthly transfers into a depreciation/debt reserve fund. These funds can be used for capital improvements, expansions, and extraordinary repairs and if necessary, make required bond payments. 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, 2022, the District's depreciation/ debt reserve fund balance exceeded the maximum 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, 2022 and 2021

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 \$3,537,618 and the bank balances were \$3,589,052. The difference between book and bank balances primarily represents checks that have been issued but have not cleared the bank as of June 30, 2022.

The District’s investments include a certificate of deposit totaling \$530,868 at one financial institution at a rate of 1.00% with a maturity date of November 2, 2022.

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 \$4,534,870 at a total of three separate financial institutions on June 30, 2022. The District also had \$327,106 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>2022</u>	<u>2021</u>
<u>Unrestricted:</u>		
Cash and cash equivalents	\$ 1,521,766	\$ 1,730,101
<u>Restricted:</u>		
Cash and cash equivalents	2,015,852	1,802,822
Investments	530,868	530,338
Total Cash and Investments	\$ 4,068,486	\$ 4,063,261

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2022 and 2021

Note 3 – Capital Assets

Capital asset activity for the year ended June 30, 2022 and 2021 was as follows:

	Balance <u>June 30, 2021</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2022</u>
Construction in Progress	9,059,676	2,098,465	-	11,158,141
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>9,532,630</u>	<u>2,098,465</u>	<u>-</u>	<u>11,631,095</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	4,123,338	66,000	-	4,189,338
Water Treatment Equip	1,372,942	19,021	-	1,391,963
Distr Reserv & Stand Pipes	3,108,627	-	-	3,108,627
T & D Mains	19,729,380	34,437	-	19,763,817
Services	956,263	10,679	-	966,942
Meters	1,827,181	52,239	-	1,879,420
Meter Installation	157,159	-	-	157,159
Hydrants	129,446	2,838	-	132,284
Other Plant	25,564	-	-	25,564
Office Furniture & Equip	331,329	636	-	331,965
Trans Equip	763,019	196,765	-	959,784
Tools Shop & Equip	214,182	96,148	-	310,330
Lab Equip	3,343	-	-	3,343
Power Oper Equip	528,669	31,401	-	560,070
Communication Equip	194,925	-	-	194,925
Total Depreciable Assets	<u>40,997,569</u>	<u>510,164</u>	<u>-</u>	<u>41,507,733</u>
Total Capital Assets	50,530,199	2,608,629	-	53,138,828
Less: Accumulated Depreciation	<u>(21,605,436)</u>	<u>(1,036,619)</u>	<u>-</u>	<u>(22,642,055)</u>
	<u>28,924,763</u>	<u>1,572,010</u>	<u>-</u>	<u>30,496,773</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, 2022, \$11,158,141 had been expended on the project. RD bonds of \$8,062,000 issued June 21, 2021 provided permanent financing. The District was also awarded grants of \$3,563,000, of which \$2,542,248 have been requested to date.

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2022 and 2021

Note 3 – Capital Assets, Concluded:

	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>

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2022 and 2021

Note 4 – Long-Term Debt

	<u>2022</u>	<u>2021</u>
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.	\$ 2,558,500	\$ 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 \$10,000 to \$460,000 through January, 2028; interest rates varying from 2.3% to 4.6% due semi-annually on January 1 and July 1.	815,000	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 varying from 3.2% to 5.2% due semi-annually on January 1 and July 1.	4,745,000	4,905,000
Series 2019 A Revenue Bonds issued 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 1 and October 1.	5,502,000	5,600,000
Series 2019 B Revenue Bonds issued 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 1 and October 1.	<u>2,419,000</u>	<u>2,462,000</u>
Total bonds	<u>\$ 16,039,500</u>	<u>\$ 16,641,500</u>

Interim Financing:

During fiscal year 2020, the District entered into an agreement with Kentucky Rural Water Finance Corporation to finance the Water Treatment Plant construction project with a short term note in the amount of \$8,062,000, at an interest rate of 3.10%. The note was permanently refinanced with USDA Rural Development Bonds Series 2019 A and 2019 B in June 2021.

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2022 and 2021

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>
2023	626,500	388,994	\$ 1,015,494
2024	615,000	368,204	983,204
2025	519,000	349,810	868,810
2026	538,500	332,366	870,866
2027	553,500	315,362	868,862
2028-2032	2,395,500	1,356,106	3,751,606
2033-2037	2,513,500	1,026,038	3,539,538
2038-2042	2,477,000	726,776	3,203,776
2043-2047	2,075,000	440,035	2,515,035
2048-2052	1,399,000	272,066	1,671,066
2053-2057	1,252,000	160,545	1,412,545
2058-2061	<u>1,075,000</u>	<u>47,303</u>	<u>1,122,303</u>

Bonded debt activities for the years ended June 30, 2022, and 2021 are as follows:

	<u>Balance</u>		<u>Debt Payments</u>	<u>Balance</u>	<u>Amount Due</u>
	<u>June 30, 2021</u>	<u>Additions</u>	<u>and Reductions</u>	<u>June 30, 2022</u>	<u>within One Year</u>
Series 2010	\$ 2,624,500	\$ -	\$ (66,000)	\$ 2,558,500	\$ (67,500)
Series 2013 B	1,050,000	-	(235,000)	815,000	(245,000)
Series 2020 D	4,905,000	-	(160,000)	4,745,000	(170,000)
Series 2019 A	5,600,000	-	(98,000)	5,502,000	(100,000)
Series 2019 B	<u>2,462,000</u>	<u>-</u>	<u>(43,000)</u>	<u>2,419,000</u>	<u>(44,000)</u>
	16,641,500	-	(602,000)	16,039,500	(626,500)
Bond premium and discount	<u>273,814</u>	<u>-</u>	<u>(34,830)</u>	<u>238,984</u>	<u>(30,353)</u>
Total bonds net with premium/discount	<u>\$ 16,915,314</u>	<u>\$ -</u>	<u>\$ (636,830)</u>	<u>\$ 16,278,484</u>	<u>\$ (656,853)</u>

	<u>Balance</u>		<u>Debt Payments</u>	<u>Balance</u>	<u>Amount Due</u>
	<u>June 30, 2020</u>	<u>Additions</u>	<u>and Reductions</u>	<u>June 30, 2021</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	<u>-</u>	<u>2,462,000</u>	<u>-</u>	<u>2,462,000</u>	<u>(43,000)</u>
	9,013,500	8,062,000	(434,000)	16,641,500	(602,500)
Bond premium and discount	<u>305,566</u>	<u>-</u>	<u>(31,752)</u>	<u>273,814</u>	<u>(34,830)</u>
Total bonds net with premium/discount	<u>\$ 9,319,066</u>	<u>\$ 8,062,000</u>	<u>\$ (465,752)</u>	<u>\$ 16,915,314</u>	<u>\$ (637,330)</u>

Capitalization of Interest:

In accordance with GASB 89 *Accounting for Interest Costs Incurred Before the End of a Construction Period*, effective for periods beginning after December 15, 2020, interest costs incurred during construction are no longer capitalized. This Statement requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. This accounting change has been implemented prospectively and therefore the change has had no effect on the beginning net position of the District. Interest capitalized for the year ended June 30, 2022 and 2021, was \$0 and \$0, respectively.

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2022 and 2021

Note 4 – Long-Term Debt, Concluded

Principal and interest maturities of the KIA note payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 64,423	\$ 7,837	\$ 72,260
2024	64,907	7,224	72,131
2025	65,394	6,606	72,000
2026	65,886	5,983	71,869
2027	66,381	5,355	71,736
2028-2032	339,461	17,211	356,672
2033-2035	174,557	2,494	177,051
	<u>\$ 841,009</u>	<u>\$ 52,710</u>	<u>\$ 893,719</u>

Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. During the current year, the District performed calculations of excess investment earnings on various bonds and financings and on June 30, 2022, does not expect to incur a liability.

Note 5 - Deferred Outflows/Inflows of Resources

The District adopted GASB No. 63, and in addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no item that qualifies for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Note 6 – Retirement Plan

The District participated in 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, 2022 and 2021, employee contributions totaled \$43,251 and \$51,353, and the District recognized retirement expense of \$68,246 and \$65,342, respectively.

Supplemental Information

GREEN RIVER VALLEY WATER DISTRICT
Schedule of Operating Expenses
For the Year Ended June 30, 2022

	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	337,601		2,436	\$ -	-	332,151	224,215	361,440	\$ 1,257,843
Salaries and wages - directors	-		-	-	-	-	-	14,300	14,300
Employee retirement and benefits	5,176		253	-	-	1,930	-	60,887	68,246
Purchased water	7,988		-	-	-	-	-	-	7,988
Purchased power	359,023		-	92,657	-	-	-	24,762	476,442
Chemicals	-		224,426	-	-	-	-	-	224,426
Materials and supplies	24,401		10,801	-	-	247,903	64,773	15,009	362,887
Contractual services - accounting	-		-	-	-	-	-	21,950	21,950
Contractual services - legal	-		-	-	-	-	-	18,525	18,525
Contractual services - customer accounts	-		-	-	-	-	3,456	-	3,456
Contractual services - other	119,263		30,665	-	-	151,254	-	65,271	366,453
Transportation expense	-		-	-	-	196,062	37,200	3,600	236,862
Insurance - vehicle	-		-	-	-	6,832	4,612	7,434	18,878
Insurance - workers' compensation	4,884		35	-	-	4,805	3,244	5,229	18,197
Employee insurance	45,851		331	-	-	45,111	30,451	49,089	170,833
Employee flex reimbursements	13,314		96	-	-	13,099	8,842	14,254	49,604
Property and other insurance	8,699		63	-	-	8,559	5,778	9,314	32,414
Bad debt expense	-		-	-	-	-	-	26,486	26,486
Miscellaneous	-		-	-	-	-	14,923	53,975	68,898
Totals	\$ 926,200		\$ 269,106	\$ 92,657		\$ 1,007,706	\$ 397,494	\$ 751,525	\$ 3,444,688

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	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	-	-	-	151,338	37,200	3,600	192,138		
Insurance - vehicle	-	-	-	5,209	3,882	5,948	15,039		
Insurance - workers' compensation	4,320	3,233	-	7,313	5,450	8,351	28,667		
Employee insurance	26,851	20,096	-	45,458	33,875	51,907	178,187		
Employee flex reimbursements	11,482	8,593	-	19,438	14,485	22,196	76,194		
Property and other Insurance	5,273	3,947	-	8,931	6,654	10,196	35,001		
Bad debt expense	-	-	-	-	-	15,231	15,231		
Miscellaneous	-	-	-	-	6,503	61,550	68,053		
Totals	\$ 651,467	\$ 428,498	\$ 105,267	\$ 1,039,754	\$ 403,176	\$ 760,695	\$ 3,388,857		

GREEN RIVER VALLEY WATER DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
<i>Other Programs</i>				
United States Department of Agriculture				
Water and Waste Disposal Systems for Rural Communities	10.760	-	-	<u>1,983,473</u>
Total Water and Waste Disposal Systems for Rural Communities				<u>1,983,473</u>
<i>Total United States Department of Agriculture</i>				<u>1,983,473</u>
<i>Total Expenditures of Federal Awards</i>				<u>\$ 1,983,473</u>

The accompanying notes are an integral part of this schedule.

GREEN RIVER VALLEY WATER DISTRICT
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of Green River Valley Water District under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Cooperative it is not intended to and does not present the financial position, results of operations or cash flows of Green River Valley Water District.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where in certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

Green River Valley Water District has elected not to use the 10% de minimis cost rate as allowed under the Uniform Guidance.

GREEN RIVER VALLEY WATER DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with

GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes X None reported
- Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes X None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

Dollar threshold used to distinguish Between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes X No

Identification of Major Programs:

Federal Grantor/Program Title	CFDA Number
United States Department of Agriculture	10.760
Water and Waste Disposal Systems for Rural Communities	

GREEN RIVER VALLEY WATER DISTRICT
Schedule of Findings and Questioned Costs, Concluded
For the Year Ended June 30, 2022

II. FINANCIAL STATEMENT FINDINGS

None reported.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

IV. NONCOMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

None reported.

GREEN RIVER VALLEY WATER DISTRICT
Schedule of Prior Audit Findings
For the Year Ended June 30, 2022

No prior year audit findings.



CAMPBELL, MYERS AND RUTLEDGE, PLLC

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE

Green River Valley Water District
Horse Cave, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Green River Valley Water District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Green River Valley Water District's major federal programs for the year ended June 30, 2022. Green River Valley Water District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Green River Valley Water District complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Green River Valley Water District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Green River Valley Water District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Green River Valley Water District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Green River Valley Water District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Green River Valley Water District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Green River Valley Water District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Green River Valley Water's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Green River Valley Water District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and

corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Campbell, Myers and Ratledge, PLLC

Glasgow, Kentucky
August 17, 2022



CAMPBELL, MYERS AND RUTLEDGE, PLLC

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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

To the Commissioners
Green River Valley Water District
Horse Cave, Kentucky

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, 2022 and 2021, 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 17, 2022.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Green River Valley Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of Green River Valley Water District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Green River Valley Water District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Campbell, Myers & Rutledge, PLLC

Glasgow, Kentucky
August 17, 2022

