

Green River Valley Water District

Financial Statements

June 30, 2023 and 2022

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	12-20
Supplemental Information	
Schedules of Operating Expenses	21-22
Schedule of Expenditures of Federal Awards	23
Notes to the Schedule of Expenditures of Federal Awards	24
Schedule of Findings and Questioned Costs	25-26
Schedule of Prior Year Audit Findings	27
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required By the Uniform Guidance	28-30
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>	31-32



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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, 2023 and 2022 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, 2023 and 2022, 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 21, 2023, 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 21, 2023

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, 2023 and 2022. 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, 2023, total operating, and non-operating revenues (including capital contributions and grants) totaled \$6,989,484. This represents a 9% decrease in revenues from the prior year. The decrease was primarily due to less USDA grant revenues.

Operating expenses amounted to \$5,931,604, an increase of approximately 19% from the prior year. This increase was primarily due to an increase in water treatment expense and general and administrative expense.

Total assets decreased by \$147,760 while total liabilities decreased by \$1,205,640. These changes resulted in an increase in net position of \$1,057,880.

This District's water treatment expansion project was completed in March 2023. This project was needed to ensure the District has sufficient water supply to meet the needs of current and future customers.

Overview of the Financial Statements

This report consists of the 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, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Assets		
Total Current Assets	\$ 2,474,555	\$ 2,667,357
Total Restricted Assets	2,668,644	2,546,720
Net Capital Assets	<u>30,419,891</u>	<u>30,496,773</u>
Total Assets	<u>35,563,090</u>	<u>35,710,850</u>
Liabilities		
Total Current Liabilities	694,417	566,115
Total Liabilities Payable from Restricted Assets	855,301	1,419,156
Total Long-term Liabilities	<u>15,692,553</u>	<u>16,462,640</u>
Total Liabilities	<u>17,242,271</u>	<u>18,447,911</u>
Net Position		
Net Investment in Capital Assets	14,127,017	12,791,342
Restricted for equipment replacement	848,613	889,687
Restricted for debt retirement	1,709,187	1,636,975
Unrestricted	<u>1,636,002</u>	<u>1,944,935</u>
Total Net Position	<u>\$ 18,320,819</u>	<u>\$ 17,262,939</u>

The largest portion (77%) of the District's net position reflects its investment in capital assets, less any related debt used to acquire those assets still outstanding. This represents a 3% 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 (14%) represents resources that are subject to external restrictions on how they may be used.

The balance (9%) of unrestricted net position may be used to meet the District's ongoing obligations to citizens, consumers, and creditors. This was a 2% decrease from the prior year.

**Green River Valley Water District
Summary of Changes in Net Position
For the Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Total operating revenues	\$ 5,815,994	\$ 5,475,926
Total operating expenses	<u>5,545,955</u>	<u>4,583,032</u>
Operating income	270,039	892,894
Total non-operating revenue (expense)	<u>(278,283)</u>	<u>(332,249)</u>
Income before capital contributions	(8,244)	560,645
Capital contributions	<u>1,066,124</u>	<u>2,086,835</u>
Increase (decrease) in net position	1,057,880	2,647,480
Net position, beginning of the year	<u>17,262,939</u>	<u>14,615,459</u>
Net position, end of the year	<u>\$ 18,320,819</u>	<u>\$ 17,262,939</u>

Net position increased by \$1,057,880 a decrease from the prior year of \$1,589,600.

Capital Asset Changes

On June 30, 2023, the District had invested \$30.42 million in capital assets net of accumulated depreciation. This amount represents a net decrease of \$76,882 due to depreciation expense in excess of net additions to plant during the fiscal year.

Debt Administration

As of June 30, 2023, the District had \$15,413,000 of bonds outstanding, a decrease of \$626,500 from the prior year's balance of \$16,039,500. This decrease resulted from current year scheduled payments. The balance of the Kentucky Infrastructure Authority loan at June 30, 2023 was \$776,586.

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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash	\$ 1,304,897	\$ 1,521,766
Accounts receivable	480,302	451,280
Grant receivable (USDA)	121,639	100,587
Accrued interest	2,967	2,967
Plant materials and supplies, (at replacement cost)	522,467	546,506
Prepaid and other assets	42,283	44,251
Total Current Assets	2,474,555	2,667,357
Non-current Assets		
Restricted Assets		
Cash - Construction account	110,844	20,058
Cash - Depreciation funds	317,214	358,819
Cash - Bond and interest redemption fund	1,709,187	1,636,975
Investments - Depreciation fund	531,399	530,868
Total Restricted Assets	2,668,644	2,546,720
Capital Assets		
Utility plant in service	54,058,384	53,138,828
Accumulated depreciation	(23,638,493)	(22,642,055)
Net Capital Assets	30,419,891	30,496,773
Total Non-current Assets	33,088,535	33,043,493
Total Assets	\$ 35,563,090	\$ 35,710,850

GREEN RIVER VALLEY WATER DISTRICT
Statements of Net Position (Concluded)
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 462,250	\$ 429,350
Deferred revenue	108,000	-
Customer deposits	124,167	136,765
Total Current Liabilities	<u>694,417</u>	<u>566,115</u>
Liabilities Payable from Restricted Assets		
Construction accounts payable	5,500	605,996
Current maturities of long-term debt	705,665	656,853
Accrued interest	144,136	156,307
Total Liabilities Payable from Restricted Assets	<u>855,301</u>	<u>1,419,156</u>
Long-term Liabilities		
Long-term debt, less current maturities, net of premium and discount	<u>15,692,553</u>	<u>16,462,640</u>
Total Long-term Liabilities	<u>15,692,553</u>	<u>16,462,640</u>
 Total Liabilities	 <u>17,242,271</u>	 <u>18,447,911</u>
Net Position		
Net investment in capital assets	14,127,017	12,791,342
Restricted for debt retirement	1,709,187	1,636,975
Restricted for equipment replacement	848,613	889,687
Unrestricted	<u>1,636,002</u>	<u>1,944,935</u>
 Total Net Position	 <u>\$ 18,320,819</u>	 <u>\$ 17,262,939</u>

GREEN RIVER VALLEY WATER DISTRICT
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenue:		
Metered water sales:		
Residential	\$ 3,419,456	\$ 3,237,722
Commercial	<u>390,335</u>	<u>311,284</u>
	<u>3,809,791</u>	<u>3,549,006</u>
Wholesale water sales:		
Horse Cave	662,217	636,220
CEA Cave City	283,778	311,792
Munfordville	297,065	306,427
Larue County	247,631	251,022
Green-Taylor	132,156	123,804
Edmonson	3,365	-
CEA	<u>46,750</u>	<u>16,528</u>
	<u>1,672,962</u>	<u>1,645,793</u>
Other operating revenues:		
Cash water sales	256	449
Revenues from maintenance and contract work, net of expenses of \$48,983 and \$23,570 respectively	85,295	81,266
Forfeited discounts	81,010	86,397
Miscellaneous	<u>166,680</u>	<u>113,015</u>
	<u>333,241</u>	<u>281,127</u>
Total operating revenues	<u>5,815,994</u>	<u>5,475,926</u>
Operating expenses:		
Source of supply and pumping expenses:		
Operations	987,875	926,200
Water treatment expenses:		
Operations	415,387	269,106
Transmission and distribution:		
Operations	90,813	92,657
Maintenance	1,174,111	1,007,706
Customer accounts expenses	343,148	397,494
Administrative and general expenses	1,288,066	743,470
Depreciation and amortization	1,116,438	1,036,619
Taxes other than income	<u>130,117</u>	<u>109,780</u>
Total operating expenses	<u>5,545,955</u>	<u>4,583,032</u>
Operating income	<u>\$ 270,039</u>	<u>\$ 892,894</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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Nonoperating revenue (expenses):		
Interest income	\$ 77,013	\$ 10,078
Amortization of bond premium and discount	30,353	34,830
Interest on long-term debt	<u>(385,649)</u>	<u>(377,157)</u>
Total nonoperating revenue (expenses)	<u>(278,283)</u>	<u>(332,249)</u>
Income (Loss) before capital contributions	<u>(8,244)</u>	<u>560,645</u>
Capital Contributions		
Tap fees	102,000	89,062
Grant revenue	<u>964,124</u>	<u>1,997,773</u>
Total capital contributions	1,066,124	2,086,835
Increase (Decrease) in net position	1,057,880	2,647,480
Net Position:		
Beginning of year	<u>17,262,939</u>	<u>14,615,459</u>
End of year	<u>\$ 18,320,819</u>	<u>\$ 17,262,939</u>

GREEN RIVER VALLEY WATER DISTRICT
Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash receipts from customers	\$ 5,774,374	\$ 5,543,959
Cash payments to suppliers for goods and services	(2,748,515)	(2,556,820)
Cash payments to employees for services	<u>(1,622,095)</u>	<u>(1,272,143)</u>
Net cash provided (used) by operating activities	<u>1,403,764</u>	<u>1,714,996</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(690,922)	(602,000)
Interest paid on long-term debt	(397,820)	(372,984)
Cash paid for capital assets	(1,640,052)	(3,235,206)
Grant revenues	1,051,072	2,400,749
Tap fees	<u>102,000</u>	<u>89,062</u>
Net cash provided (used) in financing activities	<u>(1,575,722)</u>	<u>(1,720,379)</u>
Cash flows from investing activities:		
Investment Income	<u>76,482</u>	<u>10,078</u>
Net cash provided (used) in investing activities	<u>76,482</u>	<u>10,078</u>
Net increase (decrease) in cash and cash equivalents	(95,476)	4,695
Cash and cash equivalents, beginning of year	<u>3,537,618</u>	<u>3,532,923</u>
Cash and cash equivalents, end of year	<u>\$ 3,442,142</u>	<u>\$ 3,537,618</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 270,039	\$ 892,894
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,116,438	1,036,619
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(29,022)	56,926
(Increase) decrease in prepaid and other assets	1,968	(6,905)
(Increase) decrease in plant materials and supplies	24,039	(216,255)
Increase (decrease) in accounts payable	32,900	(59,390)
Increase (decrease) in customer deposits	<u>(12,598)</u>	<u>11,107</u>
Net cash provided (used) by operating activities	<u>\$ 1,403,764</u>	<u>\$ 1,714,996</u>

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2023 and 2022

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, 2023 and 2022

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 \$480,302 and \$451,280 on June 30, 2023, and 2022 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, 2023. The direct write-off method does not significantly depart from generally accepted accounting principles. As of June 30, 2023, and 2022, bad debts were \$9,200 and \$26,486, 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, 2023, and 2022 was \$1,116,438 and \$1,036,619, 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, 2023 and 2022

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 21, 2023 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, 2023, 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. For the year ended June 30, 2023, the District had complied with this requirement.

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2023 and 2022

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

The carrying amount of the District's cash deposits was \$3,442,142 at June 30, 2023 and \$3,537,618 at June 30, 2022 and the bank balances were \$3,476,770 at June 30, 2023 and \$3,589,052 at June 30, 2022. The difference between book and bank balances primarily represents checks that have been issued but have not cleared the bank as of June 30.

The District's investments include a certificate of deposit totaling \$531,399 at one financial institution with a maturity date of July 3, 2023. The certificate was renewed prior to year end with an interest rate of 4.57% maturing March 2024.

All the District's cash and investment accounts were insured by FDIC or by pledged securities at the financial institution.

The nature of the District's cash and investments being restricted or unrestricted is as follows:

	<u>2023</u>	<u>2022</u>
<u>Unrestricted:</u>		
Cash and cash equivalents	\$ 1,304,897	\$ 1,521,766
<u>Restricted:</u>		
Cash and cash equivalents	2,137,245	2,015,852
Investments	531,399	530,868
Total Cash and Investments	<u>\$ 3,973,541</u>	<u>\$ 4,068,486</u>

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2023 and 2022

Note 3 – Capital Assets

Capital asset activity for the year ended June 30, 2023 and 2022 was as follows:

	Balance <u>June 30, 2022</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2023</u>
Construction in Progress	\$ 11,158,141	\$ 355,563	\$(11,513,704)	\$ -
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>11,631,095</u>	<u>355,563</u>	<u>(11,513,704)</u>	<u>472,954</u>
 Depreciable Assets:				
Structures & Improvements	3,557,346	5,306,848	-	8,864,194
Structures & Improvements Office Bldg.	610,371	-	-	610,371
Collecting and Impounding Reservoirs	2,556,206	-	-	2,556,206
River Intakes	495,652	504,973	-	1,000,625
Supply Mains	312,627	1,434,441	-	1,747,068
Electric Pumping Equip	4,189,338	396,909	-	4,586,247
Water Treatment Equip	1,391,963	1,670,503	-	3,062,466
Distr Reserv & Stand Pipes	3,108,627	2,158,625	-	5,267,252
T & D Mains	19,763,817	89,119	-	19,852,936
Services	966,942	11,139	-	978,081
Meters	1,879,420	60,288	-	1,939,708
Meter Installation	157,159	-	-	157,159
Hydrants	132,284	455	-	132,739
Other Plant	25,564	7,550	-	33,114
Office Furniture & Equip	331,965	-	-	331,965
Trans Equip	959,784	404,173	(120,000)	1,243,957
Tools Shop & Equip	219,680	-	-	219,680
Lab Equip	3,343	-	-	3,343
Power Oper Equip	650,720	138,565	-	789,285
Communication Equip	194,925	14,109	-	209,034
Total Depreciable Assets	<u>41,507,733</u>	<u>12,197,697</u>	<u>(120,000)</u>	<u>53,585,430</u>
Total Capital Assets	53,138,828	12,553,260	(11,633,704)	54,058,384
Less: Accumulated Depreciation	<u>(22,642,055)</u>	<u>(1,116,438)</u>	<u>120,000</u>	<u>(23,638,493)</u>
	<u>\$ 30,496,773</u>	<u>\$ 11,436,822</u>	<u>\$(11,513,704)</u>	<u>\$ 30,419,891</u>

Construction in Progress:

During 2023 the District completed the water treatment 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 was approximately \$11,500,000.

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2023 and 2022

Note 3 – Capital Assets, Concluded:

	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022
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	9,532,630	2,098,465	-	11,631,095
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	123,532	96,148	-	219,680
Lab Equip	3,343	-	-	3,343
Power Oper Equip	619,319	31,401	-	650,720
Communication Equip	194,925	-	-	194,925
Total Depreciable Assets	40,997,569	510,164	-	41,507,733
Total Capital Assets	50,530,199	2,608,629	-	53,138,828
Less: Accumulated Depreciation	(21,605,436)	(1,036,619)	-	(22,642,055)
	\$ 28,924,763	\$ 1,572,010	\$ -	\$ 30,496,773

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2023 and 2022

Note 4 – Long-Term Debt

The District had bonds and notes payable at June 30, 2023 and 2022 as follows:

	<u>2023</u>	<u>2022</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.	\$ 2,491,000	\$ 2,558,500
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.	570,000	815,000
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.	4,575,000	4,745,000
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.	5,402,000	5,502,000
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>2,375,000</u>	<u>2,419,000</u>
Total bonds	<u>\$ 15,413,000</u>	<u>\$ 16,039,500</u>
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.	<u>\$ 776,587</u>	<u>\$ 841,009</u>

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2023 and 2022

Note 4 – Long-Term Debt, Continued

Principal and interest maturities of bonded debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 615,000	\$ 457,405	\$ 1,072,405
2025	519,000	432,503	951,503
2026	538,500	411,330	949,830
2027	553,500	391,805	945,305
2028	463,500	372,875	836,375
2029-2033	2,448,500	1,436,896	3,885,396
2034-2038	2,471,000	983,247	3,454,247
2039-2043	2,536,500	684,287	3,220,787
2044-2048	1,888,500	403,665	2,292,165
2049-2053	1,294,000	247,269	1,541,269
2054-2058	1,273,000	138,637	1,411,637
2059-2061	812,000	28,490	840,490
Total	<u>\$ 15,413,000</u>	<u>\$ 5,988,409</u>	<u>\$ 21,401,409</u>

Long term debt activities for the years ended June 30, 2023, and 2022 are as follows:

	<u>Balance</u>		<u>Debt Payments</u>	<u>Balance</u>	<u>Amount Due</u>
	<u>June 30, 2022</u>	<u>Additions</u>	<u>and Reductions</u>	<u>June 30, 2023</u>	<u>within One Year</u>
Series 2010	\$ 2,558,500	\$ -	\$ (67,500)	\$ 2,491,000	\$ (69,000)
Series 2013 B	815,000	-	(245,000)	570,000	(220,000)
Series 2020 D	4,745,000	-	(170,000)	4,575,000	(180,000)
Series 2019 A	5,502,000	-	(100,000)	5,402,000	(101,000)
Series 2019 B	2,419,000	-	(44,000)	2,375,000	(45,000)
KIA Loan	841,009	-	(64,422)	776,587	(64,907)
	16,880,509	-	(690,922)	16,189,587	(679,907)
Bond premium and discount	238,984	-	(30,353)	208,631	(25,758)
Total debt net with premium/discount	<u>\$ 17,119,493</u>	<u>\$ -</u>	<u>\$ (721,275)</u>	<u>\$ 16,398,218</u>	<u>\$ (705,665)</u>

	<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	2,462,000	-	(43,000)	2,419,000	(44,000)
KIA Loan	904,951	-	(63,942)	841,009	(64,422)
	17,546,451	-	(665,942)	16,880,509	(690,922)
Bond premium and discount	273,814	-	(34,830)	238,984	(30,353)
Total debt net with premium/discount	<u>\$ 17,820,265</u>	<u>\$ -</u>	<u>\$ (700,772)</u>	<u>\$ 17,119,493</u>	<u>\$ (721,275)</u>

GREEN RIVER VALLEY WATER DISTRICT
Notes to Financial Statements
June 30, 2023 and 2022

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>
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	66,879	3,730	70,609
2029-2033	342,012	11,037	353,049
2034-2035	105,128	789	105,917
	<u>\$ 776,587</u>	<u>\$ 40,724</u>	<u>\$ 817,311</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, 2023, 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 6% 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, 2023 and 2022, employee contributions totaled \$14,206 and \$43,251, and the District recognized retirement expense of \$67,192 and \$68,246, respectively.

Note 7 – Commitments

In December 2022, the District received ARPA funds of \$108,000 from Metcalfe County Fiscal Court for the Node Road water line extension project. The District plans to complete the Node water line extension during fiscal year 2024, the funds were recorded as deferred revenue as of June 30, 2023.

Supplemental Information

GREEN RIVER VALLEY WATER DISTRICT
Schedule of Operating Expenses
For the Year Ended June 30, 2023

	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	\$ 443,922	\$ -	\$ -	\$ 423,737	\$ 220,882	\$ 458,532	\$ 1,547,073
Salaries and wages - directors	-	-	-	-	-	14,900	14,900
Employee retirement and benefits	-	-	-	3,247	-	71,775	75,022
Purchased water	21,151	-	-	-	-	-	21,151
Purchased power	420,703	-	90,813	-	-	35,564	547,080
Chemicals	-	305,055	-	-	-	-	305,055
Materials and supplies	40,844	30,241	-	386,437	65,958	20,115	543,595
Contractual services - accounting	-	-	-	-	-	25,000	25,000
Contractual services - legal	-	-	-	-	-	160,339	160,339
Contractual services - customer accounts	-	-	-	-	5,037	-	5,037
Contractual services - other	61,255	80,091	-	168,442	-	59,318	369,106
Transportation expense	-	-	-	192,248	37,200	3,600	233,048
Insurance - vehicle	-	-	-	-	-	30,586	30,586
Insurance - workers' compensation and unemployment	-	-	-	-	-	18,675	18,675
Employee insurance	-	-	-	-	-	172,606	172,606
Employee flex reimbursements	-	-	-	-	-	71,110	71,110
Property and other insurance	-	-	-	-	-	52,131	52,131
Bad debt expense	-	-	-	-	-	9,200	9,200
Miscellaneous	-	-	-	-	14,071	84,615	98,686
Totals	\$ 987,875	\$ 415,387	\$ 90,813	\$ 1,174,111	\$ 343,148	\$ 1,288,066	\$ 4,299,400

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 and unemployment	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	49,605
Property and other Insurance	8,699	63	-	8,559	5,778	9,314	32,413
Bad debt expense	-	-	-	-	-	26,486	26,486
Miscellaneous	-	-	-	-	14,923	45,920	60,843
Totals	\$ 926,200	\$ 269,106	\$ 92,657	\$ 1,007,706	\$ 397,494	\$ 743,470	\$ 3,436,633

**GREEN RIVER VALLEY WATER DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023**

<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>958,583</u>
Total Water and Waste Disposal Systems for Rural Communities				<u>958,583</u>
<i>Total United States Department of Agriculture</i>				<u>958,583</u>
<i>Total Expenditures of Federal Awards</i>				\$ <u>958,583</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, 2023

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, 2023. 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, 2023

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 No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes 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 No

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

Auditee qualified as low-risk auditee? Yes 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, 2023

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, 2023

No prior year audit findings.



CAMPBELL, MYERS AND RUTLEDGE, PLLC

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

Skip R. Campbell, CPA ▪ L. Joe Rutledge, CPA ▪ Jenna B. Glass, CPA ▪ Jordan T. Constant, CPA ▪ Lane S. Norris, CPA

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, 2023. 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, 2023.

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 District'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 21, 2023



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, 2023 and 2022, 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 21, 2023.

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*.

We noted other matters that we reported to management of Green River Valley Water District in a separate letter dated August 21, 2023.

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 21, 2023

