

PARKSVILLE WATER DISTRICT
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

Lanham & Company, PSC
Certified Public Accountants

PARKSVILLE WATER DISTRICT
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Lanham & Company, PSC

Certified Public Accountants

Established 1968

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INDEPENDENT AUDITOR'S REPORT

To the Chairman and Commissioners
Parksville Water District
Parksville, Kentucky

Opinions

We have audited the accompanying financial statements of Parksville Water District as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's financial statements as listed in the table of contents

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Parksville Water District as of December 31, 2021 and 2020, the changes in financial position or its cash flows for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parksville Water District, as of December 31, 2021 and 2020, and the results of its operations and cash flows for the years then ended, on the basis of the financial reporting provisions of the Public Service Commission of the Commonwealth of Kentucky as described in Note A.

Basis for Opinion

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 Parksville 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 opinions.

As described more fully in Note A, the financial statements are prepared by Parksville Water District on the basis of the financial reporting provisions of the Public Service Commission of the Commonwealth of Kentucky, which is a basis of accounting other than accounting

principles generally accepted in the United States of America, to meet the requirements of the Public Service Commission.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note A and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions of the Public Service Commission of the Commonwealth of Kentucky, as described in Note A. Management is also responsible 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 these are conditions or events, considered in the aggregate, that raise substantial doubt about Parksville 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 Responsibility for the Audit of the 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 Parksville 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 Parksville 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Parksville Water District's basic financial statements. The statements of operating expenses 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 were derived from and relate 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 statements of operating expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2022 on our consideration of Parksville Water District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 Parksville Water District's internal control over financial reporting and compliance.

Lanham & Company, PSC
Harrodsburg, Kentucky
February 15, 2022

PARKSVILLE WATER DISTRICT
 Statements of Assets, Liabilities and Equity Capital
 Regulatory Basis
 December 31, 2021 and 2020

	2021	2020
Assets		
Current assets		
Cash	\$ 147,255	\$ 170,996
Accounts receivable	110,207	115,320
Prepaid expenses	-	4,503
Total current assets	257,462	290,819
Other assets		
Cash restricted	167,264	191,293
Property and equipment		
Utility plant	4,857,827	4,828,359
Structures and improvements	116,686	116,686
Equipment and vehicles	190,482	156,461
	5,164,995	5,101,506
Less accumulated depreciation	(2,645,126)	(2,526,490)
	2,519,869	2,575,016
Land and land rights	18,648	18,648
Construction in progress	2,620	2,620
Net property and equipment	2,541,137	2,596,284
Total assets	\$ 2,965,863	\$ 3,078,396

See accompanying notes and auditor's report

PARKSVILLE WATER DISTRICT
 Statements of Assets, Liabilities and Equity Capital
 Regulatory Basis
 December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Liabilities and equity capital		
Current liabilities		
Accounts payable	\$ 46,745	\$ 40,710
Accrued expenses	43,185	44,343
Customer deposits	68,329	62,098
Total current liabilities	<u>158,259</u>	<u>147,151</u>
Long-term debt		
Revenue bonds payable, Rural Development	1,308,400	1,356,200
Total liabilities	<u>1,466,659</u>	<u>1,503,351</u>
Equity capital		
Contributed capital	2,841,015	2,830,865
Retained earnings (deficit)	(1,341,811)	(1,255,820)
Total equity capital	<u>1,499,204</u>	<u>1,575,045</u>
Total liabilities and equity capital	<u><u>\$ 2,965,863</u></u>	<u><u>\$ 3,078,396</u></u>

See accompanying notes and auditor's report

PARKSVILLE WATER DISTRICT
 Statements of Revenues and Expenses
 Regulatory Basis
 Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Metered sales	\$ 940,940	\$ 939,523
Other operating revenue	36,504	25,348
	<hr/>	<hr/>
Total operating revenues	977,444	964,871
Operating expenses	872,946	837,219
	<hr/>	<hr/>
Operating income before depreciation	104,498	127,652
Less depreciation	134,125	132,122
	<hr/>	<hr/>
Operating income (loss)	(29,627)	(4,470)
	<hr/>	<hr/>
Other income		
Interest income	187	251
	<hr/>	<hr/>
Total other income	187	251
	<hr/>	<hr/>
Net income (loss) before other expenses	(29,440)	(4,219)
Other expenses		
Interest expense	56,551	59,411
	<hr/>	<hr/>
Net income (loss)	<u>\$ (85,991)</u>	<u>\$ (63,630)</u>

See accompanying notes and auditor's report

PARKSVILLE WATER DISTRICT
Statements of Retained Earnings (Deficit)
Regulatory Basis
Years Ended December 31, 2020 and 2019

	<u>2021</u>	<u>2020</u>
Balance (deficit), beginning of years	\$ (1,255,820)	\$ (1,192,190)
Net income (loss) for the years	<u>(85,991)</u>	<u>(63,630)</u>
Balance (deficit), end of years	<u><u>\$ (1,341,811)</u></u>	<u><u>\$ (1,255,820)</u></u>

See accompanying notes and auditor's report

PARKSVILLE WATER DISTRICT
Statements of Cash Flow
Regulatory Basis
Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Operating income (loss)	\$ (29,627)	\$ (4,470)
Adjustments to reconcile operating income to net cash provided by (used by) operating activities:		
Depreciation	134,125	132,122
(Gain) loss on sale of asset	5,061	-
(Increase) decrease in accounts receivable	5,113	(1,490)
(Increase) decrease in prepaid expenses	4,503	3,260
(Increase) decrease in restricted cash	24,029	7,402
Increase (decrease) in customer meter deposits	6,231	9,099
Increase (decrease) in accounts payable	6,035	25,439
Increase (decrease) in accrued expenses	(1,158)	4,837
	154,312	176,199
Cash flows from capital and related financing activities:		
Purchase of property and equipment	(78,978)	(18,986)
Proceeds from the sale of property	(5,061)	-
Principal payments on long-term debt	(47,800)	(45,200)
Interest expense	(56,551)	(59,411)
Customers' contribution for construction	10,150	9,350
	(178,240)	(114,247)
Cash flows from financing activities		
Interest income	187	251
	187	251
Net increase (decrease) in cash and cash equivalents	(23,741)	62,203
Cash and cash equivalents at beginning of years	170,996	108,793
Cash and cash equivalents at end of years	\$ 147,255	\$ 170,996

See accompanying notes and auditor's report

PARKSVILLE WATER DISTRICT
Notes to Financial Statements
December 31, 2021 and 2020

NOTE A - GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES

GENERAL STATEMENT

Parksville Water District was established in 1966 under KRS 74.010 to provide water service for public health, convenience, fire protection and comfort to the residents of Boyle, Casey and Lincoln County, Kentucky.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Parksville Water District has been established by the Boyle County Fiscal Court as an independent unit and also appoints three commissioners to serve for four-year terms. The District selects management staff, sets user charges, establishes budgets and controls all aspects of its daily activities.

Basis of Accounting

Parksville Water District prepares its financial statements on the basis of accounting prescribed by the Public Service Commission of the Commonwealth of Kentucky (PSC), which is a comprehensive basis of accounting other than accounting principles generally accepted (GAAP) in the United States of America. The basis of accounting prescribed by the PSC differs from GAAP in the following ways:

- GAAP requires that grants and other contributed capital be reported as income in the year received. The District reports grants and other contributed capital received in the year as an addition in the equity capital section of the Statement of Assets, Liabilities and Equity Capital.
- The District also uses the language prescribed by the PSC for account and statement titles.
- The PSC does not require the presentation of a cash flow statement. A cash flow statement is required to be prepared using the direct method under GAAP. The District has elected to present a cash flow statement using the indirect method.
- The District has also omitted supplementary information required by GAAP including management's discussion and analysis. The supplementary information is not required by the regulatory basis.

Parksville Water District is accounted for on a flow of economic resources measurement focus. With this measurement focus all assets and liabilities associated with the operation of these funds are included on the balance sheet. Equity capital is

PARKSVILLE WATER DISTRICT
Notes to Financial Statements
December 31, 2021 and 2020

segregated into contributed capital and retained earnings components. The operating statements present increases or decreases (e.g. revenues and expenses) in equity capital.

The accrual basis of accounting is utilized by the District. Under this method, revenues are recognized when earned and expenses are recognized when incurred.

Use of Estimates

The preparation of financial statements in conformity with the regulatory basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The statement of cash flows includes cash on deposit and cash on hand, but does not include any restricted cash.

Property and Equipment

Property and equipment are stated at cost and are depreciated over the estimated useful life of the assets using the straight-line method of depreciation. Depreciation expense for the years ended December 31, 2021 and 2020 was \$134,125 and \$132,122. Listed below is the life for each class of assets:

<u>Class of Assets</u>	<u>Estimated Useful Life</u>
Structures and improvements	40-50 years
Utility plant	40-50 years
Furniture, fixtures and equipment	7-10 years
Vehicles	5 years

Compensated Absences

The amount accrued for compensated absences for the years ended December 31, 2021 and 2020 was \$36,171 and \$37,095.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

PARKSVILLE WATER DISTRICT
Notes to Financial Statements
December 31, 2021 and 2020

Commitments and Contingencies

Water Purchase Contract

The District has an agreement with the City of Danville (City) to purchase potable treated water from the City.

Credit Risk

Financial instruments that potentially subject the District to concentrations of credit risk consist principally of temporary cash investments and accounts receivable.

The fair market value of deposits and investments was equivalent to the reported values. All deposits are checking or savings accounts. The carrying amount of the District's bank deposits was \$314,306 and \$362,073 for the years ended December 31, 2021 and 2020 and the respective bank balances totaled \$318,929 and \$440,015 respectively for the years then ended. The bank balances are covered by \$250,000 of FDIC insurance. The remaining bank balances were fully collateralized. The deposits are categorized to give an indication of the level of risk assumed by the District at year end. The categories are described as follows:

Category 1 Insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 Uncollateralized

Deposits at December 31, 2021, categorized by level of risk, are:

	Risk Category			Bank Balance	Book Value
	1	2	3		
Unrestricted Deposits					
Operation and Maintenance	\$70,689	\$ 0	\$ 0	\$70,689	\$67,100
Revenue Fund	13,553	0	0	13,553	13,553
Customer Deposits	67,420	0	0	67,420	66,386
Construction	0	0	0	0	0
Total Unrestricted Deposits	<u>151,662</u>	<u>0</u>	<u>0</u>	<u>151,662</u>	<u>147,039</u>
Restricted Deposits					
Depreciation Reserve Funds	123,119	0	0	123,119	123,119
Sinking Funds	44,148	0	0	44,148	44,148
Total Restricted Deposits	<u>167,267</u>	<u>0</u>	<u>0</u>	<u>167,267</u>	<u>167,267</u>
Total Deposits	<u>\$318,929</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$318,929</u>	<u>\$314,306</u>

PARKSVILLE WATER DISTRICT
Notes to Financial Statements
December 31, 2021 and 2020

The District also had \$216 of petty cash on hand for the years ended December 31, 2021 and 2020.

Accounts receivable are due from individuals located within the same area. The collectability of the receivables could be affected by the economic condition of the region.

Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In addition to its general liability insurance, the District carries commercial insurance for various other risks of losses such as workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Cash Deposits

Restrictions on cash deposits are as follows:

Revenue Fund

All revenues of the system are required to be deposited into a Revenue Fund. The Revenue Fund disburses funds as required by Bond Resolution. Amounts sufficient to meet the current expenses of operating and maintaining the system are transferred from the Revenue Fund to the Operations and Maintenance Fund on an as needed basis. The Bond Resolution also requires that within sixty days after the end of each fiscal year, any excess funds in the Revenue Fund are to be transferred to the Depreciation Fund or to the Sinking Fund to purchase or redeem outstanding bonds. The District has determined the funds in the Revenue account were needed for future operational purposes.

Depreciation Reserve Funds

Amounts in the Depreciation Reserve Fund may be withdrawn and used by the District for unusual or extraordinary maintenance, repairs, renewals, and replacements not included in the annual budget of current expenses, constructing future extensions, additions, or improvements to the District, and when necessary, for making payments of principal and interest on bonds if the cash on deposit in the Sinking Fund is not sufficient.

During the years ended December 31, 2021 and 2020, the District was required to transfer at least \$780 per month into the Depreciation Reserve Fund. The required transfer will continue until all of the Waterworks Revenue Bonds are paid in full.

PARKSVILLE WATER DISTRICT
Notes to Financial Statements
December 31, 2021 and 2020

The bonds issued in 2014 added a requirement for a reserve fund for the replacement of short-lived assets. The District was required to deposit \$2,514 a month into the short-lived assets fund.

Sinking Fund

The District was required to transfer monthly into the Sinking Fund a monthly amount of \$8,688 and \$8,641 for 2021 and 2020, respectively to make required principal and interest payments. The District will be required to transfer \$8,766 monthly during 2022.

Subsequent Events

Management has evaluated subsequent events through February 15, 2022, the date the financial statements were available to be issued.

PARKSVILLE WATER DISTRICT
Notes to Financial Statements
December 31, 2021 and 2020

NOTE B – PROPERTY AND EQUIPMENT

Property and equipment activity for the years ended December 31, 2021 and 2020 are as follows:

	Balance January 1, 2020	Additions	Deductions	Balance December 31, 2020	Additions	Deductions	Balance December 31, 2021
Capital assets not depreciated:							
Construction in progress	\$ 2,620	\$ 0	\$ 0	\$ 2,620	\$ 0	\$ 0	\$ 2,620
Land and land rights	18,648	0	0	18,648	0	0	18,648
Total capital assets not depreciated:	<u>21,268</u>	<u>0</u>	<u>0</u>	<u>21,268</u>	<u>0</u>	<u>0</u>	<u>21,268</u>
Capital assets depreciated:							
Utility plant:							
Pumping equipment	680,046	0	0	680,046	0	0	680,046
Distribution reservoirs and standpipes	424,874	0	0	424,874	0	0	424,874
Transmission and distribution mains	3,106,384	0	0	3,106,384	16,000	0	3,122,384
Meters	463,617	12,876	0	476,493	13,468	0	489,961
Hydrants	2,838	0	0	2,838	0	0	2,838
Other plant	133,841	3,883	0	137,724	0	0	137,724
Total utility plant	4,811,600	16,759	0	4,828,359	29,468	0	4,857,827
Structures and improvements	116,686	0	0	116,686	0	0	116,686
Equipment and vehicles	155,234	2,227	0	156,461	49,510	15,489	190,482
Total capital assets depreciated	5,082,520	18,986	0	5,101,506	66,269	0	5,164,995
Less accumulated depreciation	<u>2,394,368</u>	<u>132,122</u>	<u>0</u>	<u>2,526,490</u>	<u>134,125</u>	<u>15,489</u>	<u>2,645,126</u>
Net capital assets depreciated	<u>2,688,152</u>	<u>(113,136)</u>	<u>0</u>	<u>2,575,016</u>	<u>(67,856)</u>	<u>0</u>	<u>2,519,869</u>
Net property and equipment	<u>\$ 2,709,420</u>	<u>\$(113,136)</u>	<u>\$ 0</u>	<u>\$ 2,596,284</u>	<u>(67,856)</u>	<u>0</u>	<u>\$2,541,137</u>

PARKSVILLE WATER DISTRICT
Notes to Financial Statements
December 31, 2021 and 2020

NOTE C - LONG-TERM DEBT

Parksville Water District Revenue Bonds

The District has authorized the issuance of various bonds to finance the cost of construction of extensions, additions and improvements to the system. The Parksville Water District Revenue Bonds have been purchased by Rural Development of the U.S. Department of Agriculture. The bonds are payable solely on a first lien basis out of gross revenues derived from the operation of the District over forty years. See note A for a discussion of cash requirements and restrictions relating to these bonds.

The bonds are as follows:

<u>Bond Issue</u>	<u>Interest</u>	<u>December 31, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31, 2021</u>
1995	5.125%	\$ 380,000	\$ 0	\$ 21,000	\$ 359,000
1999	4.750%	361,000	0	14,000	347,000
2002					
Series A	4.500%	78,700	0	2,300	76,400
2014					
Series A		460,000	0	9,000	451,000
Series B		76,500	0	1,500	75,000
Total		<u>\$ 1,356,200</u>	<u>\$ 0</u>	<u>\$ 47,800</u>	<u>\$ 1,308,400</u>

<u>Bond Issue</u>	<u>Interest</u>	<u>December 31, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31, 2020</u>
1995	5.125%	\$ 400,000	\$ 0	\$ 20,000	\$ 380,000
1999	4.750%	374,000	0	13,000	361,000
2002					
Series A	4.500%	80,900	0	2,200	78,700
2014					
Series A		468,500	0	8,500	460,000
Series B		78,000	0	1,500	76,500
Total		<u>\$ 1,401,400</u>	<u>\$ 0</u>	<u>\$ 45,200</u>	<u>\$ 1,356,200</u>

PARKSVILLE WATER DISTRICT
Notes to Financial Statements
December 31, 2021 and 2020

Future bond payments and sinking fund requirements are required as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	0	54,288	54,288
2023	50,900	51,969	102,869
2024	51,500	49,632	101,132
2025	54,700	47,135	101,835
2026	57,300	44,521	101,821
2027-2031	327,400	178,957	506,357
2032-2036	329,800	98,518	428,318
2037-2041	169,600	50,083	219,683
2041-2046	105,200	30,819	136,019
2047-2051	114,500	14,344	128,844
2051-2055	47,500	683	48,183

NOTE D - CHANGES IN CONTRIBUTED CAPITAL

	<u>Contributions and Tap on Fees</u>	<u>Grants</u>	<u>Total</u>
Balance – January 1, 2020	\$ 763,731	\$ 2,057,784	\$ 2,821,515
Additions – 2020	<u>9,350</u>	<u>0</u>	<u>9,350</u>
Balance – December 31, 2020	773,081	2,057,784	2,830,865
Additions – 2021	<u>10,150</u>	<u>0</u>	<u>10,150</u>
Balance – December 31, 2021	<u>\$ 783,231</u>	<u>\$2,057,784</u>	<u>\$ 2,841,015</u>

NOTE E - METER CUSTOMERS

The District had 1,639 and 1,626 meter customers at December 31, 2021 and 2020.

NOTE F - INTEREST CAPITALIZATION

Interest costs are capitalized on debt where proceeds were used to finance the construction of assets during the construction process. No interest cost was capitalized during 2021 or 2020. Interest expense for 2021 and 2020 was \$56,551 and \$59,411.

PARKSVILLE WATER DISTRICT
Notes to Financial Statements
December 31, 2021 and 2020

NOTE G – RETIREMENT PLAN

The District adopted a retirement plan which became effective on January 1, 1996. It is a defined contribution plan which provides retirement benefits for each employee who has completed one year of service and has reached his/her 21st birthday. The District contributes seven percent (7%) of the participating employees' gross salaries. Each participating employee contributes three percent (3%). Employees become twenty percent (20%) vested in the District's contributions after one full year of employment with an additional twenty percent (20%) for each additional full year of employment, thereafter becoming fully vested after five (5) full years of employment. The District's contribution to the plan was \$18,405 in 2021 and \$18,731 in 2020. The District's employees contributed \$7,888 and \$7,731 in 2021 and 2020, respectively.

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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 Chairman and Commissioners
Parksville Water District
Parksville, 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 Parksville Water District as of and for the year ended December 31, 2021, and the related notes to the financial statements, and have issued our report thereon dated February 15, 2022. The report on the District was adverse due to the use of regulatory basis of accounting, however, the report on the regulatory basis of accounting was unqualified.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Parksville 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Parksville Water District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 result 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.

Lanham & Company, PSC

Harrodsburg, Kentucky

February 15, 2022

SUPPLEMENTARY INFORMATION

PARKSVILLE WATER DISTRICT
 Statements of Operating Expenses
 Regulatory Basis
 Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Source of supply expense		
Purchased water	\$ 337,344	\$ 319,019
Pumping expense		
Fuel for pumping	32,626	29,859
Transmission and distribution expense		
Operational supplies	24,307	14,647
Operational labor	34,634	34,577
Maintenance	82,747	80,816
Customer accounts expense		
Meter reading labor	21,847	24,389
Accounting and collecting labor	95,393	95,420
Uncollectible accounts	971	1,821
Administrative and general		
Payroll taxes	20,504	20,060
Employee benefits	103,002	104,486
Repairs and maintenance	15,958	13,593
Contractual services	37,472	36,757
Transportation expense	20,053	16,466
Miscellaneous	17,003	15,968
Insurance expense	18,255	18,696
Regulatory commission expense	1,930	1,945
Accounting and auditing	8,900	8,700
	<u>\$ 872,946</u>	<u>\$ 837,219</u>
	<u>\$ 872,946</u>	<u>\$ 837,219</u>

See accompanying notes and auditor's report