

PARKSVILLE WATER DISTRICT
Parksville, Kentucky

FINANCIAL STATEMENTS
December 31, 2024

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Members American Institute of Certified Public Accountants
and Kentucky Society of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
Parksville Water District
Parksville, Kentucky

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Parksville Water District as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the entity'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 respective financial position of the Parksville Water District, as of December 31, 2024, and the respective changes in financial position, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 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 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.

Auditors' Responsibilities 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 auditors' report that includes our opinion. 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 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 the 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.

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement that collectively comprise the Parksville Water District's basic financial statements. The statement of operating expenses is presented for purposes of additional analysis and is 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 statement of operating expenses is 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 March 17, 2025, on our consideration of the Parksville 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 Parksville 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 Parksville Water District's internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
March 17, 2025

PARKSVILLE WATER DISTRICT
STATEMENT OF NET POSITION
December 31, 2024

ASSETS

Current assets

Cash and cash equivalents	\$ 509,259
Accounts receivable, net	125,325
Prepaid expenses	12,029
Inventory	<u>50,034</u>

Total current assets	<u>696,647</u>
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Noncurrent assets

Restricted cash	141,503
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Capital assets

Construction in progress	120,064
Land	20,099
Property, plant and equipment	5,977,347
Less accumulated depreciation	<u>(3,079,743)</u>

Total noncurrent assets	<u>3,179,270</u>
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Total assets	<u><u>\$ 3,875,917</u></u>
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LIABILITIES

Current liabilities

Accounts payable	\$ 31,907
Accrued liabilities	9,450
Compensated absences	21,673
Customer deposits	86,425
Current portion of long-term debt	<u>54,700</u>

Total current liabilities	<u>204,155</u>
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Noncurrent liabilities

Bonds and notes payable	<u>1,151,300</u>
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Total noncurrent liabilities	<u>1,151,300</u>
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Total liabilities	<u>1,355,455</u>
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NET POSITION

Net investment in capital assets	1,831,767
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Restricted

Debt service	44,327
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Unrestricted	<u>644,368</u>
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Total net position	<u>2,520,462</u>
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Total liabilities, deferred inflows of resources and net position	<u><u>\$ 3,875,917</u></u>
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The accompanying notes are an integral part
of the financial statements.

PARKSVILLE WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the year ended December 31, 2024

Operating revenue

Water revenue	\$ 1,016,316
Miscellaneous	141,757
Penalties	<u>13,977</u>

Total operating revenue	<u>1,172,050</u>
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Operating expenses

Water operating expenses	943,416
Depreciation	<u>178,002</u>

Total operating expenses	<u>1,121,418</u>
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Operating income	<u>50,632</u>
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Nonoperating revenue (expenses)

Grant income	377,482
Tap on fees	22,016
Interest income	876
Interest expense	<u>(49,741)</u>

Total nonoperating revenue (expenses)	<u>350,633</u>
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Change in net position	401,265
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Net position at beginning of year, restated	<u>2,119,197</u>
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NET POSITION AT END OF YEAR	<u>\$ 2,520,462</u>
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The accompanying notes are an integral part
of the financial statements.

PARKSVILLE WATER DISTRICT
STATEMENT OF CASH FLOWS
for the year ended December 31, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 1,169,876
Payments to suppliers	(746,372)
Payments for employee services and benefits	(213,696)
Receipts of customer meter deposits	<u>4,928</u>
Net cash provided by operating activities	<u>214,736</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	(169,178)
Customer contributions and tap fees	22,016
Grants received	377,482
Principal paid on capital debt	(51,500)
Interest paid on capital debt	<u>(49,741)</u>
Net cash provided by capital and related financing activities	<u>129,079</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Net change in restricted cash	(30,921)
Interest income	<u>876</u>
Net cash (used in) investing activities	<u>(30,045)</u>

Net increase in cash and cash equivalents 313,770

Cash and cash equivalents at beginning of year 195,489

CASH AND CASH EQUIVALENTS AT END OF YEAR **\$ 509,259**

Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$ 50,632
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation expense	178,002
Change in assets and liabilities:	
Receivables, net	(2,174)
Prepays	(1,034)
Inventory	(10,876)
Accounts payable and other accrued liabilities	(4,633)
Accrued leave	(109)
Customer deposits	<u>4,928</u>
Net cash provided by operating activities	<u>\$ 214,736</u>

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

PARKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Parksville Water District (the 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.

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 in conformity with accounting principles generally accepted in the United States of America (GAAP).

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 statement of net position. The net position of the District is classified into three categories: net investment in capital assets, restricted and unrestricted. The restricted net position consists of reserves for depreciation costs relating to the construction, replacement, extension, additions and/or improvements to the system.

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 GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash

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 year ended December 31, 2024 totaled \$178,002. Listed below is the life for each class of assets:

Class of Assets	Estimated Useful Life
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 year ended December 31, 2024 was \$21,673.

PARKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Water Purchase Contract

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

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 years.

Restricted and Unrestricted Funds

It is the policy of the District to spend restricted funds first when both restricted and unrestricted funds are available.

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 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 or 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 year ended December 31, 2024, the District was required to transfer at least \$780 per month into the Depreciation Reserve Fund. The required transfer will continue until all the Waterworks Revenue Bonds are paid in full.

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 \$8,622 for 2024, to make required principal and interest payments. The District will be required to transfer \$8,694 monthly during 2025.

**PARKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2024**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

The District follows Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based Information Technology Arrangements*. GASB Statement No. 96 requires recognition of a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability for subscription-based information technology arrangements (SBITA) that were previously classified as operating expenses. It establishes uniform guidance for SBITA accounting based on the foundational principle that SBITA are financings of the right to use vendor-provided information technology assets. Government entities are required to recognize a subscription liability and an intangible right-to-use subscription asset.

Compensated absences

Effective January 1, 2024, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. The objective of GASB Statement No. 101 is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. These changes were incorporated in the District's December 31, 2024, financial statements with no significant impact.

Subsequent Events

The District has evaluated and considered the need to recognize or disclose subsequent events through March 17, 2025, which represents the date these financial statements were available to be issued. Subsequent events past this date, as they pertain to the year ended December 31, 2024, have not been evaluated by the District.

2. CASH

KRS 66.480 authorizes the District to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United State government, bonds or certificates of indebtedness of this state, and certificates of deposits issued by or other interest-bearing accounts of any bank or savings and loan institution which have a physical presence in Kentucky and are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4). The Statute also authorizes investment in mutual funds, exchange traded funds, individual equity securities and high-quality corporate bonds that are managed by a professional investment manager and subject to additional requirements outlined in KRS 66.480.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The District does not have a policy regarding interest rate risk.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be one hundred percent of the market value of the principle, plus accrued interest.

All deposits are checking or savings accounts. The carrying amount of the District's bank deposits totaled \$650,762 and for the year ended December 31, 2024 and the bank balances totaled \$764,021 for the year then ended. The bank balances are covered by \$250,000 of FDIC insurance. The remaining bank balances were fully collateralized.

PARKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

3. PROPERTY AND EQUIPMENT

Property and equipment activity for the year ended December 31, 2024 is as follows:

	Balance December 31, 2023	Additions	Reductions	Balance December 31, 2024
Capital assets not depreciated:				
Construction in progress	\$ 743,815	\$	\$ (623,751)	\$ 120,064
Land and land rights	20,099	-	-	20,099
Total capital assets not depreciated	763,914	-	(623,751)	140,163
Capital assets depreciated:				
Utility plant:				
Pumping equipment	855,221	47,622	-	902,843
Distribution reservoirs and standpipes	249,699	29,867	-	279,566
Transmission and distribution mains	3,122,384	19,595	-	3,141,979
Meters	517,961	10,184	-	528,145
Hydrants	2,838	-	-	2,838
Other plant	136,035	20,000	-	156,035
Total utility plant	4,884,138	127,268	-	5,011,406
Structures and improvements	126,786	589,867	-	716,653
Other equipment	69,707	17,194	-	86,901
Vehicles	103,787	58,600	-	162,387
Total capital assets depreciated	5,184,418	792,929	-	5,977,347
Less accumulated depreciation	(2,901,741)	(178,002)	-	(3,079,743)
Net capital assets depreciated	2,282,677	614,927	-	2,897,604
Net property and equipment	\$ 3,046,591	\$ 614,927	\$ (623,751)	\$ 3,037,767

PARKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

4. 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 1 for a discussion of cash requirements and restrictions relating to these bonds.

The bonds are as follows:

Bond Issue	Interest	December 31, 2023	Increases	Reductions	December 31, 2024
1995	5.125%	\$ 336,000	\$ -	\$ 23,000	\$ 313,000
1999	4.750%	332,000	-	15,000	317,000
2002 Series A	4.500%	74,000	-	2,500	71,500
2014 Series A	3.000%	442,000	-	9,500	432,500
2014 Series B	3.250%	73,500	-	1,500	72,000
Total		1,257,500	\$ -	\$ 51,500	\$ 1,206,000

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

December 31,	Principal	Interest	Total
2025	\$ 54,700	\$ 49,632	\$ 104,332
2026	57,300	47,135	104,435
2027	59,400	44,520	103,920
2028	63,000	41,802	104,802
2029	64,700	38,915	103,615
2030-2034	377,200	146,689	523,889
2035-2039	216,500	73,218	289,718
2040-2044	109,700	41,094	150,794
2045-2049	108,500	24,503	133,003
2050-2053	95,000	7,178	102,178
Totals	\$ 1,206,000	\$ 514,685	\$ 1,720,685

5. CONTRIBUTED CAPITAL

	Contributions and Tap on Fees	Grants	Total
Balance – January 1, 2024	\$ 816,431	\$ 2,161,659	\$ 2,978,090
Additions – 2024	22,016	377,482	392,882
Balance – December 31, 2024	<u>\$ 838,447</u>	<u>\$ 2,539,141</u>	<u>\$ 3,370,972</u>

PARKSVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

6. METER CUSTOMERS

The District had 1,682 metered customers at December 31, 2024.

7. 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 totaled \$12,798 in 2024. The District's employees contributed \$5,485 during 2024.

8. COMPENSATED ABSENCES

The District has a policy that sick days may be rolled over to succeeding calendar years up to the maximum of sixty days. Employees earn sick days at a rate of ½ sick day per 30 days worked for a maximum of sick days per calendar year. Employees shall be paid for any remaining sick days upon retirement at age 65 or older. Employees must use vacation days and are not allowed to carry them over to the next calendar year. Employees will not be paid for unused vacation days. In the current year, there is currently one employee for the district that qualifies for a pay out for the accrued sick time.

9. RESTATEMENT

The following restatements were made to the December 31, 2023, balances:

Original net position	\$ 2,080,039
Inventory	<u>39,158</u>
Net position, restated	<u>\$ 2,119,197</u>

The restatement was made to start including inventory balances in the statement of net position.

SUPPLEMENTARY INFORMATION

PARKSVILLE WATER DISTRICT
STATEMENT OF OPERATING EXPENSES
for the year ended December 31, 2024

Source of supply	
Purchased water	\$ 354,718
Pumping expense	
Fuel	37,820
Transmission and distribution	
Operational labor	39,736
Transmission labor	71,444
Operational supplies	280
Transmission supplies	35,324
Contractual services operations	12,513
Contractual services maintenance	10,689
Transportation expense	17,902
Miscellaneous maintenance	5,807
Customer accounts	
Meter reading labor	38,422
Accounting and collecting labor	29,616
Supplies	11,181
Uncollectible accounts	2,576
Administrative and general	
Labor	91,101
Employee benefits	97,041
Supplies	7,447
Contractual services	23,375
Miscellaneous	20,938
Insurance	21,366
Accounting and auditing	12,000
Regulatory commission expense	<u>2,120</u>
 Total operating expenses	 <u>\$ 943,416</u>



**INDEPENDENT AUDITORS' 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**

The Board of 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 the Parksville Water District, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Parksville Water District's basic financial statements, and have issued our report thereon dated March 17, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Parksville Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Parksville Water District's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 grant 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*.

Parksville Water District's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Parksville Water District's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

RFH

RFH, PLLC
Lexington, Kentucky
March 17, 2025