FARMDALE WATER DISTRICT

FRANKFORT, KENTUCKY

<u>AUDITED FINANCIAL STATEMENTS</u>

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

HARROD & ASSOCIATES, P.S.C.
Certified Public Accountants
FRANKFORT, KENTUCKY 40601

FARMDALE WATER DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Farmdale Water District
Frankfort, Kentucky

Opinion

We have audited the accompanying financial statements of the business-type activities of Farmdale Water District ("the District") (a nonprofit governmental entity), which comprise the statement of net position as of December 31, 2022 and 2021, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Farmdale Water District as of December 31, 2022 and 2021, and the changes in its net position and its cash flows for the years 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 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 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.

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 District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 judgement 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 judgement 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 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 6 through 11 and the historical pension and OPEB information on pages 37 through 43 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 6, 2023, on our consideration of the 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 result 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 the District's internal control over financial reporting and compliance.

Harrod & Associates, PSC
Frankfort, Kentucky

July 6, 2023

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As management of Farmdale Water District ("the District"), we offer readers of the District's financial statements this narrative overview of the District for the years ended December 31, 2022 and 2021. We encourage readers to consider the information presented here in conjunction with the District's financial statements and notes to the basic financial statements, which follow this section, to enhance their understanding of the District's financial performance.

The District was established in May 1961 under Kentucky Revised Statutes (KRS 74.012) as a water system to operate, maintain, improve, and expand the distribution of water. The District serves primarily western Franklin County and parts of eastern Anderson and Shelby Counties. In addition to the distribution of water, the District collects fees for several sewer treatment plants.

In October 2012, the District began installing meters which can be read by radio waves, building a water tower with increased storage capacity, and installing new pipe from the pump station. The District financed these improvements via company funds, grants from the Kentucky Infrastructure Authority, and loans from Regions Bank via the U. S. Department of Agriculture. The loan from Regions Bank was repaid in April 2014 with loan funds from the U. S. Department of Agriculture. The principal repayment of the federal funds began in 2015. All associated capital improvement projects were completed in 2013. Due to the age of the lines and pipes, leaks have been a continuing and ongoing problem for the District. The district spent just under $90,000 in 2022 in repairing and replacing lines as part of an ongoing effort to reduce water loss, which is running just over 43%.

Financial Highlights

In 2022, the assets of the District exceeded its liabilities at the close of the most recent fiscal year by $2,041,796. Of this amount, $1,711,314 was invested in capital assets; $332,398 was restricted for debt retirement, customer deposits, and water loss reserves; and ($1,916) was unrestricted. In 2022, the District's net assets decreased ($197,452), which represents a substantial increase in operating loss, mostly due to a decrease in revenue combined with increasing water loss expense.

In 2021, the assets of the District exceeded its liabilities at the close of the most recent fiscal year by $2,239,248. Of this amount, $1,756,923 was invested in capital assets, $270,917 was restricted for debt retirement, and $211,407 was unrestricted. In 2021, the District's net assets decreased ($30,642), which represents a substantial reduction in operating loss when compared to the prior year's operating loss, which was ($290,160) in 2020. The difference in the operating loss was largely the result of an increase in revenue.

Revenues

Gross income from the sale of water and sewer surcharges, including tap on fees and reconnect fees totaled $1,480,881 and $1,759,608 for the calendar years 2022 and 2021, respectively. The Kentucky Public Service Commission (PSC) approved no rate increases in 2022 and 2021, with the most recent increase occurring in late 2020. The rate increase in 2020 was in response to continual excess water losses.

Expenses

Operating expenses were $1,798,951 and $1,791,871 for the calendar years 2022 and 2021, respectively.

Operating Expenses generally refer to the ordinary and necessary business expenses incurred in the day-to-day operation of the utility. Some of the broad categories of these expenses are classified as "Water Purchased," "Transmission and Distribution," "Administrative and General Expense," "Maintenance and Repairs," "Taxes and Licenses" and "Employee Benefits." They include such things as system maintenance, supplies, office supplies, customer service, fringe benefits, billing, and accounting. These are

Financial Highlights (Continued)

Expenses (Continued)

current period expenses which are not otherwise capitalized as part of a construction project having a service life greater than one year.

Organization and Business

Farmdale Water District provides water service to approximately 2,750 rural, residential and commercial customers in western Franklin County and parts of Anderson and Shelby Counties. The District was created under KRS 74.012. The Franklin County Fiscal Court appoints the District's three commissioners to serve four-year terms. The District is governed by the Kentucky Public Service Commission.

Financial Overview

The District's financial statements are comprised of two components:

>Financial Statements
>Notes to the Financial Statements

Included as part of the financial statements are three different types (and names) of statements and their respective notes.

The three financial statement types:

1. **The Statement of Net Position** presents information on the District's assets and liabilities with the difference between the two reported as net position. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial condition of the District is improving or deteriorating.

2. **The Statement of Revenues, Expenses, and Changes in Net Position** presents information showing how the District's net assets changed based on current year activity. Results of operations are reported as the underlying events occur, regardless of the timing of cash flows. This means that revenues and expenses are reported in the financial statements for some items that will result in cash flows (positive or negative) in some future year. This is the "accrual" basis of accounting and is further explained in Note 1C.

3. **The Statement of Cash Flows** presents the cash flow changes occurring during the calendar years 2022 and 2021 in highly liquid cash. "Highly liquid" means it is, or can quickly be, turned into useable cash (for these purposes an original maturity of the investment of 3 months or less).

The Notes to the Financial Statements provide additional information that is essential for a full and complete understanding of the information provided in the financial statements. The Notes to the Financial Statements can be found on pages 18 through 33 of this report.

Financial Overview (Continued)

Statement of Net Position Overview

The District was not required to have an audit under Uniform Guidance for 2022 or 2021.

Condensed Statement of Net Position

			Change from 2021 to 2022	
	2022	2021	Amount	Percent
ASSETS				
Current and other assets	$ 1,022,598	$ 1,139,244	$ (116,646)	-10.24%
Capital assets, net	3,375,314	3,449,423	(74,109)	-2.15%
Deferred outflows	97,865	144,190	(46,325)	-32.13%
Total assets	4,495,777	4,732,857	(237,080)	-5.01%
LIABILITIES				
Current and other liabilities	747,927	679,632	68,295	10.05%
Long-term debt	1,636,000	1,665,000	(29,000)	-1.74%
Deferred inflows	70,054	148,977	(78,923)	-52.98%
Total liabilities	2,453,981	2,493,609	(39,628)	-1.59%
NET POSITION				
Net investment in capital assets	1,711,314	1,756,923	(45,609)	-2.60%
Restricted	332,398	270,917	61,481	22.69%
Unrestricted	(1,916)	211,408	(213,324)	-100.91%
Total net position	$ 2,041,796	$ 2,239,248	$ (197,452)	-8.82%

Current and Other Assets
In 2022, the District's total assets decreased $237,080 from 2021. The audited financial statements indicate the major decreases were in Cash and Cash Equivalents, Accounts Receivable, and Deferred Outflows. The largest increases were in Noncurrent Assets.

Capital Assets
The District's investments in capital assets as of December 31, 2022 and 2021 amounted to $3,375,314 and $3,449,423 (net of accumulated depreciation), respectively. This includes investments in transmission and distribution related to infrastructure, as well as general items such as office equipment, vehicles, building and building improvements, etc. Major capital asset events during the current fiscal year included installation of new lines and meters, purchases of equipment and office improvements.

Financial Overview (Continued)

Liabilities
In 2022, the District's total liabilities decreased $39,628 from 2021. The audited financial statements indicate the major decreases were in U.S. Department of Agriculture Loan Payable and Deferred Inflows. The largest increases were in Accounts Payable and Net Pension Liability.

Net Position
The District's assets exceeded its liabilities by $2,041,796 and $2,239,248 for the years ended December 31, 2022 and 2021, respectively. This represents a decrease from 2021 to 2022 of $197,452. Increases or decreases in equity may, over time, serve as a useful indicator of the District's financial position. This statement comes from the fact that being "land rich and cash poor" is not beneficial if the company needs liquidity for cash flow. On the other hand, if you have sufficient cash flow, "investing" in your water system (maintaining, expanding, replacing, upgrading, etc.) or land is a good and prudent business practice.

Net position reflects the District's investment in capital assets. The District uses these capital assets to provide services to its owners/customers; consequently, these assets are not available for spending. Resources needed to repay the outstanding debt shown on the statement of net position will come from other sources, such as sales of water and sewer fees. The capital assets themselves cannot be used to pay such "long-term" liabilities.

Statement of Revenues, Expenses, and Changes in Net Position Overview

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	2022	2021	Change from 2021 to 2022 Amount	Percent	2022 Budget
Operating revenues	$ 1,480,881	$ 1,759,608	$ (278,727)	-15.84%	$ 1,791,554
Operating expenses	1,798,951	1,791,871	7,080	0.40%	1,636,379
Operating income/(loss)	(318,070)	(32,263)	(285,807)	885.87%	155,175
Net non-operating income/(expenses)	120,618	1,621	118,997	7340.96%	(181,778)
Change in net position	$ (197,452)	$ (30,642)	$ (166,810)	544.38%	$ (26,603)

Revenue
For the year ended December 31, 2022, operating revenues were $1,480,881. This amount represents a decrease of $278,727 or 15.84% from the prior year. Our analysis indicated the main reason for this decrease in operating revenues was due to declining water sales.

Financial Overview (Continued)

Expenses

For the year ended December 31, 2022, operating expenses were $1,798,951. This amount represents a small increase of $7,080 or 0.40% from the prior year. Most operating expenses appear to have stayed consistent with the prior year.

Debt Administration

Long-Term Debt

The District has entered into an agreement with the U.S. Department of Agriculture to borrow $1,668,000 and a subsequent $190,000 to finance the water system improvements noted above. The construction draws were originally made through Regions Bank. In April 2013, the District received loan proceeds from the U.S. Department of Agriculture and paid off the Regions Bank loan. The District repaid principal of $28,500 principal payment in January 2022 and $26,500 in January 2021. The loan is a 40-year loan at 3.125% interest payable semi-annually. Prepayment of the loan is not allowed.

Budget

KRS 68.240 requires the District to prepare an annual budget and submit this to the Kentucky Department of Local Government. This budget is prepared based on a combination of prior year activity and current year projections.

The Future

Water

Throughout the year, the District searched for and repaired various leaks. The District's water loss percentage for the years ended December 31, 2022 and 2021 was approximately 43.4% and 38.5%, respectively. The District's goal is to decrease their water loss percentage, though the water losses increased during the 2022 calendar year due to some substantial leaks that occurred during the year.

In 2022, the District was able to secure $100,000 in grant funding from the Franklin County Fiscal Court to install new lines in the South Benson area, and the project was completed during the summer and fall. This project represents progress toward the District's ultimate goal of reducing water loss to an acceptable amount.

Overall

The District has implemented system enhancements to improve service provided to customers as well as increase operating efficiency. However, as noted above, water loss was still at a very high rate averaging approximately 43.4% of purchased water throughout the year, which represented an increase from 38.5% water loss in the prior year. Even though management continues to employ new methods in attempting to find and repair leaks, the percentage loss continues to increase. In response, the District continues to search for leaks and is making plans to obtain funding to replace more old water lines. The District's mission is to provide superior, reliable services to the Farmdale community at the most reasonable prices possible.

Request for Information

This financial report is designed to provide government entities, customers, and creditors with a general overview of the District's finances and demonstrate the District's accountability of monies it receives. If you have questions about this report or need additional information, please contact: Office Manager, Farmdale Water District, 100 Highwood Drive, Frankfort, KY 40601 or Harrod & Associates, PSC, #2 HMB Circle, Frankfort, KY 40601.

FARMDALE WATER DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2022 AND 2021

ASSETS

		2022		2021
CURRENT ASSETS				
Cash and Cash Equivalents	$	356,823	$	493,972
Cash - Restricted Customer Deposits		38,554		40,066
Certificates of Deposit		103,109		102,339
Accounts Receivable		176,865		264,761
Inventory		37,156		31,656
Accrued Interest Receivable		648		768
Prepaid Expenses		15,598		12,710
TOTAL CURRENT ASSETS		728,753		946,272
CAPITAL ASSETS				
Land & Buildings		78,722		78,722
Equipment		282,568		255,541
Vehicles		53,230		62,230
Water Lines, Hydrants, Towers, & Meters		6,673,809		6,542,006
Accumulated Depreciation		(3,713,015)		(3,489,076)
TOTAL CAPITAL ASSETS		3,375,314		3,449,423
NONCURRENT ASSETS				
Cash - Water Loss Surcharge Account		204,799		112,997
Cash - Debt Reserve		89,046		79,975
TOTAL NONCURRENT ASSETS		293,845		192,972
DEFERRED OUTFLOWS				
Deferred Outflows - OPEB		47,079		68,676
Deferred Outflows - Pension		50,786		75,514
TOTAL DEFERRED OUTFLOWS		97,865		144,190
TOTAL ASSETS	$	4,495,777	$	4,732,857

See Independent Auditor's Report
The Accompanying Notes are an Integral Part of These Financial Statements

FARMDALE WATER DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2022 AND 2021

LIABILITIES

CURRENT LIABILITIES	2022	2021
Accounts Payable	$ 187,802	$ 141,323
Customer Deposits and Accrued Interest	45,533	46,101
Accrued Sales, School, and Payroll Taxes	13,488	11,105
Accrued Pension Expense	4,547	4,560
Accrued Loan Interest Payable	26,000	26,445
Current Portion of Noncurrent Liabilities	28,000	27,500
Unearned Income	10,866	12,001
TOTAL CURRENT LIABILITIES	316,236	269,035
NONCURRENT LIABILITIES		
U.S. Department of Agriculture Loan Payable	1,664,000	1,692,500
Current Portion of Noncurrent Liabilities	(28,000)	(27,500)
Net OPEB Liability	92,578	94,804
Net Pension Liability	339,113	315,793
TOTAL NONCURRENT LIABILITIES	2,067,691	2,075,597
DEFERRED INFLOWS		
Deferred Inflows - OPEB	55,509	73,716
Deferred Inflows - Pension	14,545	75,261
TOTAL DEFERRED INFLOWS	70,054	148,977
TOTAL LIABILITIES	2,453,981	2,493,609
NET POSITION		
Invested in Capital Assets, Net of Related Debt	1,711,314	1,756,923
Net Position - Restricted	332,398	270,917
Net Position - Unrestricted	(1,916)	211,408
TOTAL NET POSITION	2,041,796	2,239,248
TOTAL LIABILITIES AND NET POSITION	$ 4,495,777	$ 4,732,857

See Independent Auditor's Report
The Accompanying Notes are an Integral Part of These Financial Statements

FARMDALE WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

OPERATING REVENUES	2022	2021
User Fees:		
Water - Residential	$ 1,074,406	$ 1,287,999
Water - Commercial	161,889	242,863
Sewer Surcharge Fees	74,331	73,713
Water Loss Surcharge	91,998	91,057
Tap-on Fees	23,693	24,859
Late Payment Penalty Income	42,433	35,795
Lease Income	1,200	400
Reconnect Fees	10,931	2,922
TOTAL OPERATING REVENUES	1,480,881	1,759,608
OPERATING EXPENSES		
Water Purchased	709,829	662,222
Pumping Electricity	26,319	21,892
Salaries & Wages	282,450	258,954
Payroll Taxes	24,060	21,789
Employee Benefits	34,436	35,715
Retirement Benefits	32,669	41,261
Transmission and Distribution Expense	108,317	162,772
Administrative and General Expense	121,493	136,092
Interest Paid on Loans	52,000	52,891
Other Interest Expense	-	5
Water Testing	3,149	7,377
Maintenance & Repairs	89,064	89,902
Insurance & Workers' Comp	24,369	26,155
Taxes & Licenses	46,087	40,444
Fines/Penalties	117	-
Bad Debts	16,536	11,173
Depreciation	228,056	223,227
TOTAL OPERATING EXPENSES	1,798,951	1,791,871
Operating Income (Loss)	(318,070)	(32,263)

FARMDALE WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NON OPERATING REVENUES (EXPENSES)	**2022**	**2021**
Sewer Fees Collected	745,729	688,953
Sewer Fees Paid	(745,729)	(688,953)
Franklin County Fiscal Court Grant	100,000	-
Insurance Proceeds	3,672	-
Gain on Sale of Assets	7,919	-
Interest Income	5,886	731
Other Income	3,141	890
TOTAL NON OPERATING REVENUES (EXPENSES)	120,618	1,621
Change in Net Position	(197,452)	(30,642)
Net Position - Beginning of Year	2,239,248	2,269,890
Net Position - End of Year	$ 2,041,796	$ 2,239,248

See Independent Auditor's Report
The Accompanying Notes are an Integral Part of These Financial Statements

FARMDALE WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash Flow from Operating Activities		
Cash received from users and customers	$ 1,570,894	$ 3,479,234
Cash payments to employees for services & benefits	(349,555)	(335,930)
Cash payments to suppliers of goods and services	(1,140,388)	(2,820,525)
Net Cash Provided (Used) by Operating Activities	80,951	322,779
Cash Flow from Capital & Related Financing Activities		
USDA loan principal payments	(28,500)	(26,500)
Interest paid on USDA loan	(52,445)	(53,351)
Purchases of capital assets and equipment	(158,830)	(54,931)
Proceeds from sales of equipment	9,000	-
Net Cash Provided (Used) by Capital & Related Financing Activities	(230,775)	(134,782)
Cash Flow from Noncapital Financing Activities		
Cash received from non-operating revenues	845,729	762,666
Other non-operating expenses/income	6,800	895
Cash paid out from other non-operating expenses	(745,729)	(688,953)
Net Cash Provided (Used) by Noncapital Financing Activities	106,800	74,608
Cash Flows from Investing Activities		
Receipt of interest	6,006	2,241
Interest reinvested in CD	(770)	-
Money market & security accounts transfers, net	-	(302,942)
Redemption of certificates of deposit (principal)	-	74,100
Net Cash Provided (Used) by Investing Activities	5,236	(226,601)
Net Change in Cash and Cash Equivalents	(37,788)	36,004
Cash and Cash Equivalents, Beginning of Year	727,010	691,006
Cash and Cash Equivalents, End of Year	$ 689,222	$ 727,010
Reconciliation of Cash and Cash Equivalents, End of Year		
Cash on Hand	$ 75	$ 75
Whitaker Bank - Operations Account	166,862	141,965
Whitaker Bank - Deposit Account	38,554	40,066
Whitaker Bank - Debt Reserve Account	89,046	79,975
Community Trust Bank - Loss Surchage Account	204,799	112,997
Community Trust Bank - Money Market	187,943	349,992
Community Trust Bank - Checking	1,943	1,940
	$ 689,222	$ 727,010

See Independent Auditor's Report
The Accompanying Notes are an Integral Part of These Financial Statements

FARMDALE WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Reconciliation of Operating Income to Net Cash Provided by Operating Activities		**2022**		**2021**
Operating Loss	$	(318,070)	$	(32,263)
Adjustment to Reconcile Net Income to Net Cash Provided by Operating Activities				
Depreciation		228,056		223,227
Bad Debts		16,536		11,173
Pension/OPEB Changes		28,370		19,783
Changes in Assets and Liabilities:				
(Increase)/Decrease in Certificates of Deposit		(770)		(74,100)
(Increase)/Decrease in Accounts Receivable		87,896		159,807
(Increase)/Decrease in Inventory		(5,500)		6,820
(Increase)/Decrease in Accrued Interest Receivable		120		(1,510)
(Increase)/Decrease in Prepaid Expenses		(2,888)		(1,650)
Increase/(Decrease) in Accounts Payable		46,479		10,939
Increase/(Decrease) in Accrued Taxes		2,383		(517)
Increase/(Decrease) in Customer Deposits & Accrued Interest		(568)		1,003
Increase/(Decrease) in Accrued Pension Expense		(13)		(332)
Increase/(Decrease) in Unearned Income		(1,135)		(187)
Increase/(Decrease) in Accrued Loan Interest Payable		(445)		(414)
Increase/(Decrease) in Current USDA Loan Payable		500		1,000
Net Cash Provided (Used) by Operating Activities	$	80,951	$	322,779

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. GENERAL

In May 1961, the Franklin County Fiscal Court created the Farmdale Water District pursuant to Kentucky Revised Statute 74.012. The Court appoints the District's three commissioners to serve up to four-year terms. The District primarily serves residents of western Franklin County; however, they also have customers in Anderson and Shelby counties. The District is governed by the Kentucky Public Service Commission. The District is not considered a component unit of Franklin County. The District operates under the provisions of the Kentucky Revised Statute mentioned above. Additionally, Franklin County does not exercise financial, budgetary, accounting or administrative controls over the District. Therefore, the financial statements of the District are not included in the financial statements of Franklin County.

B. FUNDING AND CONCENTRATIONS

The District's primary source of funding is the sale of water to residential and commercial customers as well as the collection of sewer fees for various sewer treatment plants. The Kentucky Public Service Commission sets the rates charged for the water sold and adjustments are made accordingly as purchase costs change. The District purchases all their water from the Frankfort Water & Electric Plant Board. The District entered into a 42-year purchase contract with the Frankfort Water & Electric Plant Board in 2011.

C. BASIS OF ACCOUNTING

The financial statements of the District have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. All the District's activity is accounted for as business-type activities. Operating revenues relate to the District's primary function of water sales, and likewise, operating expenses include expenses to distribute water to customers. Non-operating revenues and expenses relate to all other revenue and expenses.

GASB Statement of Accounting Standards No. 34, as amended by GASB 63, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments (GASB 34) established standards for external financial reporting for all state and local governmental entities which includes 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: invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt – This component of net position consists of capital assets, including restricted capital assets, if any, net of accumulated depreciation and reduced by the outstanding of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of debt attributable to the unspent proceeds is not included in the calculation of "Invested in capital assets, net of related debt." Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- Restricted – This component of net position consists of constraints placed on net asset use imposed by external parties 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Unrestricted – This component of net position consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

D. TAX STATUS

The District is an instrumentality of local government and is, therefore, exempt under I.R.C. 115 from income tax. The District is also exempt from federal unemployment taxes.

E. CASH AND CASH EQUIVALENTS

For business-type activities all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

F. COMPENSATING BALANCES

Whitaker Bank requires the District to maintain a minimum of $1,000 in all three accounts at all times.

G. ACCOUNTS RECEIVABLE

Accounts receivables are stated at the amount owed by customers to the District. The District does not provide an allowance for uncollectible accounts, but rather expenses such items in the period they become uncollectible. This practice differs from generally accepted account principles, but its impact is deemed immaterial. The amount written-off for the years ended December 31, 2022 and 2021 totaled $16,536 and $11,173, respectively. Management believes the remaining balance to be collectable.

H. INVENTORY

Inventory consists of parts and materials used to repair meters, water lines or hydrants as well as the value of water in the two storage tank towers. The inventory is stated at cost on a specific identification basis.

I. PREPAID EXPENSES

Prepaid expenses include expenditures for insurance and software maintenance made in connection with future programs and activities.

J. SIGNIFICANT ESTIMATES

These financial statements were prepared with the use of management's estimates. Estimates and assumptions are used that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities if any, at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates. The most significant estimate was the actuarial assumptions and calculations concerning pension and OPEB amounts.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. PAYMENT POLICIES

The District bills customers at the end of each month. The customers have until the 10th of the next month to pay their bill in full without the imposition of a penalty. After the 10th, the customers have until the 20th of the month to pay in full. If unpaid by the 20th, the District may turn off the customers' water.

L. FEDERAL LOANS

In 2012, the District began drawing on a federal loan through the U.S. Department of Agriculture facilitated by Regions Bank. These funds were to assist in paying for various improvements and upgrades in the water lines and pumping station, installation of automated meter reading, and a new water storage tank. In April 2013, the District refinanced the loan with the U.S. Department of Agriculture and paid off the Regions Bank loan. The loan from U.S. Department of Agriculture totaled $1,858,000. The District paid $28,500 and $26,500 in principal during the calendar years ended December 31, 2022 and 2021, respectively. The loan balance was $1,664,000 and $1,692,500 at December 31, 2022 and 2021, respectively.

M. RETIREMENT

For purposes of measuring the net pension liability, deferred outflows and inflows of resources, and pension expense, information about the District's participation in the County Employees Retirement System (CERS) of the Kentucky Public Pensions Authority (KPPA) have been determined on the same basis as they are reported by the KPPA for the CERS plan. For this purpose, benefits including refunds of employee contributions are recognized when due and payable in accordance with the benefit terms of the CERS plan of KPPA. The liability was measured at June 30, 2022 and 2021. See Note 4 for full disclosure of activity.

N. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the Statement of Financial Position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the Statement of Financial Position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (reduction of an expense) until that time.

NOTE 2 – CASH AND CERTIFICATES OF DEPOSIT

Cash and cash equivalents consist of cash on hand and held in checking accounts. The District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. At year-end, the District's cash balances were deposited in various banks.

The District's general operating account and customer deposits are held with Whitaker Bank. The balances of the District's accounts at Whitaker Bank are in excess of the $250,000 FDIC insurance provided by the United States Government, but the bank has pledged additional bank assets as collateral to cover the difference.

NOTE 2 – CASH AND CERTIFICATES OF DEPOSIT (Continued)

The District also has accounts with Community Trust Bank. The accounts are secured by collateral pledged by the bank held by Raymond James & Associates. The market value of the collateral securing the deposits is required to at least be equal to the amount of the deposits held by bank in excess of the $250,000 FDIC provided by the United States Government.

The investment policies of the District are governed by state statute. Major provisions of the District's investment policy include the following: depositories must be with FDIC insured banking institutions, and depositories must be fully insured or collateralize all demand and time deposits.

Bank Balances and Certificates of Deposit

The fair market value of deposits and certificates of deposit was equivalent to the reported values. All deposits are checking or certificate of deposit accounts. The carrying amount of the District's bank deposits was $792,256 and $829,274 for the year ended December 31, 2022 and 2021, respectively. The chart below gives an indication of the level of risk assumed by the District at year end. The categories are described as follows:

Category 1 - Insured.
Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
Category 3 - Collateralized with securities held by the pledged financial institution in the institution's name.

Bank Balances and Certificates of Deposit at December 31, 2022, categorized by level of risk are:

	Risk Category				Uninsured/	
	1	2	3	Bank Balances	Uncolla-terialized	Book Value
Bank Balances:						
Whitaker Bank	$ 250,000	$ 44,462	$ -	$ 294,462	$ -	$ 294,462
Community Trust	250,000	144,685	-	394,685	-	$ 394,685
First Federal (CDs)	103,109	-	-	103,109	-	$ 103,109
Total	$ 603,109	$ 189,147	$ -	$792,256	$ -	$ 792,256

Bank Balances and Certificates of Deposit at December 31, 2021, categorized by level of risk are:

	Risk Category				Uninsured/	
	1	2	3	Bank Balances	Uncolla-terialized	Book Value
Bank Balances:						
Whitaker Bank	$ 250,000	$ 12,006	$ -	$ 262,006	$ -	$ 262,006
Community Trust	250,000	214,929	-	464,929	-	$ 464,929
First Federal (CDs)	102,339	-	-	102,339	-	$ 102,339
Total	$ 602,339	$ 226,935	$ -	$829,274	$ -	$ 829,274

NOTE 2 – CASH AND CERTIFICATES OF DEPOSIT (Continued)

Restrictions on Cash

The District has three restricted cash accounts, comprised of the following:

- Customer Deposits: See Note 6 below for additional information.
- Debt Reserve: The USDA loan requires that the District deposit $825 per month to a "Funded Debt Reserve" account until the account reaches $98,500. See Note 9 below for additional information.
- Water Loss Surcharge: In 2020, the Public Service Commission ordered the District to add $3 per month to each bill to reserve funds for the ongoing excessive water losses due to line leaks. The District cannot spend these funds without approval from the Public Service Commission.

NOTE 3 – PROPERTY, PLANT, AND EQUIPMENT

The District records property and equipment at cost. Depreciation is recorded using the straight-line method over the estimated useful life of the property. The District's threshold for capitalization is $2,500. The District uses other depreciable lives for regulatory reporting purposes to the Kentucky Public Service Commission.

The following represents the activity for the year ended December 31, 2022:

	Buildings/ Land	Equipment	Vehicles	Water Lines/ Hydrants/ Towers/ Meters	Totals
Beginning	$ 78,722	$ 255,541	$ 62,230	$ 6,542,006	$ 6,938,499
Deletions	-0-	-0-	9,000	-0-	9,000
Additions	-0-	27,027	-0-	131,803	158,830
Ending	$ 78,722	$ 282,568	$ 53,230	$ 6,673,809	$ 7,088,329

The following represents the activity for the year ended December 31, 2021:

	Buildings/ Land	Equipment	Vehicles	Water Lines/ Hydrants/ Towers/ Meters	Totals
Beginning	$ 68,722	$ 249,124	$ 40,006	$ 6,525,716	$ 6,883,568
Deletions	-0-	-0-	-0-	-0-	-0-
Additions	10,000	6,417	22,224	16,290	54,931
Ending	$ 78,722	$ 255,541	$ 62,230	$ 6,542,006	$ 6,938,499

A summary of property and equipment and depreciation for the years ended December 31, 2022 and 2021 is as follows:

	Cost	Current Provision	Accumulated Depreciation
Year ended December 31, 2022	$ 7,088,329	$ 228,056	$ 3,713,015
Year ended December 31, 2021	$ 6,938,499	$ 223,227	$ 3,489,076

Land valued at $4,806 is not being depreciated.

NOTE 4 – EMPLOYEE RETIREMENT BENEFITS

General Information:

The District is a participating employer of the County Employees Retirement System (CERS). Under the provisions of Kentucky Revised Statute Section 61.645, the CERS Board of Trustees (Board) of the Kentucky Public Pension Authority (KPPA) administers the CERS. The KPPA issues publicly available financial statements which may be downloaded from the KPPA website.

Plan Description:

The CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate. The CERS provides plan members with benefits through a pension trust and an insurance trust. The pension trust provides retirement, disability, and death benefits. The insurance trust provides health insurance or other postemployment benefits (OPEB). Benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments (COLA) are provided at the discretion of the state legislature.

Benefits Provided:

CERS provides retirement, health insurance, death, and disability benefits to plan employees and beneficiaries. Employees are vested in the plan after five years of service. For retirement purposes, employees are grouped into three tiers based on hire date:

	Participation Date	Unreduced Benefit	Reduced Benefit
Tier 1	Before September 1, 2008	27 years of service or 65 years old and 4 years of service	At least 5 years of service and 55 years old or 25 years of service and any age
Tier 2	After September 1, 2008 but before December 31, 2013	At least 5 years of service and 65 years old or age 57+ and sum of service years plus age equal to 87+	At least 10 years of service and 60 years old
Tier 3	After December 31, 2013	At least 5 years of service and 65 years old or age 57+ and sum of service years plus age equal to 87+	Not available

COLAs are provided at the discretion of the Kentucky General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five consecutive years of earnings. Reduced benefits are based on factors of both components. Participating employees become eligible to receive health insurance benefits after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are provided in one lump sum payment of $5,000. Five years of service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit or $10,000 plus 25% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years of service is required for nonservice-related disability benefits.

NOTE 4 – EMPLOYEE RETIREMENT BENEFITS (Continued)

Contributions:

For the year ended December 31, 2022, plan members were required to contribute 5% of wages for non-hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding July 1 of a new biennium. The board may amend contribution rates as of July 1 of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with the actuarial basis adopted by the Board. For the year ended December 31, 2022, participating employers contributed 26.95% (22.78% to the pension fund and 4.17% to the insurance fund) of each employee's wages from January 1, 2022 to June 30, 2022, and 26.79% (23.40% to the pension fund and 3.39% to the insurance fund) of each employee's wages from July 1, 2022 to December 31, 2022, which is equal to the actuarially determined rate set by the Board. For the year ended December 31, 2021, participating employers contributed 24.06% (19.30% to the pension fund and 4.76% to the insurance fund) of each employee's wages from January 1, 2021 to June 30, 2021, and 26.95% of each employee's wages from July 1, 2021 to December 31, 2021, which is equal to the actuarially determined rate set by the Board. Administrative costs of the CERS are financed through employer contributions and investment earnings.

The District contributed $45,337 for the year ended December 31, 2022, or 100% of the required contributions. The contributions were allocated $39,007 to the pension fund and $6,329 to the insurance fund.

Pension Liabilities, Expense, and Deferred Outflows and Inflows of Resources:

At December 31, 2022, the District reported a liability for its proportionate share of the net pension liability of $339,113. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 and rolled forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The District's proportionate share at December 31, 2022 was .004691%, which was equal to its proportion measured as of June 30, 2022. At December 31, 2021, the District's proportion was .004953%, which was equal to its proportion measured as of June 30, 2021.

For the year ended December 31, 2022, the District recognized pension expense of $32,669. At December 31, 2022, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

NOTE 4 – EMPLOYEE RETIREMENT BENEFITS (Continued)

Pension Liabilities, Expense, and Deferred Outflows and Inflows of Resources: (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual results	$ 363	$ 3,020
Change in assumptions	-	-
Net difference between projected and actual earnings on plan investments	8,694	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	20,482	11,525
Contributions subsequent to the measurement date	21,247	-
Total	$ 50,786	$ 14,545

The $21,247 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date as of December 31, 2022, will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ended	Inflow/(Outflow)
December 31, 2023	$ 12,547
December 31, 2024	(4,337)
December 31, 2025	(2,850)
December 31, 2026	9,635

Actuarial Assumptions:

Total pension liabilities in the June 30, 2022 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.3%
Payroll growth	2.0%
Salary increases	3.3% to 10.3%, varies by service, including inflation
Investment rate of return	6.25%, net of plan investment expense, including inflation

Mortality rates were based on the PUB-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013 through 2018, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2020. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2010.

The actuarial assumption used in the June 30, 2022 valuation was based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2022.

NOTE 4 – EMPLOYEE RETIREMENT BENEFITS (Continued)

Actuarial Assumptions: (Continued)

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. Several factors are considered in evaluating the long-term rate of return assumptions including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target allocation and best estimate of arithmetic real rate of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
Equity		**60.00%**
Public Equity	4.45%	50.00%
Private Equity	10.15%	10.00%
Fixed Income		**20.00%**
Core Bonds	0.28%	10.00%
Specialty Credit/High Yield	2.28%	10.00%
Cash	(0.91%)	0.00%
Inflation Protected		**20.00%**
Real Estate	3.67%	7.00%
Real Return	4.07%	13.00%
		100.00%
Expected Real Return	**4.28%**	
Long Term Inflation Assumption	**2.30%**	
Expected Nominal Return for Portfolio	**6.58%**	

Discount Rate:

The discount rate used to measure the total pension liability was 6.25% for non-hazardous classifications. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the closed 30-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

NOTE 4 – EMPLOYEE RETIREMENT BENEFITS (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1- percentage-point higher (7.25%) than the current rate:

	Discount Rate	Proportionate Share of Net Pension Liability
1% Decrease	5.25%	$ 423,849
Current Discount Rate	6.25%	339,113
1% Increase	7.25%	269,029

Payable to the Pension Plan:

At December 31, 2022 and 2021, the District reported a payable of $4,547 and $4,560 for the outstanding amount of contributions to the pension plan required for the year then ended, respectively. The payable includes both the pension and insurance contribution allocation.

NOTE 5 – POSTEMPLOYEMENT BENEFITS OTHER THAN PENSIONS

Plan Description:

As more fully described in Note 4, the District participates in the County Employees Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

Benefits Provided:

CERS provides health insurance benefits to plan employees and beneficiaries. For OPEB purposes, employees are grouped into three tiers based on hire date:

	Participation Date	Insurance Eligibility	Benefit
Tier 1	Before July 1, 2003	10 years of service credit required	Set percentage of single coverage health insurance based on service credit accrued at retirement
Tier 1	After July 1, 2003 but before September 1, 2008	10 years of service credit required	Set dollar amount based on service credit accrued, increased annually
Tier 2	After September 1, 2008 but before December 31, 2013	15 years of service credit required	Set dollar amount based on service credit accrued, increased annually
Tier 3	After December 31, 2013	15 years of service credit required	Set dollar amount based on service credit accrued, increased annually

NOTE 5 – POSTEMPLOYEMENT BENEFITS OTHER THAN PENSIONS (Continued)

Contributions:

For the year ended December 31, 2022, plan members were required to contribute 5% of wages for non-hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding July 1 of a new biennium. The board may amend contribution rates as of July 1 of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with the actuarial basis adopted by the Board. For the year ended December 31, 2022, participating employers contributed 26.95% (22.78% to the pension fund and 4.17% to the insurance fund) of each employee's wages from January 1, 2022 to June 30, 2022, and 26.79% (23.40% to the pension fund and 3.39% to the insurance fund) of each employee's wages from July 1, 2022 to December 31, 2022, which is equal to the actuarially determined rate set by the Board. For the year ended December 31, 2021, participating employers contributed 24.06% (19.30% to the pension fund and 4.76% to the insurance fund) of each employee's wages from January 1, 2021 to June 30, 2021, and 26.95% of each employee's wages from July 1, 2021 to December 31, 2021, which is equal to the actuarially determined rate set by the Board. Administrative costs of the CERS are financed through employer contributions and investment earnings.

As noted previously in Note 4, the District contributed $45,337 for the year ended December 31, 2022, or 100% of the required contributions. The contributions were allocated $39,007 to the pension fund and $6,329 to the insurance fund.

OPEB Liabilities, Expense, and Deferred Outflows and Inflows of Resources:

At December 31, 2022, the District reported a liability for its proportionate share of the net OPEB liability of $92,578. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date and rolled forward to June 30, 2022 using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. At December 31, 2022, the District's proportion was .004691%, which was equal to its proportion measured as of June 30, 2022. At December 31, 2021, the District's proportion was .004952%, which was equal to its proportion measured as of June 30, 2021.

For the year ended December 31, 2022, the District recognized OPEB expense of 34,074. At June 30, 2022, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

NOTE 5 – POSTEMPLOYEMENT BENEFITS OTHER THAN PENSIONS (Continued)

OPEB Liabilities, Expense, and Deferred Outflows and Inflows of Resources: (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual results	$ 9,319	$ 21,230
Change in assumptions	14,642	12,065
Net difference between projected and actual earnings on plan investments	3,758	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	16,282	22,214
Contributions subsequent to the measurement date	3,078	-
Total	$ 47,079	$ 55,509

The $3,078 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2022. This includes an adjustment of $2,995 related to the implicit subsidy, which is required to be recognized as a deferred outflow of resources. Other amounts reported as deferred outflows and inflows of resources will be recognized in OPEB expense as follows:

Year Ended	Inflow/(Outflow)
December 31, 2023	$ (1,560)
December 31, 2024	(3,176)
December 31, 2025	(6,273)
December 31, 2026	(499)

Actuarial Assumptions:

Inflation	2.3%
Payroll growth rate	2.0%
Salary increases	3.3% to 10.3%, varies by service, including inflation
Investment rate of return	6.25%, net of plan investment expense, including inflation
Healthcare trend	
Pre-65	Initial trend starting at 6.4% at January 1, 2022, gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years
Post-65	Initial trend starting at 6.3% at January 1, 2023, gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years

Mortality rates were based on the PUB-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013 through 2018, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2019. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2010.

NOTE 5 – POSTEMPLOYEMENT BENEFITS OTHER THAN PENSIONS (Continued)

Actuarial Assumptions:

The actuarial assumption used in the June 30, 2022 valuation was based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2022.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. Several factors are considered in evaluating the long-term rate of return assumptions including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which bestestimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target allocation and best estimate of arithmetic real rate of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
Equity		**60.00%**
Public Equity	4.45%	50.00%
Private Equity	10.15%	10.00%
Fixed Income		**20.00%**
Core Bonds	0.28%	10.00%
Specialty Credit/High Yield	2.28%	10.00%
Cash	(0.91%)	0.00%
Inflation Protected		**20.00%**
Real Estate	3.67%	7.00%
Real Return	4.07%	13.00%
		100.00%
Expected Real Return	**4.28%**	
Long Term Inflation Assumption	**2.30%**	
Expected Nominal Return for Portfolio	**6.58%**	

NOTE 5 – POSTEMPLOYEMENT BENEFITS OTHER THAN PENSIONS (Continued)

Discount Rate:

The discount rate used to measure the total OPEB liability was 5.70% for the year ended June 30, 2022 (5.20% for the prior year) for non-hazardous classifications. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.69%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022. However, the cost associated with the implicit employer subsidy was not included in the calculation of the KPPA's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KPPA's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate:

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 5.70%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.70%) or 1- percentage-point higher (6.70%) than the current rate:

	Discount Rate	Proportionate Share of Net OPEB Liability
1% Decrease	4.70%	$ 123,761
Current Discount Rate	5.70%	92,578
1% Increase	6.20%	66,799

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Trend Rate:

The following presents the District's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Discount Rate	Proportionate Share of Net OPEB Liability
1% Decrease	4.70%	$ 68,829
Current Trend Rate	5.70%	92,578
1% Increase	6.70%	121,095

NOTE 6 – CUSTOMER DEPOSITS

New customers must pay a $70 deposit to become a customer of the District. The District deposits these funds in an interest-bearing savings account. If the customer does not have any late payments or delinquencies, their deposit qualifies to be refunded after 18 months. Currently, the District generally does not refund customer deposits without customer request.

NOTE 6 – CUSTOMER DEPOSITS (Continued)

When the District redeems the deposit they must pay the customers the interest earned while they had the deposit. KPPA statutes require the District to pay the actual interest earned on the funds using the current market rate, however, this rate cannot exceed 6%. Currently, the District pays the accrued interest as a credit on the customer's account which is then applied to their next bill.

NOTE 7 – TAPPING FEES AND CAPITAL CONTRIBUTIONS

The Public Service Commission (PSC), the regulatory agency governing the District, requires that Tapping Fees be recorded under equity as "proceeds from capital contributions," instead of being included in revenue. Tapping Fees are presented on the PSC Report in equity as "Donated Capital." These financial statements do not reflect this presentation as these financial statements are presented in conformity with generally accepted accounting principles. If we had recorded these items in accordance with the regulatory requirement, the net revenue would have decreased by $23,693 and $24,859 in 2022 and 2021, respectively.

NOTE 8 – SUBSEQUENT EVENTS

The District has adopted FASB ASC 855 "Subsequent Events." The District evaluated events occurring between the end of its most recent year and this report date, which is the date these financial statements were available to be issued. Management does not believe any events occurred which would subsequently affect these financial statements.

NOTE 9 – 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 also carries commercial insurance for all other risks of loss such as workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three calendar years.

NOTE 10 – FEDERAL LOAN PAYABLE

As noted previously, the District financed $1,858,000 with the U.S. Department of Agriculture in April 2013. The District pays the U.S. Department of Agriculture 3.125% on the outstanding balance for the life of the loan. The loan payments were interest only for 2014 with principal payments beginning in January 2015. The loan duration is 40 years and is scheduled to be paid in full by 2053. As part of the loan covenant, the District is required to open a separate bank account ("Funded Debt Reserve Account") and deposit $750 per month for the original loan and $75 per month for the subsequent loan until such time the account reaches $98,500. Management has opened this account and the account balance was $89,046 and $79,975 at December 31, 2022 and 2021, respectively.

The District paid $28,500 of principal on January 1, 2022 and $26,500 of principal on January 1, 2021. In addition, another $28,000 in principle was due on January 1, 2023. Total interest expense on this loan was $52,000 and $52,891 for December 31, 2022 and 2021, respectively.

NOTE 10 – FEDERAL LOAN PAYABLE (Continued)

The District's long-term debt at December 31, 2022 and 2021 is detailed as follows:

	Principal Balance, 1/1	Borrowings	Payments	Principal Balance, 12/31	Current Portion	Long-Term Portion
2022	$1,692,500	-0-	$28,500	$1,664,000	$28,000	$1,636,000
2021	$1,719,000	-0-	$26,500	$1,692,500	$27,500	$1,665,000

The long-term debt service requirements for the USDA loan is as follows:

Year	Principal	Interest	Total
2023	28,000	51,125	79,125
2024	30,000	50,188	80,188
2025	31,500	49,203	80,703
2026-2031	217,500	273,266	490,766
2032-2036	226,500	191,375	417,875
2037-2041	278,500	151,203	429,703
2042-2046	340,500	102,062	442,562
2047-2051	418,000	41,750	459,750
2052	93,500	-0-	93,500
Total	1,664,000	910,172	2,574,172

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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 Board of Directors
Farmdale Water District
Frankfort, Kentucky

We have audited, 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, the financial statements of the business-type activities of the Farmdale Water District (District) as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 6, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 over financial reporting 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 over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting and cash, as discussed below, that we consider to be significant deficiencies in internal control over financial reporting.

2012-1 Preparation of Financial Statements

Condition – As noted in the prior audits, the District does not have an internal control system designed to provide for the preparation of the financial statements. As auditors, we were requested to assist in the drafting of the financial statements and accompanying notes to the financial statements.

Criteria – A good system of internal control establishes internal controls which effectively and timely detect potential misstatements to the financial statements.

Effect – Inadequate controls could adversely affect the District's ability to detect misstatements in amounts that would be significant in relation to the financial statements.

Cause – District personnel do not have adequate training and background to apply U.S. generally accepted accounting principles internally.

Recommendation – Management believes the cost of adding an additional qualified person to the staff to remedy this condition would not be cost beneficial. In situations like this, management's close supervision and review of accounting information on a regular basis is the most cost effective means for preventing and detecting errors and irregularities. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management Response – As noted in the prior audits, the District is aware of the deficiency in internal control. The District accepts the risk and will not add additional administrative employees due to cost constraints.

2020-2 Segregation of Check Writing Responsibilities

Condition – The District office manager has signatory authority on most of the checks written. The office manager prepares all checks thus allowing the preparer of the check to potentially have control over the entire process. Even though the District requires dual signatures on checks written out of the operations account, the bank no longer reviews checks for duel signatures. We believe internal control would be strengthened by removing the office manager as an authorized signor.

Criteria – A good system of internal control requires essential duties should be effectively segregated.

Effect – Inadequate controls could adversely affect the District's ability to detect misstatements in amounts that would be significant in relation to the financial statements and/or to timely detect fraudulent activity.

Cause – Due to a shortage of personnel the District does not have adequate staff to segregate all duties to effectively segregate duties.

Recommendation – We strongly recommend the District remove the office manager as an authorized signor of checks.

Management Response – The District is aware of the deficiency in internal control. The District will consider implementing these changes.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 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*.

Farmdale Water District's Response to Finding

Farmdale Water District's response to the finding identified in our audit is described above. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We noted certain matters that we reported to management of the District in a separate letter dated July 6, 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.

Harrod & Associates, PSC
Frankfort, Kentucky

July 6, 2023

REQUIRED SUPPLEMENTARY INFORMATION

FARMDALE WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE 1
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF COUNTY EMPLOYEES RETIREMENT SYSTEM

	2022	2021	2020	2019	2018	2017	2016	2015
Total CERS Net Pension Liability ($ in thousands)	$ 7,229,013	$ 6,375,785	$ 7,669,917	$ 7,033,045	$ 6,090,305	$ 5,853,443	$ 4,299,525	$ 3,244,377
Proportion of the Collective Net Pension Liability	0.004691%	0.004952%	0.004230%	0.003340%	0.006130%	0.005460%	0.005320%	0.006000%
Proportionate Share of the Net Pension Liability	$ 339,113	$ 315,793	$ 324,514	$ 234,693	$ 373,153	$ 319,298	$ 261,970	$ 257,923
Covered Employee Payroll	$ 168,764	$ 162,665	$ 138,937	$ 81,093	$ 125,739	$ 148,407	$ 120,993	$ 138,847
Proportionate Share of the Net Pension Liability as a % of Covered Employee Payroll	200.94%	194.14%	233.57%	289.41%	296.77%	215.15%	216.52%	185.76%
Total Plan's Fiduciary Net Position ($ in thousands)	$ 7,963,586	$ 8,565,652	$ 7,027,327	$ 7,159,921	$ 7,018,963	$ 6,687,237	$ 6,440,800	$ 6,528,146
Total Plan's Pension Liability ($ in thousands)	$ 15,192,599	$ 14,941,437	$ 14,697,244	$ 14,192,966	$ 13,109,268	$ 12,540,545	$ 10,740,325	$ 9,772,523
Total Pension Plan's Fiduciary Net Position as a % of Total Pension Liability	52.42%	57.33%	47.81%	50.45%	53.54%	53.32%	59.97%	66.80%

Note: This is intended to be a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

FARMDALE WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE 2
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

SCHEDULE OF PENSION CONTRIBUTIONS TO COUNTY EMPLOYEES RETIREMENT SYSTEM

	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily Required Contributions	$ 29,552	$ 24,418	$ 26,273	$ 20,627	$ 24,042	$ 28,103	$ 26,755	$ 31,828
Less: Contributions	29,552	24,418	26,273	20,627	24,042	28,103	26,755	31,828
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Employee Payroll	168,764	162,665	138,937	81,093	125,739	148,407	120,993	138,847
Contributions as a % of Covered Employee Payroll	17.51%	15.01%	18.91%	25.44%	19.12%	18.94%	22.11%	22.92%

Note: This is intended to be a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

FARMDALE WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE 3
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY OF COUNTY EMPLOYEES RETIREMENT SYSTEM

	2022	2021	2020	2019	2018
Total CERS Net OPEB Liability ($ in thousands)	$ 1,973,514	$ 1,914,450	$ 2,414,696	$ 1,681,955	$ 1,775,480
Proportion of the Collective Net OPEB Liability	0.004691%	0.004952%	0.00423%	0.00334%	0.00613%
Proportionate Share of the Net OPEB Liability	$ 92,578	$ 94,804	$ 102,142	$ 56,110	$ 108,784
Covered Employee Payroll	$ 168,764	$ 162,665	$ 138,937	$ 81,093	$ 125,739
Proportionate Share of the Net OPEB Liability as a % of Covered Employee Payroll	54.86%	58.28%	73.52%	69.19%	86.52%
Total OPEB Plan's Fiduciary Net Position ($ in thousands)	$ 3,079,984	$ 3,246,801	$ 2,581,613	$ 2,569,511	$ 2,414,126
Total OPEB Plan's OPEB Liability ($ in thousands)	$ 5,053,498	$ 5,161,251	$ 4,996,309	$ 4,251,466	$ 4,189,606
Total OPEB Plan's Fiduciary Net Position as a % of Total OPEB Liability	60.95%	62.91%	51.67%	60.44%	57.62%

Note: This is intended to be a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

See Independent Auditors' Report and Accompanying
Notes to the Required Supplementary Information

FARMDALE WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE 4
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

SCHEDULE OF OPEB CONTRIBUTIONS TO COUNTY EMPLOYEES RETIREMENT SYSTEM

	2022	2021	2020	2019	2018
Statutorily Required Contributions	$ 5,410	$ 6,022	$ 5,159	$ 5,719	$ 7,802
Less: Contributions	5,410	6,022	5,159	5,719	7,802
Contribution Deficiency (Excess)	-	-	-	-	-
Covered Employee Payroll	$ 168,764	$ 162,665	$ 138,937	$ 81,093	$ 125,739
Contributions as a % of Covered Employee Payroll	3.21%	3.70%	3.71%	7.05%	6.20%

Note: This is intended to be a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

FARMDALE WATER DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1 – GENERAL INFORMATION

A. NET PENSION LIABILITY

The measurement date is six months preceding the year end of the District.

B. NET OPEB LIABILITY

The measurement date is six months preceding the year end of the District.

C. CONTRIBUTIONS

Contractually required employer contributions reported on the Schedule of Pension Contributions to CERS exclude the portion of contributions paid to CERS but allocated to the Insurance Fund of the CERS. The insurance contributions are reported on the Schedule of OPEB Contributions to CERS.

D. PAYROLL

The District's covered payroll reported on the Schedule of Proportionate Share of the Net Pension Liability of CERS and the Schedule of Proportionate Share of the Net OPEB Liability of CERS is one year prior to the Commission's fiscal year payroll as reported on the Schedule of Pension Contributions to CERS and Schedule of OPEB Contributions to CERS.

NOTE 2 – CHANGES IN ASSUMPTIONS

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of each fiscal year, for both pension and OPEB:

A. JUNE 30, 2022 – PENSION AND OPEB

The discount rate used to calculate the total OPEB liability increased from 5.2% to 5.7%.

B. JUNE 30, 2021 – PENSION AND OPEB

The initial healthcare trend rate for pre-65 was changed from 6.4% to 6.3%. The initial healthcare trend rate for post-65 was changed from 2.9% to 6.3%.

C. JUNE 30, 2020 – PENSION AND OPEB

The initial healthcare trend rate for pre-65 was changed from 7% to 6.4%. The initial healthcare trend rate for post-65 was changed from 5% to 2.9%.

D. JUNE 30, 2019 – PENSION AND OPEB

The assumed rate of salary increases was increased from 3.05% to 3.3% to 10.3% on average.

E. JUNE 30, 2018 – PENSION AND OPEB

None.

NOTE 2 – CHANGES IN ASSUMPTIONS (Continued)

F. JUNE 30, 2017 – PENSION AND OPEB

- The assumed rate of return was decreased from 7.5% to 6.25%;
- The assumed rate of inflation was reduced from 3.25% to 2.3%; and
- Payroll growth assumption was reduced from 4% to 2%;

G. JUNE 30, 2016 – PENSION AND OPEB

None.

H. JUNE 30, 2015 – PENSION

- The assumed rate of return was decreased from 7.75% to 7.5%;
- The assumed rate of inflation was reduced from 3.5% to 3.25%;
- The assumed rate of wage inflation was reduced from 1% to 0.75%;
- Payroll growth assumption was reduced from 4.5% to 4%;
- Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females);
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (setback 1 year for females);
- For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement; and
- The assumed rates of retirement, withdrawal, and disability were updated to reflect experience more accurately.

I. JUNE 30, 2014 – PENSION

None.

J. JUNE 30, 2013 – PENSION

- The assumed rate of return was 7.75%;
- The assumed rate of inflation was 3.5%;
- The assumed rate of wage inflation was 1%;
- Payroll growth assumption was 4.5%; and
- Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006. The 1994 Group Annuity Mortality Table was used for all other members.