SOUTH ANDERSON WATER DISTRICT

FINANCIAL STATEMENT REPORT

DECEMBER 31, 2022

CONTENTS

Jones, Nale & Mattingly PLC

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
South Anderson Water District
Lawrenceburg, Kentucky

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of South Anderson Water District (the 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 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 District as of December 31, 2022 and 2021, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 for twelve months beyond the financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the pension and OPEB schedules on pages 23 through 26 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.

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 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 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 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.

Jones, Nale & Mattingly PLC

Louisville, Kentucky
June 15, 2023

SOUTH ANDERSON WATER DISTRICT

STATEMENTS OF NET POSITION
December 31, 2022 and 2021

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	$ 765,283	$ 821,789
Certificates of deposit	143,000	143,000
Receivables, less allowance for doubtful accounts of $749 in 2022 and $527 in 2021	160,571	148,482
Inventory	102,892	88,479
Restricted cash and cash equivalents	1,029,850	937,590
Total current assets	2,201,596	2,139,340
Noncurrent assets		
Capital assets	14,359,463	14,057,043
Less accumulated depreciation	(6,106,966)	(5,780,555)
Total noncurrent assets	8,252,497	8,276,488
Other assets		
Certificates of deposit	303,818	303,818
Total assets	10,757,911	10,719,646
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	136,303	110,913
Deferred outflows related to OPEB	98,845	115,208
Total deferred outflows of resources	235,148	226,121
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 10,993,059	$ 10,945,767

The Notes to the Financial Statements are an integral part of these statements.

SOUTH ANDERSON WATER DISTRICT

STATEMENTS OF NET POSITION (Continued)
December 31, 2022 and 2021

	2022	2021
LIABILITIES		
Current liabilities		
Current portion of long-term debt	$ 135,583	$ 131,000
Accounts payable	166,605	159,103
Other current liabilities	19,627	17,544
Accrued interest payable	24,171	- -
Customer deposits	174,486	168,512
Total current liabilities	520,472	476,159
Noncurrent liabilities		
Long-term debt, less current portion	2,058,584	2,173,167
Net pension liability	663,262	619,025
Net OPEB liability	181,050	185,817
Total noncurrent liabilities	2,902,896	2,978,009
Total liabilities	3,423,368	3,454,168
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	102,703	112,528
Deferred inflows related to OPEB	100,425	94,168
Total deferred inflows of resources	203,128	206,696
NET POSITION		
Net invested in capital assets	6,058,330	5,972,321
Contribution in-aid	8,782,296	8,706,296
Restricted	1,029,850	937,590
Unrestricted (deficit)	(8,503,913)	(8,331,304)
Total net position	7,366,563	7,284,903
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$ 10,993,059	$ 10,945,767

The Notes to the Financial Statements are an integral part of these statements.

SOUTH ANDERSON WATER DISTRICT

STATEMENTS OF REVENUES AND EXPENSES
Years Ended December 31, 2022 and 2021

	2022	2021
REVENUE		
Water sales	$ 1,773,335	$ 1,688,276
Other water revenues	100,381	64,523
	1,873,716	1,752,799
EXPENSES		
Cost of goods sold	674,939	588,326
Salaries and wages	270,218	250,505
Comission fees	18,000	18,000
Payroll taxes and benefits	177,917	193,774
Utilities	43,893	45,038
Depreciation	328,614	319,293
Contractual services	85,657	68,562
Chemicals and materials	140,367	179,916
Transportation	23,389	25,411
Office supplies	25,564	19,835
Bad debt	9,094	2,752
Insurance	25,787	25,472
Total expenses	1,823,439	1,736,884
Income from operations	50,277	15,915
OTHER INCOME		
Sewer fee	11,539	12,438
Interest income	6,811	5,285
Other income	27,915	- -
	46,265	17,723
OTHER EXPENSE		
Interest expense	(90,882)	(97,544)
Net income (loss)	$ 5,660	$ (63,906)

The Notes to Financial Statements are an integral part of these statements.

SOUTH ANDERSON WATER DISTRICT

STATEMENTS OF CHANGES IN NET POSITION
December 31, 2022 and 2021

	Net Position		
	Other (deficit)	Contribution In-Aid	Total
Net Position - January 1, 2021	$ (1,357,487)	$ 8,637,016	$ 7,279,529
Net (loss)	(63,906)	- -	(63,906)
Contribution in-aid and tap fees	- -	69,280	69,280
Net Position - December 31, 2021	(1,421,393)	8,706,296	7,284,903
Net income	5,660	- -	5,660
Contribution in-aid and tap fees	- -	76,000	76,000
Net Position - December 31, 2022	$ (1,415,733)	$ 8,782,296	$ 7,366,563

The Notes to the Financial Statements are an integral part of these statements.

SOUTH ANDERSON WATER DISTRICT

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ 5,660	$ (63,906)
Adjustments to reconcile net income (loss) to increase in net cash provided by operating activities:		
Depreciation	328,614	319,293
Change in assets and liabilities, net of the effect of investing and financing activities:		
Accounts receivable	(12,089)	2,785
Inventory	(14,413)	(36,216)
Accounts payable	7,502	60,303
Accrued interest and other current liabilities	26,254	(20,026)
Net pension and OPEB liabilities and deferrals	26,875	58,899
Customer deposits	5,974	4,670
Net cash provided by operating activities	374,377	325,802
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	(304,623)	(153,009)
Net cash (used in) investing activities	(304,623)	(153,009)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributed capital	76,000	69,280
Payments on long-term debt	(110,000)	(153,083)
Net cash (used in) financing activities	(34,000)	(83,803)
Net increase in cash and cash equivalents	35,754	88,990
Cash and equivalents, beginning of year	1,759,379	1,670,389
Cash and equivalents, end of year	$ 1,795,133	$ 1,759,379
Reported on Statement of Net Postion as:		
Cash and cash equivalents	$ 765,283	$ 821,789
Restricted cash and cash equivalents	1,029,850	937,590
	$ 1,795,133	$ 1,759,379
Supplemental cash flows information		
Interest paid on long-term debt	$ 66,711	$ 122,611

The Notes to the Financial Statements are an integral part of these statements.

Note 1. Summary of Significant Accounting Policies

Nature of operations

South Anderson Water District (the District) was created pursuant to the provisions of KRS 71.440 to 71.520 for the purpose of furnishing a supply of treated water to rural Anderson County, Kentucky.

The District maintains its records in accordance with policies prescribed or permitted by the Kentucky Public Service Commission and the United States Rural Development Administration. The accompanying financial statements of the District have been prepared on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when incurred.

Basis of presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Principal operating revenues are charges to customers for water services and principal operating expenses are the costs of providing such services, including administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements. Net position is segregated into net investment in capital assets, contribution in-aid, and restricted and unrestricted net position.

Cash and cash equivalents and restricted cash

The District considers all short-term, highly liquid investments with original maturities of three months or less to be cash equivalents.

The District maintains its cash balances, which may exceed the federally insured limit, with several financial institutions. Management believes that credit risk related to these accounts is minimal. Certain assets of the District are classified as restricted for debt service.

Accounts receivable

Accounts receivable are stated at their net realizable value. The allowance for doubtful accounts is based on the aging of accounts receivable. Accounts are written off when they are deemed to be uncollectible.

Inventory

Inventory represents expendable supplies which are stated at lower of cost or net realizable value on a first-in, first-out basis. They are recorded as expenditures at the time individual inventory items are used.

Note 1. Summary of Significant Accounting Policies (Continued)

Certificates of deposit

Certificates of deposit are carried at cost which approximates fair value, as determined by quoted prices for similar certificates of deposit in active markets.

Property and equipment and depreciation

Utility plant and equipment with useful lives of more than one year are stated at cost, less accumulated depreciation, which is the cost when first dedicated to public service. Such basis includes applicable supervisory and overhead costs.

The cost of maintenance and repairs, including replacements of minor items of property, is charged to operating expenses. The cost of replacements of depreciable property units, as distinguished from minor items, is charged to utility plant. The cost of units of property replaced or retired, including cost of removal, net of any salvage value, is charged to accumulated depreciation.

Use of estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue and cost of water

The District bills customers on the 10th of each month based on gallons of water used the prior month. The District charges all uncollectible accounts directly against current earnings. The cost of water purchased is recorded during the period in which water is consumed.

Environmental contingency

The District from time to time is required to work with and handle chemicals and other hazardous materials in the normal course of business. As a result, there is the possibility that environmental conditions may arise which would require the District to incur cleanup costs. The likelihood of such an event, or the amount of such costs, if any, cannot be determined at this time. However, management does not believe such costs, if any, would materially affect the District's financial position or its future cash flows.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Deferred outflows/inflows of resources

In addition to assets, the statements of net position report a separate section for the deferred outflow of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then.

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

Net position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Adopted accounting pronouncement

Effective January 1, 2021, the District adopted GASB Statement No. 87, *Leases*. This pronouncement increases the usefulness of governments financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

The adoption of this pronouncement had no material impact on the District's financial position or results of operations.

Subsequent events

Management has evaluated subsequent events through June 15, 2023, the date the financial statements were available to be issued.

Note 2. Cash, Restricted Cash and Certificates of Deposit

Unrestricted and restricted cash and cash equivalents consist of the following:

	Unrestricted	
	2022	2021
Revenue account	$ 651,987	$ 719,153
Operation and maintenance account	112,896	102,236
Petty cash	400	400
	$ 765,283	$ 821,789

	Restricted	
	2022	2021
Construction extension	$ 286,594	$ 280,283
Debt service account	387,180	349,466
Interest and principal account	217,155	168,274
Regions sinking fund	138,921	139,567
	$ 1,029,850	$ 937,590

Custodial credit risk for deposits and investments is the risk that, in the event of failure by a financial institution, the District may not be able to recover the value of its deposits and investments or collateral securities that are in the possession of the financial institution.

At December 31, 2022 and 2021, the book balance of the District's cash and cash equivalents was $1,795,133 and $1,759,379, respectively, and the book balance of certificates of deposit was $446,818. The entire bank balances were covered by federal depository insurance or by collateralized U.S. government agency and local government agency securities held by the District's agent in the District's name.

Accounting principles generally accepted in the United States of America provides a framework for fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The methodology for measuring fair value specifies a three-tier hierarchy of valuation techniques based upon whether the inputs to those valuation techniques are based on quoted prices of identical assets or liabilities (Level 1), significant other observable inputs (Level 2), or significant other unobservable inputs that reflect the District's own assumptions of market participant valuation (Level 3).

Financial instruments that are subject to fair value measurements are limited to investments. Fair values of these financial instruments have been valued using a market approach and are measured using Level 2 inputs. The fair value of short-term investments approximates its carrying amount due to the short-term nature of these instruments.

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash, Restricted Cash and Certificates of Deposit (Continued)

Certificates of deposit at banks are listed below as of December 31:

	2022	2021
Customer security deposits	$ 143,000	143,000
Extension accounts	152,500	152,500
Debt service	87,500	87,500
Reserve account	63,818	63,818
	$ 446,818	$ 446,818

Note 3. Capital Assets

Capital assets consist of the following:

	Balance December 31, 2021	Increases	Decreases	Balance December 31, 2022
Capital assets not being depreciated:				
Land and land rights	$ 58,798	$ - -	$ - -	$ 58,798
Total capital assets not being depreciated	58,798	- -	- -	58,798
Capital assets being depreciated:				
Structures and improvements	442,566	7,300	- -	449,866
Reservoir and standpipes	393,270	- -	- -	393,270
Distribution mains	11,358,338	13,519	- -	11,371,857
Meter and meter installations	1,421,874	230,706	2,203	1,650,377
Hydrants	2,236	- -	- -	2,236
Bulk water station	29,441	27,658	- -	57,099
Transportation equipment	196,094	23,216	- -	219,310
Work equipment	77,137	1,994	- -	79,131
Office equipment	77,289	230	- -	77,519
Total capital assets being depreciated	13,998,245	304,623	2,203	14,300,665
Total capital assets	14,057,043	304,623	2,203	14,359,463
Accumulated depreciation:				
Structures and improvements	64,993	11,247	- -	76,240
Reservoir and standpipes	130,478	8,720	- -	139,198
Distribution mains	4,812,672	252,623	- -	5,065,295
Meter and meter installations	463,916	35,279	2,203	496,992
Hydrants	927	50	- -	977
Bulk water station	12,141	1,191	- -	13,332
Transportation equipment	177,544	10,536	- -	188,080
Work equipment	48,542	4,903	- -	53,445
Office equipment	69,342	4,065	- -	73,407
Total accumulated depreciation	5,780,555	328,614	2,203	6,106,966
Capital assets, net	$ 8,276,488			$ 8,252,497

Note 3. Capital Assets (Continued)

Depreciation expense is provided on the straight-line basis over the estimated useful lives of the assets. Depreciation rates range from 5 to 50 years. Depreciation expense for the years ended December 31, 2022 and 2021 was $328,614 and $319,293, respectively.

Note 4. Long-Term Debt

Substantially all assets are pledged as collateral on the long-term debt to the United States Rural Development Administration ("USDA") and Kentucky Rural Water Association ("KRWA") Series 2012B. Long term debt consists of:

	Interest Rate	Balance December 31, 2021	Increases	Decreases	Balance December 31, 2022	Due Within One Year
USDA Rural Development	4.1250%	$ 273,500	$ - -	$ - -	$ 273,500	$ 7,000
USDA Rural Development	4.0000%	926,500	- -	- -	926,500	14,000
KRWA Series 2012B	4.0000%	1,104,167	- -	110,000	994,167	114,583
		$ 2,304,167	$ - -	$ 110,000	$ 2,194,167	$ 135,583

Annual principal and interest payments for the years ending December 31 are as follows:

	Principal	Interest
2023	$ 135,583	$ 61,880
2024	82,000	57,375
2025	82,583	55,010
2026	84,000	52,569
2027	89,583	50,021
2028-2032	491,666	205,314
2033-2037	370,416	132,111
2038-2042	310,336	74,611
2043-2047	231,000	44,918
2048-2052	218,000	23,360
2053-2054	99,000	2,970
	$ 2,194,167	$ 760,139

Note 5. Contributions In-Aid of Construction

The members of the District and various government agencies have made contributions in aid of construction to facilitate the construction of the District's waterlines. As of December 31, 2022 and 2021, the District received $1,938,211 and $1,862,211, respectively, from members in the form of tap-on-fees, and received grants from federal, state, and local governmental agencies in the amount of $6,844,085. This includes grants from USDA-Rural Development, Community Development Block Grant Program, Kentucky Infrastructure Authority, and the local county government in Anderson County, Kentucky.

Note 6. Retirement Plan

Plan Description: The District elected to participate in the County Employees Retirement System (CERS), pursuant to Kentucky Revised Statute 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. All covered employees of the District are considered nonhazardous duty employees. Benefit contributions and provisions are established by statute. Historical trend information showing CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at 502-696-8800.

Benefits Provided: Benefits fully vest upon reaching five years of service. Aspects of benefits include retirement after 27 years of service or age 65. Employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Contributions: Covered employees are required to contribute 5.00% of their salary to the plan. Employees who begin participation on or after September 1, 2008 are required to contribute 6.00% of their salary to the plan. The District's contribution rate was 22.78% for January through June 2022 and 23.40% for July through December 2022, 19.30% for January through June 2021 and 21.17% for July through December 2021, and 19.30% for January through June 2020 and 19.30% for July through December 2020. The District made contributions to the plan in the amount of $62,453, $50,746 and $46,820 for the years ended December 31, 2022, 2021, and 2020, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At December 31, 2022 and 2021, the District reported a liability of $663,262 and $619,025, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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 employers, actuarially determined. At June 30, 2022 and 2021, the District's proportion was 0.009174% and 0.009709%, respectively, for nonhazardous covered employees.

Pension expense totaled $71,475 and $97,789 for the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022, the District had deferred outflows and inflows of resources related to its pension plan from the following sources:

Note 6. Retirement Plan (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ - -	$ - -
Net difference between projected and actual earnings on investments	90,250	73,246
Difference between actual and expected experience	709	5,907
Changes in portion and differences between contributions and proportionate share of contributions	11,476	23,550
Contributions subsequent to the measurement date	33,868	- -
	$ 136,303	$ 102,703

The District's deferred outflows of resources totaling $33,868 related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability during the year ending December 31, 2023. Other amounts reported as deferred inflows and outflows of resources as of December 31, 2022 will be recognized into pension expense (benefit) as follows:

2023	$ (2,816)
2024	(10,719)
2025	(5,575)
2026	18,842
Total	$ (268)

Actuarial assumptions: The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to years included in the measurement:

Inflation:	2.30%
Payroll growth rate:	2.00%
Salary increases:	3.30% to 10.30%, varies by service
Investment rate of return:	6.25%

The total pension liability, net pension liability, and sensitivity information as of June 30, 2022 were based on an actuarial valuation date of June 30, 2021. The total pension liability was rolled forward from the valuation date to the plan's fiscal year ended June 30, 2022, using generally accepted actuarial principles.

Note 6. Retirement Plan (Continued)

The mortality table used for active members is 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 non-disabled retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the 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 the MP-2014 mortality improvement scale using a base year of 2010.

The long-term expected rate of return was determined by using a building block method in which the best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The current long-term inflation assumption is 2.30% per annum for both the non-hazardous and hazardous fund.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Specialty Credit/High Yield	10.00%	2.28%
Core Bonds	10.00%	0.28%
Cash	0.00%	-0.91%
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
	100.00%	

Discount rate: The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Note 6. Retirement Plan (Continued)

Sensitivity of the District's 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:

	1% Decrease - 5.25%	Current Discount Rate - 6.25%	1% Increase - 7.25%
Net Pension Liability - Nonhazardous	$ 828,995	$ 663,262	$ 526,187
Total Net Pension Liability	$ 828,995	$ 663,262	$ 526,187

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued KRS financial report.

Note 7. Other Postemployment Benefits

Plan description: County Employees Retirement System consists of two plans, Non-Hazardous and Hazardous. Each plan is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan administered by the Kentucky Retirement Systems (KRS) under the provision of Kentucky Revised Statute Section 78.782 and 61.645. The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of each participating county, city, and any additional eligible local agencies electing to participate in CERS. The District participates in the nonhazardous plan.

Benefits provided: The KRS’ Insurance Fund was established to provide hospital and medical insurance for eligible members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

The amount of contribution paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Portion Paid by Insurance Fund	
Years of Service	Paid by Insurance Fund (%)
20 + Years	100.00%
15 - 19 Years	75.00%
10 - 14 Years	50.00%
4 - 9 Years	25.00%
< 4 Years	0.00%

Note 7. Other Postemployment Benefits (Continued)

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after July 1, 2003, earn $10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on, or after July 1, 2003 earn $15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives $10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5% based upon Kentucky Revised Statutes. This benefit is not protected under the inviolable contract provisions of KRS 61.692. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

Senate Bill 209 passed during the 2022 legislative session and increased the insurance dollar contribution for members hired on or after July 1, 2003, by $5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirements. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023. Senate Bill 209 also allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide the reimbursement of premiums for health plans other than those administered by KPPA.

Contributions: Nonhazardous covered employees are required to contribute 5.00% of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6.00% of their salary to the plan. The District's contribution rate was 4.17% for January through June 2022 and 3.39% for July through December 2022, 4.76% for January through June 2021 and 4.17% for July through December 2021, and 4.76% for January through June 2020 and 4.76% for July through December 2020. The District made contributions to the plan in the amount of $10,139, $13,232 and $11,547 for the years ended December 31, 2022, 2021, and 2020, respectively.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At December 31, 2022 and 2021, the District reported a liability of $181,050 and $185,817, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022 and 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2022, using generally accepted actuarial principles. The District's proportion of the net OPEB liability was based on the District's share of contributions to the OPEB plan relative to the contributions of all participating employers. At June 30, 2022 and 2021, the District's proportion was 0.009174% and 0.009706%, respectively, for nonhazardous covered employees.

For the year ended December 31, 2022 and 2021, the District recognized OPEB expense of $27,992 and $25,087, respectively. At December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Note 7. Other Postemployment Benefits (Continued)

		Deferred Outflows of Resources		Deferred Inflows of Resources
Changes in assumptions	$	28,634	$	23,595
Net difference between projected and actual earnings on investments		33,713		26,365
Difference between actual and expected experience		18,224		41,519
Changes in portion and differences between contributions and proportionate share of contributions		13,367		8,946
Contribution subsequent to the measurement date		4,907		- -
	$	98,845	$	100,425

The District's deferred outflows of resources of $4,907 related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability during the year ending December 31, 2023. Other amounts reported as deferred outflows and inflows of resources as of December 31, 2022 will be recognized into OPEB expense (benefit) as follows:

Year ending December 31:

2023	$	3,978
2024		2,590
2025		(12,005)
2026		(1,050)
Total	$	(6,487)

Actuarial assumptions: The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Amortization Period	30-year closed period at June 30, 2019
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Payroll Growth Rate	2.00%
Inflation	2.30%
Salary Increase	3.30% of 10.30% for CERS non-hazardous, varies by service
Investment Rate of Return	6.25%
Healthcare Cost Trend Rates (Pre-65)	Initial trend starting at 6.40% at 1/1/2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years
Healthcare Cost Trend Rates (Post-65)	Initial trend starting at 6.30% at 1/1/2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years

Note 7. Other Postemployment Benefits (Continued)

The mortality table used for active members is 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 non-disabled retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the 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 the MP-2014 mortality improvement scale using a base year of 2010.

The long-term expected return on plan assets was determined by using a building-block method in which best-estimate ranges of expected future real returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Specialty Credit/High Yield	10.00%	2.28%
Core Bonds	10.00%	0.28%
Cash	0.00%	-0.91%
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
	100.00%	

Discount rate: The discount rate used to measure the total OPEB liability was 5.70% for nonhazardous. 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 30 years (closed) 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 System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the ACFR.

Note 7. Other Postemployment Benefits (Continued)

Sensitivity of the District's 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% for nonhazardous, 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 (4.70% for nonhazardous) or 1-percentage-point higher (6.70% for nonhazardous) than the current rate:

	1% Decrease - 4.70%	Current Discount Rate - 5.70%	1% Increase - 6.70%
Net OPEB Liability - Nonhazardous	$ 242,035	$ 181,050	$ 130,636
Total Net OPEB Liability	$ 242,035	$ 181,050	$ 130,636

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates: The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability - Nonhazardous	$ 134,607	$ 181,050	$ 236,820
Total Net OPEB Liability	$ 134,607	$ 181,050	$ 236,820

Changes of assumptions: Subsequent to the actuarial valuation date, but prior to the measurement dates, the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2022. Specifically, total OPEB liability as of June 30, 2022 is determined using a 2.30% price inflation assumption and an assumed rate of return of 6.25%.

Pension plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems Annual Comprehensive Financial Report on the KRS website at www.kyret.ky.gov.

SOUTH ANDERSON WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY - CERS

	December 31,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
NON-HAZARDOUS									
District's proportion of net pension liability	0.009174%	0.009709%	0.009401%	0.008261%	0.008003%	0.007595%	0.009400%	0.009020%	0.008938%
District's proportionate share of the net pension liability	$ 663,262	$ 619,025	$ 721,049	$ 581,000	$ 487,407	$ 444,559	$ 463,064	$ 387,879	$ 291,000
District's covered-employee payroll	253,720	247,982	240,802	198,350	184,910	215,121	211,255	206,008	207,923
District's proportionate share of the net pension liability as a percentage of its employee-covered payroll	261.41%	249.62%	299.44%	292.92%	263.59%	206.66%	219.20%	188.28%	139.96%
Plan Fiduciary net position as a percentage of the total pension liability	52.42%	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%

* December 31, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014 reflect dates of the actuarial valuation as of June 30 of the same year

SOUTH ANDERSON WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO PENSION PLAN - CERS

	December 31, 2022	2021	2020	2019	2018	2017	2016	2015	2014
NON-HAZARDOUS									
Contractually required contribution	$ 62,453	$ 50,746	$ 46,820	$ 40,850	$ 28,721	$ 25,795	$ 26,718	$ 26,935	$ 28,306
Contributions in relation to the contractually required contribution	(62,453)	(50,746)	(46,820)	(40,850)	(28,721)	(25,795)	(26,718)	(26,935)	(28,306)
Contribution deficiency (excess)	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -
District's covered employee-payroll	$ 270,218	$ 250,505	$ 242,592	$ 228,318	$ 203,414	$ 187,427	$ 202,563	$ 213,940	$ 213,630
Contributions as a percentage of covered-employee payroll	23.11%	20.26%	19.30%	17.89%	14.12%	13.76%	13.19%	12.59%	13.25%

* December 31, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014 reflect financial reporting dates

SOUTH ANDERSON WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY - CERS

	December 31,					
	2022	2021	2020	2019	2018	2017
NON-HAZARDOUS						
District's proportion of net OPEB liability	0.009174%	0.009706%	0.009398%	0.008259%	0.008003%	0.007595%
District's proportionate share of the net OPEB liability	$ 181,050	$ 185,817	$ 226,933	$ 138,913	$ 142,092	$ 152,685
District's covered-employee payroll	253,720	247,982	240,802	198,350	184,910	215,121
District's proportionate share of the net OPEB liability as a percentage of its employee-covered payroll	71.36%	74.93%	94.24%	70.03%	76.84%	70.98%
Plan Fiduciary net position as a percentage of the total OPEB liability	60.95%	62.91%	51.67%	60.44%	57.62%	52.39%

* December 31, 2022, 2021, 2020, 2019, 2018 and 2017 reflect dates of the actuarial valuation as of June 30 of the same year

SOUTH ANDERSON WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO OPEB PLAN - CERS

	December 31,					
	2022	2021	2020	2019	2018	2017
NON-HAZARDOUS						
Contractually required contribution	$ 10,139	$ 13,232	$ 11,547	$ 11,390	$ 10,130	$ 9,034
Contributions in relation to the contractually required contribution	(10,139)	(13,232)	(11,547)	(11,390)	(10,130)	(9,034)
Contribution deficiency (excess)	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -
District's covered employee-payroll	$ 270,218	$ 250,505	$ 242,592	$ 228,318	$ 203,414	$ 187,427
Contributions as a percentage of covered-employee payroll	3.75%	5.28%	4.76%	4.99%	4.98%	4.82%

* December 31, 2022, 2021, 2020, 2019, 2018 and 2017 reflect financial reporting dates

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 Commissioners
South Anderson Water District
Lawrenceburg, 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 South Anderson Water District, as of and for the year ended December 31, 2022, and the related notes to the financial statements, and have issued our report thereon dated June 15, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered South Anderson Water District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the South Anderson Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of South Anderson Water District's internal control.

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

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

Certified Public Accountants and Advisors
401 West Main Street, Suite 1100 Louisville, Kentucky 40202 tel: 502.583.0248 fax: 502.589.1680 www.jnmcpa.com

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Anderson 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*.

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.

Jones, Nale & Mattingly PLC

Louisville, Kentucky
June 15, 2023