SOUTH ANDERSON WATER DISTRICT

FINANCIAL STATEMENT REPORT

DECEMBER 31, 2023

CONTENTS

JNM

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, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of December 31, 2023 and 2022, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our 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.

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

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 May 31, 2024, 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
May 31, 2024

SOUTH ANDERSON WATER DISTRICT

STATEMENTS OF NET POSITION
December 31, 2023 and 2022

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	$ 659,645	$ 765,283
Certificates of deposit	143,000	143,000
Receivables, less allowance for doubtful accounts of $604 in 2023 and $749 in 2022	155,652	160,571
Inventory	107,553	102,892
Restricted cash and cash equivalents	1,090,915	1,029,850
Total current assets	2,156,765	2,201,596
Noncurrent assets		
Capital assets	14,603,733	14,359,463
Less accumulated depreciation	(6,432,514)	(6,106,966)
Total noncurrent assets	8,171,219	8,252,497
Other assets		
Certificates of deposit	303,818	303,818
Total assets	10,631,802	10,757,911
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	168,254	136,303
Deferred outflows related to OPEB	79,293	98,845
Total deferred outflows of resources	247,547	235,148
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 10,879,349	$ 10,993,059

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

SOUTH ANDERSON WATER DISTRICT

STATEMENTS OF NET POSITION (Continued)
December 31, 2023 and 2022

	2023	2022
LIABILITIES		
Current liabilities		
Current portion of long-term debt	$ 82,000	$ 135,583
Accounts payable	132,662	166,605
Other current liabilities	19,621	19,627
Accrued interest payable	23,847	24,171
Customer deposits	175,185	174,486
Total current liabilities	433,315	520,472
Noncurrent liabilities		
Accrued vacation	20,249	- -
Long-term debt, less current portion	1,976,583	2,058,584
Net pension liability	632,539	663,262
Net OPEB liability (asset)	(13,611)	181,050
Total noncurrent liabilities	2,615,760	2,902,896
Total liabilities	3,049,075	3,423,368
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	147,807	102,703
Deferred inflows related to OPEB	247,145	100,425
Total deferred inflows of resources	394,952	203,128
NET POSITION		
Net invested in capital assets	6,112,636	6,058,330
Contribution in-aid	8,822,509	8,782,296
Restricted	1,090,915	1,029,850
Unrestricted (deficit)	(8,590,738)	(8,503,913)
Total net position	7,435,322	7,366,563
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$ 10,879,349	$ 10,993,059

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, 2023 and 2022

	2023	2022
REVENUE		
Water sales	$ 1,803,725	$ 1,773,335
Other water revenues	120,644	100,381
	1,924,369	1,873,716
EXPENSES		
Cost of goods sold	649,466	674,939
Salaries and wages	317,369	270,218
Comission fees	18,000	18,000
Payroll taxes and benefits	104,091	177,917
Utilities	29,163	43,893
Depreciation	333,158	328,614
Contractual services	149,012	85,657
Chemicals and materials	180,525	140,367
Transportation	33,586	23,389
Office supplies	28,158	25,564
Bad debt	2,011	9,094
Insurance	30,234	25,787
Total expenses	1,874,773	1,823,439
Income from operations	49,596	50,277
OTHER INCOME		
Sewer fee	13,977	11,539
Interest income	21,077	6,811
Other income	16,912	27,915
	51,966	46,265
OTHER EXPENSE		
Interest expense	(73,016)	(90,882)
Net income	$ 28,546	$ 5,660

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

SOUTH ANDERSON WATER DISTRICT

STATEMENTS OF CHANGES IN NET POSITION
December 31, 2023 and 2022

	Net Position		
	Other (deficit)	Contribution In-Aid	Total
Net Position - January 1, 2022	$ (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
Net income	28,546	- -	28,546
Contribution in-aid and tap fees	- -	40,213	40,213
Net Position - December 31, 2023	$ (1,387,187)	$ 8,822,509	$ 7,435,322

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, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 28,546	$ 5,660
Adjustments to reconcile net income to increase in net cash provided by operating activities:		
Depreciation	333,158	328,614
Change in assets and liabilities, net of the effect of investing and financing activities:		
Accounts receivable	4,919	(12,089)
Inventory	(4,661)	(14,413)
Accounts payable	(33,943)	7,502
Accrued interest and other current liabilities	(330)	26,254
Accrued vacation	20,249	- -
Net pension and OPEB liabilities and deferrals	(45,959)	26,875
Customer deposits	699	5,974
Net cash provided by operating activities	302,678	374,377
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	(251,880)	(304,623)
Net cash (used in) investing activities	(251,880)	(304,623)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributed capital	40,213	76,000
Payments on long-term debt	(135,584)	(110,000)
Net cash (used in) financing activities	(95,371)	(34,000)
Net increase (decrease) in cash and cash equivalents	(44,573)	35,754
Cash and equivalents, beginning of year	1,795,133	1,759,379
Cash and equivalents, end of year	$ 1,750,560	$ 1,795,133
Reported on Statement of Net Postion as:		
Cash and cash equivalents	$ 659,645	$ 765,283
Restricted cash and cash equivalents	1,090,915	1,029,850
	$ 1,750,560	$ 1,795,133
Supplemental cash flows information		
Interest paid on long-term debt	$ 73,340	$ 91,778

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

NOTES TO FINANCIAL 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.

NOTES TO FINANCIAL STATEMENTS

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)

Compensated Absences

Compensated absences include unpaid vacation benefits. In the statement of net position, all accumulated vacation benefits are accrued when incurred. Earned vacation benefits may be paid upon termination of employment. District employees are granted leave benefits in varying amounts in accordance with administrative policy. Accrued sick pay is not payable upon retirement, resignation, and/or death and is not accrued.

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.

Subsequent events

Management has evaluated subsequent events through May 31, 2024, the date the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash, Restricted Cash and Certificates of Deposit

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

	Unrestricted	
	2023	2022
Revenue account	$ 500,974	$ 651,987
Operation and maintenance account	158,271	112,896
Petty cash	400	400
	$ 659,645	$ 765,283

	Restricted	
	2023	2022
Construction extension	$ 295,194	$ 286,594
Debt service account	426,619	387,180
Interest and principal account	222,804	217,155
Regions sinking fund	146,298	138,921
	$ 1,090,915	$ 1,029,850

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, 2023 and 2022, the book balance of the District's cash and cash equivalents was $1,750,560 and $1,795,133, 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.

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

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

	2023	2022
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, 2022	Increases	Decreases	Balance December 31, 2023
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	449,866	30,226	- -	480,092
Reservoir and standpipes	393,270	5,978	- -	399,248
Distribution mains	11,371,857	5,424	- -	11,377,281
Meter and meter installations	1,650,377	68,546	7,610	1,711,313
Hydrants	2,236	- -	- -	2,236
Bulk water station	57,099	25,392	- -	82,491
Transportation equipment	219,310	28,878	- -	248,188
Work equipment	79,131	78,768	- -	157,899
Office equipment	77,519	8,668	- -	86,187
Total capital assets being depreciated	14,300,665	251,880	7,610	14,544,935
Total capital assets	14,359,463	251,880	7,610	14,603,733
Accumulated depreciation:				
Structures and improvements	76,240	12,002	- -	88,242
Reservoir and standpipes	139,198	7,702	- -	146,900
Distribution mains	5,065,295	245,131	- -	5,310,426
Meter and meter installations	496,992	36,803	7,610	526,185
Hydrants	977	38	- -	1,015
Bulk water station	13,332	1,755	- -	15,087
Transportation equipment	188,080	11,610	- -	199,690
Work equipment	53,445	12,465	- -	65,910
Office equipment	73,407	5,652	- -	79,059
Total accumulated depreciation	6,106,966	333,158	7,610	6,432,514
Capital assets, net	$ 8,252,497			$ 8,171,219

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, 2023 and 2022 was $333,158 and $328,614, 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, 2022	Increases	Decreases	Balance December 31, 2023	Due Within One Year
USDA Rural Development	4.1250%	$ 273,500	$ - -	$ 7,000	$ 266,500	$ 7,500
USDA Rural Development	4.0000%	926,500	- -	14,000	912,500	14,500
KRWA Series 2012B	4.0000%	994,167	- -	114,584	879,583	60,000
		$ 2,194,167	$ - -	$ 135,584	$ 2,058,583	$ 82,000

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

	Principal	Interest
2024	$ 82,000	$ 57,375
2025	82,582	55,011
2026	84,000	52,569
2027	89,583	50,021
2028	91,500	47,213
2029-2033	470,999	188,988
2034-2038	384,169	120,520
2039-2043	274,750	66,308
2044-2048	222,000	40,265
2049-2053	227,500	19,000
2054-2055	49,500	990
	$ 2,058,583	$ 698,260

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, 2023 and 2022, the District received cumulatively $1,978,423 and $1,938,210, respectively, from members in the form of tap-on-fees, and received grants from federal, state, and local governmental agencies cumulatively in the amount of $6,844,086 and $6,844,086, respectively. This includes grants from USDA-Rural Development, Community Development Block Grant Program, Kentucky Infrastructure Authority, and the local county government in Anderson County, Kentucky.

NOTES TO FINANCIAL STATEMENTS

Note 6. Retirement Plan

Plan Description: The District elected to participate in the County Employees Retirement System (CERS), pursuant to Kentucky Revised Statute 78.782 and 61.645 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 23.40% for January through June 2023 and 23.34% for July through December 2023, 22.78% for January through June 2022 and 23.40% for July through December 2022, and 19.30% for January through June 2021 and 22.78% for July through December 2021. The District made contributions to the plan in the amount of $69,433, $62,453 and $50,746 for the years ended December 31, 2023, 2022, and 2021, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At December 31, 2023 and 2022, the District reported a liability of $632,539 and $663,262, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023 and 2022, 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, 2023 and 2022, the District's proportion was 0.009858% and 0.009174%, respectively, for nonhazardous covered employees.

Note 6. Retirement Plan (Continued)

Pension expense totaled $51,863 and $71,475 for the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023, the District had deferred outflows and inflows of resources related to its pension plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ - -	$ 57,973
Net difference between projected and actual earnings on investments	68,332	76,960
Difference between actual and expected experience	32,745	1,719
Changes in portion and differences between contributions and proportionate share of contributions	30,836	11,155
Contributions subsequent to the measurement date	36,341	- -
	$ 168,254	$ 147,807

The District's deferred outflows of resources totaling $36,341 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, 2024. Other amounts reported as deferred inflows and outflows of resources as of December 31, 2023 will be recognized into pension expense (benefit) as follows:

Year ending December 31:	
2024	$ (14,108)
2025	(9,782)
2026	14,121
2027	(6,125)
Total	$ (15,894)

Actuarial assumptions: The total pension liability in the June 30, 2023 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, 2023 were based on an actuarial valuation date of June 30, 2022. The total pension liability was rolled forward from the valuation date to the plan's fiscal year ended June 30, 2023, 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-2020 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 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

The CERS Board of Trustees adopted new actuarial assumptions on May 9, 2023 and include a change in the investment return assumption from 6.25% to 6.50%. The KRS Board of Trustees adopted new actuarial assumptions on June 5, 2023. These assumptions are documented in the report titled "2022 Actuarial Experience Study for the Period Ending June 30, 2022." The Total Pension Liability as of June 30, 2023, is determined using these updated assumptions.

House Bill 506 passed during the 2023 legislative session and reinstated the Partial Lump Sum Option form of payment for members who retire on and after January 1, 2024, with the lump-sum options expanded to include 48 or 60 times the member's monthly retirement allowance. Since this optional form of payment results in a reduced, actuarial equivalent, monthly retirement allowance for members who elect a partial lump-sum option, this provision does not have a fiscal impact to the total pension liability.

House Bill 506 also adjusted the minimum required separation period before a retiree may become reemployed and continue to receive their retirement allowance to one month under all circumstances. This is a minimal change for members in the hazardous plans, as the minimum separation period was already one month for members who became reemployed on a full-time basis in a hazardous position. The requirement was previously three months only for members who became reemployed on a part-time basis or in any nonhazardous position. GRS believes this provision of House Bill 506 will have an insignificant impact on the retirement pattern of hazardous members and therefore have reflected no fiscal impact to the total pension liability of the hazardous plan.

Similarly, this is a relatively small change for future retirees in the nonhazardous plans. But as the minimum separation period was previously three months in almost every circumstance, GRS assumed that there would be a one percent (1%) increase in the rate of retirement for each of the first two years a nonhazardous member becomes retirement eligible under the age of 65 in order to reflect a shift in the retirement pattern. The total pension liability as of June 30, 2023, for the nonhazardous plans in determined using these updated benefits provisions.

There have been no other plan provision changes that would materially impact the total pension liability since June 30, 2022. It is GRS's opinion that these procedures for determining the information contained in this report are reasonable, appropriate, and comply with applicable requirements under GASB No. 68.

Discount rate: The projection of cash flows used to determine the discount rate of 6.50% for CERS Nonhazardous and CERS Hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute, as amended by House Bill 362, (passed in 2018) over the remaining 28 years (closed) amortization period of the unfunded actuarial accrued liability.

Note 6. Retirement Plan (Continued)

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%	5.90%
Private Equity	10.00%	11.73%
Core Fixed Income	10.00%	2.45%
Specialty Credit	10.00%	3.65%
Cash	0.00%	1.39%
Real Estate	7.00%	4.99%
Real Return	13.00%	5.15%
	100.00%	

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 6.50%, 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 (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	1% Decrease - 5.50%	Current Discount Rate - 6.50%	1% Increase - 7.50%
Net Pension Liability - Nonhazardous	$ 798,619	$ 632,539	$ 494,521
Total Net Pension Liability	$ 798,619	$ 632,539	$ 494,521

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: CERS Nonhazardous and CERS Hazardous are cost-sharing multiple-employer other post-employment benefits (OPEB) plans that cover all regular full-time members employed in nonhazardous and hazardous positions of any state department, board, agency, county, city, school board, and any additional eligible local agencies electing to participate. The plans provide for health insurance benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances.

NOTES TO FINANCIAL STATEMENTS

Note 7. Other Postemployment Benefits (Continued)

The CERS Nonhazardous and CERS Hazardous are reported as OPEB trust funds and are accounted for on the accrual basis of accounting. OPEB contributions are determined by the CERS Board and required by the employers, and the employees' contributions are set by Kentucky Revised Statute 78.5536(3)(b)(1) and 61.702(3)(b)(1). KPPA recognized employer and employee contributions to the plans through June 30, 2023. OPEB expenses are recognized as the benefits come due for the CERS Nonhazardous and CERS Hazardous Plans, which includes payments made to the Department of Employee Insurance (DEI), and Humana Inc. for OPEB costs incurred for the fiscal year ended June 30, 2023. KPPA contracts with DEI and Humana to administer the claims. DEI administers retiree claims for retirees who are non-Medicare eligible, and Humana administers retiree claims for members who are Medicare eligible. Since the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. GASB 74 requires that the liability associated with this implicit subsidy be included in the calculation of the Total OPEB Liability. The plans are charged administrative expenses based on the number of members and dependents electing an insurance policy provided by DEI or Humana, on a monthly basis.

House Bill 506 passed during the 2023 legislative session reinstated the Partial Lump Sum Option form of payment for members who retire on and after January 1, 2024 and adjusted the minimum required separation period before a retiree may become reemployed and continue to receive their retirement allowance to one month for all circumstances.

This is a minimal change for members in the hazardous plans, as the minimum separation period was already one month for members who became reemployed on a full-time basis in a hazardous position. The requirement was previously three months only for members who became reemployed on a part-time basis in any nonhazardous position. GRS believes this provision of House Bill 506 will have an insignificant impact on the retirement pattern of hazardous members and therefore have reflected no fiscal impact to the total OPEB liability of the hazardous plan.

Similarly, this is a relatively small change for future retirees in the nonhazardous plan. But as the minimum separation period was previously three months in almost every circumstance, GRS assumed that there would be a one percent (1%) increase in the rate of retirement for each of the first two years a nonhazardous member becomes retirement eligible under the age of 65, in order to reflect a shift in the retirement pattern. The total OPEB liability as of June 30, 2023, for the nonhazardous plan is determined using these updated benefit provisions.

Contributions: Nonhazardous covered employees are required to contribute 5.00% of their salary to the CERS plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6.00% of their salary to the CERS plan. The one percent (1%) of pay member contributions for Tier 2 and Tier 3 members to a 401(h) subaccount on the Pension Funds are considered as an OPEB asset. As a result, the reported plan fiduciary net position for the Insurance Fund as of June 30, 2017, includes the 401(h) asset balance.

The District's contribution rate was 3.39% for January through June 2023 and 0.00% for July through December 2023, 4.17% for January through June 2022 and 3.39% for July through December 2022, and 4.76% for January through June 2021 and 4.17% for July through December 2021. The District made contributions to the plan in the amount of $4,794, $10,139 and $13,232 for the years ended December 31, 2023, 2022, and 2021, respectively.

Note 7. Other Postemployment Benefits (Continued)

OPEB Liabilities (Assets), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At December 31, 2023 and 2022, the District reported a liability (asset) of $(13,611) and $181,050, respectively, for its proportionate share of the net OPEB liability (asset). The net OPEB liability (asset) was measured as of June 30, 2023 and 2022, and the total OPEB liability (asset) used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of June 30, 2022. The total OPEB liability (asset) was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2023, using generally accepted actuarial principles. The District's proportion of the net OPEB liability (asset) was based on the District's share of contributions to the OPEB plan relative to the contributions of all participating employers. At June 30, 2023 and 2022, the District's proportion was 0.009858% and 0.009174%, respectively, for nonhazardous covered employees.

For the year ended December 31, 2023 and 2022, the District recognized OPEB expense (benefit) of ($23,595) and $27,992, respectively. At December 31, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 26,785	$ 18,666
Net difference between projected and actual earnings on investments	25,472	28,631
Difference between actual and expected experience	9,489	193,257
Changes in portion and differences between contributions and proportionate share of contributions	17,547	6,591
	$ 79,293	$ 247,145

The District's deferred outflows of resources of zero 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, 2024. Other amounts reported as deferred outflows and inflows of resources as of December 31, 2023 will be recognized into OPEB expense (benefit) as follows:

Year ending December 31:	
2024	$ (38,044)
2025	(53,388)
2026	(41,564)
2027	(34,856)
Total	$ (167,852)

Note 7. Other Postemployment Benefits (Continued)

Actuarial assumptions: The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2021
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 6.30% at 1/1/2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 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

The mortality table used for active members is Pub-2010 General Mortality table projected with the ultimate rates from the MP-2020 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 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

Discount rate: The discount rate used to measure the total OPEB liability was 5.93% 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 6.50%, and a municipal bond rate of 3.86%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2023. 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 allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Note 7. Other Postemployment Benefits (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	50.00%	5.90%
Private Equity	10.00%	11.73%
Core Fixed Income	10.00%	2.45%
Specialty Credit	10.00%	3.65%
Cash	0.00%	1.39%
Real Estate	7.00%	4.99%
Real Return	13.00%	5.15%
	100.00%	

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 5.93% 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 (4.93% for nonhazardous) or 1-percentage-point higher (6.93% for nonhazardous) than the current rate:

	1% Decrease - 4.93%	Current Discount Rate - 5.93%	1% Increase - 6.93%
Net OPEB Liability (Asset) - Nonhazardous	$ 25,542	$ (13,611)	$ (46,396)
Total Net OPEB Liability	$ 25,542	$ (13,611)	$ (46,396)

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 (Asset) - Nonhazardous	$ (43,624)	$ (13,611)	$ 23,258
Total Net OPEB Liability	$ (43,624)	$ (13,611)	$ 23,258

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, 2023. Specifically, total OPEB liability as of June 30, 2023 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,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
NON-HAZARDOUS										
District's proportion of net pension liability	0.009858%	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	$ 632,539	$ 663,262	$ 619,025	$ 721,049	$ 581,000	$ 487,407	$ 444,559	$ 463,064	$ 387,879	$ 291,000
District's covered-employee payroll	286,154	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	221.05%	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	57.48%	52.42%	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%

* December 31, 2023, 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,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
NON-HAZARDOUS										
Contractually required contribution	$ 69,433	$ 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	(69,433)	(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	297,120	$ 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	23.37%	23.11%	20.26%	19.30%	17.89%	14.12%	13.76%	13.19%	12.59%	13.25%

* December 31, 2023, 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 (ASSET) - CERS

	December 31,						
	2023	2022	2021	2020	2019	2018	2017
NON-HAZARDOUS							
District's proportion of net OPEB liability (asset)	0.009858%	0.009174%	0.009706%	0.009398%	0.008259%	0.008003%	0.007595%
District's proportionate share of the net OPEB liability (asset)	$ (13,611)	$ 181,050	$ 185,817	$ 226,933	$ 138,913	$ 142,092	$ 152,685
District's covered-employee payroll	286,154	253,720	247,982	240,802	198,350	184,910	215,121
District's proportionate share of the net OPEB liability (asset) as a percentage of its employee-covered payroll	-4.76%	71.36%	74.93%	94.24%	70.03%	76.84%	70.98%
Plan Fiduciary net position as a percentage of the total OPEB liability (asset)	104.23%	60.95%	62.91%	51.67%	60.44%	57.62%	52.39%

* December 31, 2023, 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,						
	2023	2022	2021	2020	2019	2018	2017
NON-HAZARDOUS							
Contractually required contribution	$ 4,794	$ 10,139	$ 13,232	$ 11,547	$ 11,390	$ 10,130	$ 9,034
Contributions in relation to the contractually required contribution	(4,794)	(10,139)	(13,232)	(11,547)	(11,390)	(10,130)	(9,034)
Contribution deficiency (excess)	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -	$ - -
District's covered employee-payroll	297,120	$ 270,218	$ 250,505	$ 242,592	$ 228,318	$ 203,414	$ 187,427
Contributions as a percentage of covered-employee payroll	1.61%	3.75%	5.28%	4.76%	4.99%	4.98%	4.82%

* December 31, 2023, 2022, 2021, 2020, 2019, 2018 and 2017 reflect financial reporting dates

Jones, Nale & Mattingly PLC

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, 2023, and the related notes to the financial statements, and have issued our report thereon dated May 31, 2024.

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
May 31, 2024