

# ***BARKLEY LAKE WATER DISTRICT***

***FINANCIAL AUDIT***

***December 31, 2015***

**BARKLEY LAKE WATER DISTRICT  
PO BOX 308  
CADIZ, KY 42211**

**FINANCIAL AUDIT**

**DECEMBER 31, 2015**

## TABLE OF CONTENTS

	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Financial Statements	
- Statement of Net Position - Proprietary Fund	9
- Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund	10
- Statement of Cash Flows	11
Notes to the Financial Statements	13
Required Supplementary Information	
- Net Pension Liability	30
- Schedule of Required Contributions	31
- Schedule of Changes in Benefits and Assumptions	32
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 <i>Government Auditing Standards</i>	33



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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Commissioners  
Barkley Lake Water District  
PO Box 308  
Cadiz, Kentucky 42211

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of Barkley Lake Water District, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Adding Value to Your Bottom Line***

Member AICPA-KYCPA

To the Board of Commissioners  
May 4, 2016  
Page 2 of 2

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Barkley Lake Water District as of December 31, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 through 8, as well as the Schedule of Proportionate Share of Net Pension Liability and Schedule of Required Contributions on pages 30 through 32, be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2016, on our consideration of Barkley Lake Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Barkley Lake Water District's internal control over financial reporting and compliance.

*Calhoun & Company*

Hopkinsville, Kentucky  
May 4, 2016

# **BARKLEY LAKE WATER DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015**

The Management's Discussion and Analysis of the Barkley Lake Water District (District) provides a narrative overview and analysis of the District's financial statements and the activities of the District for the year ended December 31, 2015. Readers are encouraged to consider the information presented here in conjunction with additional information found within the body of the accompanying financial statements.

## **Financial Highlights**

- The District's 2015 operating revenues of \$2,509,924 increased 2% from 2014, while 2015 operating expenses of \$2,442,342 increased 1% from 2014.
- The District's net position, a measure of current financial resources, increased by \$523,440. Additionally, a prior period adjustment resulting in a reduction of Net Position \$733,358 was recorded, resulting in a December 31, 2015 balance of \$7,937,865.
- The District's unrestricted cash available for operating expenses was \$1,554,814 at December 31, 2015.
- The District's investment in utility plant, net of depreciation, including the construction in progress, was \$15,939,842 at December 31, 2015.

## **Overview of Financial Statements**

Barkley Lake Water District is a self-reporting proprietary fund. The District's basic financial statements include a statement of net position, statement of revenues, expenses and changes in fund net position, statement of cash flows and notes to the financial statements. The District does not include financial information of any other entity, nor is it included in the financial information of any other entity.

The District's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB).

### **Statement of Net Position**

The statement of net position presents the financial position of the District. It represents information on the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

### **Statement of Revenues, Expenses and Changes in Fund Net Position**

The statement of revenues, expenses and changes in fund net position presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Revenues are recognized when they are earned, not when they are received. Expenses are recognized when incurred, not when they are paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

### **Statement of Cash Flows**

The statement of cash flows presents information on the effects changes in assets and liabilities have on cash during the course of the fiscal year.

**BARKLEY LAKE WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

**Overview of the District's Financial Position and Results of Operations**

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$7,937,865 at December 31, 2015.

The largest portion of the District's net position reflects its net investment in capital assets of \$4,787,610 (e.g. water tanks, land and improvements, buildings and improvements, equipment and distribution systems) less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be liquidated to service these liabilities.

The District's restricted net position totaled \$2,289,567 at December 31, 2015 and consisted of cash restricted for debt service and construction.

Unrestricted net position totaled \$860,688 at December 31, 2015.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets. The District's overall financial position and operations for the year ended December 31, 2015 as compared to December 31, 2014 are as follows:

**BARKLEY LAKE WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**Net Position**

	<u>2015</u>	<u>2014</u>
<b>Assets</b>		
Current Assets	\$ 3,745,070	\$ 4,021,098
Capital Assets	15,939,842	15,583,104
Noncurrent Assets	<u>775,036</u>	<u>815,350</u>
Total Assets	<u>20,459,948</u>	<u>20,419,552</u>
<b>Deferred Outflows of Resources</b>		
Deferred Loss on Refunding Bonds	16,435	18,587
Deferred Outflow of Resources Related to Pension	<u>254,536</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>270,971</u>	<u>18,587</u>
<b>Liabilities</b>		
Current Liabilities	399,559	792,774
Long-term Liabilities	<u>12,393,495</u>	<u>11,497,582</u>
Total Liabilities	<u>12,793,054</u>	<u>12,290,356</u>
<b>Net Position</b>		
Net Investment in Capital Assets	4,787,610	4,156,806
Restricted - Expendable	2,289,567	2,949,808
Unrestricted	<u>860,688</u>	<u>1,041,169</u>
Total Net Position	<u>\$ 7,937,865</u>	<u>\$ 8,147,783</u>



**BARKLEY LAKE WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**Change in Net Position**

	<u>2015</u>	<u>2014</u>
<b>Revenues</b>		
Operating Revenues	\$ 2,509,924	\$ 2,457,020
Non-Operating Revenues	353,985	45,621
Capital Contributions	<u>496,811</u>	<u>183,065</u>
Total Revenues	<u>3,360,720</u>	<u>2,685,706</u>
<b>Expenses</b>		
Operating Expenses	2,442,342	2,411,085
Non-Operating Expenses	<u>394,938</u>	<u>386,872</u>
Total Expenses	<u>2,837,280</u>	<u>2,797,957</u>
Change in Net Position	<u>523,440</u>	<u>(112,251)</u>
Net Position, Beginning of Year	8,147,783	8,260,034
Net Position, Prior Period Adjustment	<u>(733,358)</u>	<u>-</u>
Net Position, Beginning of Year as Restated	<u>7,414,425</u>	<u>8,260,034</u>
<b>Net Position, Ending of Year</b>	<u><u>\$ 7,937,865</u></u>	<u><u>\$ 8,147,783</u></u>

**BARKLEY LAKE WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**Capital Assets**

The District's investment in capital assets, net of depreciation as of December 31, 2015 was as follows:

	Balance January 1, 2015	Additions (Eliminations)	Balance December 31, 2015
<b>Nondepreciable Assets</b>			
Land	\$ 117,522	\$ -	\$ 117,522
Construction in Progress	757,690	(234,192)	523,498
Total Nondepreciable Assets	875,212	(234,192)	641,020
<b>Depreciable Assets</b>			
Buildings	10,478,823	-	10,478,823
Pumping Equipment	23,034	(1,600)	21,434
Transmission Lines	11,102,029	1,003,046	12,105,075
Meters	1,652,734	61,325	1,714,059
Plant Equipment	524,204	8,282	532,486
Office Equipment	115,148	-	115,148
Vehicles	279,143	(2,600)	276,543
Total Depreciable Assets	24,175,115	1,068,453	25,243,568
Accumulated Depreciation	(9,467,223)	(477,523)	(9,944,746)
Net Depreciable Assets	14,707,892	590,930	15,298,822
<b>Net Capital Assets</b>	<b>\$ 15,583,104</b>	<b>\$ 356,738</b>	<b>\$ 15,939,842</b>

During the year ended December 31, 2015, the District continued work on the Cerulean project and an additional \$995,380 was charged to construction in progress. Total construction in progress at year end was \$523,498. Depreciation expense for the year was \$647,998. The District complete work on the Cerulean Water Project and the Pete Light Hill Project during the year, all costs were capitalized when completed.

**BARKLEY LAKE WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**Long-term Debt**

Debt activity for the year ended December 31, 2015 was as follows:

	Balance January 1, 2015	Additions (Payments)	Balance December 31, 2015	Current Maturities
Bond Series 2005	\$ 1,067,000	\$ (18,000)	\$ 1,049,000	\$ 18,500
Bond Series 2008C	2,495,000	(110,000)	2,385,000	110,000
Bond Series 2010A	3,956,500	(47,000)	3,909,500	49,000
Bond Series 2010B	1,762,985	(25,500)	1,737,485	26,500
Bond Series 2012E	1,325,000	(75,000)	1,250,000	50,000
Bond Series 2014	-	825,000	825,000	-
Bond Anticipation	825,000	(825,000)	-	-
Premium on Bond 2012E	13,400	(718)	12,682	718
	<u>11,444,885</u>	<u>(276,218)</u>	<u>11,168,667</u>	<u>254,718</u>
Compensated Absences	23,441	(5,706)	17,735	-
Customer Deposits	305,474	447	305,921	-
Net Pension Liability	-	1,155,890	1,155,890	-
	<u>\$ 11,773,800</u>	<u>\$ 874,413</u>	<u>\$ 12,648,213</u>	<u>\$ 254,718</u>

Interest expense of \$389,544 was paid during the year ended December 31, 2015.

**Request for Information**

This financial report is designed to provide a general overview of the Barkley Lake Water District's finances for all those with an interest in the government's finances. Questions or requests for additional information may be addressed to Scott Bridges, Chairman, Barkley Lake Water District, P.O. Box 308, Cadiz, Kentucky 42211.

**BARKLEY LAKE WATER DISTRICT**  
**STATEMENT OF NET POSITION - PROPRIETARY FUND**  
**DECEMBER 31, 2015**

**Assets**

**Current Assets**

Cash and Cash Equivalents	\$ 1,554,814
Accounts Receivable	391,425
Other Receivables	13,579
Inventory	250,009
Prepaid Expenses	20,187
Restricted Cash	<u>1,515,056</u>
 Total Current Assets	 <u>3,745,070</u>

**Noncurrent Assets**

Restricted Cash	<u>774,511</u>
 Total Restricted Cash	 <u>774,511</u>

**Capital Assets**

Depreciable Capital Assets, Net of Depreciation	15,298,822
Non-depreciable Capital Assets	<u>641,020</u>
 Total Capital Assets	 <u>15,939,842</u>

**Other Assets**

Utility Deposit	<u>525</u>
 Total Other Assets	 <u>525</u>

Total Noncurrent Assets	<u>16,714,878</u>
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<b>Total Assets</b>	<b><u>20,459,948</u></b>
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**Deferred Outflows of Resources**

Deferred Loss on Refunding Bonds	16,435
Deferred Outflow of Resources Related to Pension	<u>254,536</u>
 Total Deferred Outflows of Resources	 <u>270,971</u>

**Liabilities****Current Liabilities**

Accounts Payable	24,887
Payroll Liabilities	11,262
Accrued Expenses:	
Taxes	6,462
Interest	102,230
Current Maturities of Long-Term Debt	<u>254,718</u>
 Total Current Liabilities	 <u>399,559</u>

**Noncurrent Liabilities**

Compensated Absence	17,735
Customers' Deposits	305,921
Bonds Payable	10,913,949
Aggregate Net Pension Liability	<u>1,155,890</u>
 Total Noncurrent Liabilities	 <u>12,393,495</u>
 <b>Total Liabilities</b>	 <b><u>12,793,054</u></b>

**Net Position**

Net Investment in Capital Assets	4,787,610
Restricted - Expendable	2,289,567
Unrestricted	<u>860,688</u>
 <b>Total Net Position</b>	 <b><u>\$ 7,937,865</u></b>

**BARKLEY LAKE WATER DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND**  
**NET POSITION - PROPRIETARY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**Operating Revenues**

Charges for Services	\$ 2,496,048
Miscellaneous Revenue	13,876
Total Operating Revenues	<u>2,509,924</u>

**Operating Expenses**

Salaries, Wages and Benefits	1,146,570
Purchased Power	180,068
Chemicals	99,561
Materials and Supplies	161,608
Contract Services	44,449
Transportation Expense	47,865
Insurance	39,629
Miscellaneous	17,855
Taxes	56,739
Depreciation and Amortization	647,998
Total Operating Expenses	<u>2,442,342</u>
Operating Income (Loss)	<u>67,582</u>

**Non-operating Revenues (Expenses)**

Interest Revenue	11,884
Federal Interest Subsidy	14,136
Gain on Disposal of Asset	327,965
Bond Issuance Costs	(5,394)
Interest Expense	(389,544)
Total Non-operating Revenues (Expenses)	<u>(40,953)</u>

**Capital Contributions**

Contributed Capital	<u>496,811</u>
Total Capital Contributions	<u>496,811</u>

Change in Net Position	<u>523,440</u>
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Net Position, Beginning of Year	8,147,783
Net Position, Prior Period Adjustment	(733,358)
Net Position, Beginning of Year as Restated	<u>7,414,425</u>

<b>Net Position, End of Year</b>	<b><u>\$ 7,937,865</u></b>
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**BARKLEY LAKE WATER DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**Cash Flows from Operating Activities**

Received from Customers	\$2,473,512
Paid to Suppliers for Goods and Services	(944,905)
Paid to Employees	<u>(1,017,519)</u>
Net Cash Provided (used) by Operating Activities	<u>511,088</u>

**Cash Flows from Capital and Related Financing Activities**

Acquisition and Construction of Property, Plant and Equipment	(1,097,054)
Proceeds from Sale of Property, Plant and Equipment	420,282
Proceeds from Capital Grants	483,857
Proceeds from Federal Interest Subsidy	17,226
Payment of Debt Issuance Costs	(5,394)
Principal Paid on Long-Term Debt	(275,500)
Interest Paid on Debt	<u>(388,610)</u>
Net Cash Provided (used) by Capital and Related Financing Activities	<u>(845,193)</u>

**Cash Flows from Investing Activities**

Interest Income	<u>11,884</u>
Net Cash Provided (used) by Investing Activities	<u>11,884</u>

Net Increase (Decrease) in Cash	(322,221)
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Cash and Cash Equivalents, Beginning of Year	<u>4,166,602</u>
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<b>Cash and Cash Equivalents, End of Year</b>	<b><u><u>\$3,844,381</u></u></b>
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**BARKLEY LAKE WATER DISTRICT  
STATEMENT OF CASH FLOWS , CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**Reconciliation of Operating Activities to Net Cash Flows from Operating Activities**

**Cash Flows from Operating Activities**

Operating Income (Loss)	\$ 67,582
Adjustments - Operating Activities	
Depreciation and Amortization	647,998
Bad Debt	9,958
Pension Contributions	152,981
Adjustment	4,491
(Increase) Decrease in	
Accounts Receivable	(47,644)
Other Receivable	(625)
Inventory	50,086
Prepaid Insurance	2,168
Contributions Made Subsequent to Measurement Date	(869)
Increase (Decrease) in	
Accounts Payable	(353,251)
Accrued Taxes	827
Payroll Liabilities	(17,355)
Compensated Absence	(5,706)
Tenant Deposits Payable	447
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 511,088</b>

**Non-Cash Activities**

Capital and Related Financing Activities	\$ -
Investing Activities	\$ -



**BARKLEY LAKE WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**1. Summary of Significant Accounting Policies**

**a. Activity**

The Barkley Lake Water District is a county water district supported by funds derived from the sale of water and is operated by a District Board. The District is authorized under Kentucky Revised Statutes and constitutes a governmental subdivision of the Commonwealth of Kentucky. The District is located in Cadiz, Kentucky and primarily serves the Trigg County, Kentucky area.

**b. Principles Determining Scope of Reporting Entity**

The District's financial report includes only the funds of the District. The District has no oversight responsibility for any other governmental entity and is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board pronouncement. The District's Board members are appointed by the County Judge Executive, a publicly elected official, and they have decision making authority, the authority to set rates, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

**c. Basis of Accounting**

The District is presented as an enterprise fund. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows or resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

The District follows all pronouncements of the Government Accounting Standards Board, and has elected to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989 which do not conflict with GASB pronouncements.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the District are charges to customers for water services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**d. Revenue Recognition**

Operating revenues are recognized in the period that water is supplied to participants and others. All other revenues are reflected in non-operating income when earned.

**BARKLEY LAKE WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**1. Summary of Significant Accounting Policies, Continued**

**e. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The estimated revenues from unbilled receivables at year-end are reflected in these financial statements

**f. Taxes on Income**

The Barkley Lake Water District is exempt from paying income taxes under Section 115 of the Internal Revenue Code.

**g. Cash and Cash Equivalents**

For purposes of the statement of cash flows, the District considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Unrestricted and restricted cash are reflected in total cash and cash equivalents.

**h. Accounts Receivable**

The direct write-off method was used for recording uncollectible accounts. No allowance for uncollectible accounts was deemed necessary. The District grants credit to customers, substantially all of who are residents of Trigg County. The balance of accounts receivable at December 31, 2015 was \$391,425.

**i. Inventory**

Inventories consist of materials and supplies and are stated at cost which is determined by the first-in, first-out method. Inventory at December 31, 2015 totaled \$250,009.

**j. Capital Assets**

The utility plant is carried at cost. The District maintains a capitalization threshold of \$1,000. Depreciation is computed using the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income during that period. The cost of maintenance and repairs is charged to income as incurred; significant betterments are capitalized. Contributions from customers for the purpose of purchasing service connections to the utility plant are recorded as contributions when they are received. Depreciation on contributed assets is recorded as an expense in the statement of revenues, expenses and changes in fund net position – proprietary fund.

**BARKLEY LAKE WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**1. Summary of Significant Accounting Policies, Continued**

**j. Capital Assets, Continued**

Capital assets are depreciated over the following useful lives:

Buildings	10 - 50 Years	Pumping Equipment	5 - 10 Years
Transmission Lines	5 - 50 Years	Meters	5 - 10 Years
Plant Equipment	5 - 10 Years	Office Equipment	5 - 10 Years
Vehicles	5 Years		

**k. Use of Restricted / Unrestricted Resources**

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, the District's policy is to apply restricted resources first.

**l. Deferred Outflows / Inflows of Resources**

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s), and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. The deferred loss on refunding bonds of \$16,435 represents the difference between the reacquisition price and the net carrying amount of the old debt on the 2008 and 2012E refunding. It will be recognized as a component of interest expense over the remaining life of the new debt. Additionally, the District has deferred outflows of resources of \$254,536 for the year ended December 31, 2015 that relate to pensions as required by GASB Statement No. 68.

In addition to liabilities, the statement of financial position includes a separate section for *deferred inflows of resources*. This separate financial element, deferred inflows of resources, represents 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. The District does not have any items that qualify for reporting in this category.

**m. Compensated Absences**

Sick leave is accumulated and will be paid to employees retiring on good terms from the District. Sick leave is forfeitable for employees terminating other than by retirement. Due to the uncertainty involved, no provision for unpaid sick leave has been reflected in the financial statements.

In accordance with the District's policy on vacation pay, the District has accrued a liability for pay, which has been earned but not taken by employees. The District is currently liable for compensated absences of \$17,735 at December 31, 2015.

**BARKLEY LAKE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**1. Summary of Significant Accounting Policies, Continued**

**n. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System (CERS) Non-Hazardous and additions to / deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**o. Proprietary Fund Net Position**

Proprietary fund net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position is displayed in three components:

*Net Investment in Capital Assets* – consists of capital assets net of accumulated depreciation and is reduced by any outstanding debt that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

*Restricted Net Position* – consists of net assets with constraints placed on the use by either external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or by state enabling legislation.

*Unrestricted Net Position* – consists of all other net assets that do not meet the definition of “restricted” or “net investment in capital assets”.

**p. Fair Value of Financial Instruments**

FASB ASC 820, *Fair Value Measurement and Disclosures*, defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use on pricing the asset or liability, not on assumptions specific to the entity.

*Cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable, payroll liabilities, and accrued expenses* - The carrying amounts reported in the balance sheets for these items are a reasonable estimate of the fair value.

*Bonds Payable and Customers' Deposits* – The carrying amount approximates fair value.

**BARKLEY LAKE WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**1. Summary of Significant Accounting Policies, Continued**

**q. Date of Management's Review**

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through May 4, 2016, the date the financial statements were available to be issued.

**2. Bank Accounts**

**a. Unrestricted Cash**

Current revenues are deposited daily in the Revenue Fund, which earns interest at the passbook rate. Disbursements from this fund are made into the following funds as required by the bond covenants and are more fully described in subsequent paragraphs and notes:

- (1) Operation and Maintenance Fund
- (2) Bond Sinking Fund and Reserve – Restricted Cash
- (3) Depreciation Fund – Restricted Cash

On or before the twentieth day of each month, there is to be withdrawn from the Revenue Fund and deposited to the Operation and Maintenance Fund, an amount sufficient to pay the current expenses of operating and maintaining the plant pursuant to the annual budget. This fund is reported on the balance sheet as cash for general use.

**b. Restricted Cash**

Customers deposits are maintained in a separate account as described in Note 3.

The requirement to maintain separate and special bank accounts was established by the historical bond issues as well as the Bond Series of 2005, 2008, 2010A, 2010B, 2012E and 2014. The bond covenants require additional sums to be deposited in the Bond Sinking Fund and Depreciation Fund as described in Notes 4 and 5.

Construction accounts related to current expansion have been established to account for project funding as described in Note 6.

**3. Customers' Deposits Fund**

A separate fund has been established by the District and is to be maintained as long as a liability exists to customers for meter deposits held by the District.

At December 31, 2015 the composition of the customer deposit fund is as follows:

Cash in Bank - Checking	\$ 156,250
Certificates of Deposit	<u>306,055</u>
Total Customers' Deposit	<u><u>\$ 462,305</u></u>

**BARKLEY LAKE WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**3. Customers' Deposits Fund, Continued**

At December 31, 2015 the District's liability for customers' deposit was:

Meter Deposits	\$ 304,474
Interest Payable	3,169
Final Bill Payables	<u>(1,722)</u>
Total Customers' Deposit Liability	<u><u>\$ 305,921</u></u>

**4. Bond Sinking Fund and Sinking Fund Reserve**

The bond ordinance of 1969 established this fund solely for the purpose of paying the principal and interest on all bonds. The ordinance requires that the monthly amount deposited equals one-sixth of the next succeeding interest installment, one-twelfth of the principal of all bonds maturing on the next November 1<sup>st</sup> to a maximum of \$449,731.

The composition of the Bond Sinking and Reserve Funds is as follows:

Cash in Bank - Sinking Fund	\$ 17,421
Cash in Bank - System Refunding	175,306
Cash in Bank - Sinking Fund	105,933
Cash in Bank - Regions Refunding	61,115
Cash in Bank - Regions Refunding	49,370
Certificate of Deposit - Sinking Fund	<u>99,646</u>
Total Bond Sinking and Reserve Funds	<u><u>\$ 508,791</u></u>

**5. Depreciation Fund**

This fund was established by the bond ordinance of 1969. The ordinance requires Barkley Lake Water District to make monthly contributions to this fund after observing the priority of deposits into the Water System Bond and Interest Sinking Fund (Bond Sinking Fund and Reserve). The following bond ordinances require monthly deposits until a maximum amount is accumulated:

<u>Issue</u>	<u>Monthly Deposit</u>	<u>Maximum Requirement</u>
2005	\$ 540	\$ 64,800
2008C	-	-
2010A	1,755	210,600
2010B	755	90,600
2012E	-	-
2014	295	35,400

**BARKLEY LAKE WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**. Depreciation Fund, Continued**

The maximum required level of funding all bond resolutions is \$401,400. The Water System Revenue Bonds, Series 2008C and 2012E require the maintaining of a Depreciation Fund but do not modify the method or level of funding. As of December 31, 2015, the depreciation cash and certificates of deposit totaled \$1,294,413.

As further security for the bond owners and for the benefit of the District, in addition to the monthly transfers required to be made there shall be deposited all proceeds of connection fees collected from potential customers to aid in the financing of the cost of future extensions, additions and improvements to the District, plus the proceeds of any property damage insurance (not otherwise used to replace damaged or destroyed property); and any such amounts or proceeds so deposited shall be used solely and only for the purposes intended. The funds in the Depreciation fund can be expended for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, renewals or replacements, and the cost of construction additions and improvements to the system.

**6. Construction Funds**

Expansion projects currently in construction are funded through the construction accounts as detailed below. Initial funding was obtained through the 2008 bond issue.

Cash in Bank - Construction	\$ 16,572
Cash in Bank - Regions Construction	<u>7,486</u>
Total Construction Funds	<u><u>\$ 24,058</u></u>

**7. Deposits and Investments**

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Kentucky or its agencies and instrumentalities that have a market value of not less than the principal amount of deposits. The District's deposits, including certificates of deposit, were insured or collateralized as required by State statutes at their highest daily balance during the year.

Custodial credit risk is defined as the risk that a government will not be able to recover its deposits, investments, or collateral from the bank in the event of bank failure. The District does not have a policy addressing custodial credit risk.

The District is exposed to custodial credit risk at various points throughout the year. The District's deposits not covered by depository insurance are collateralized by pledged securities held by the financial institution.

During the year ended December 31, 2015, the District held balances at two financial institutions. The highest cash day for one institution consisted of a bank balance totaling \$3,801,530. That balance was covered by \$500,000 Federal Deposit Insurance and the remainder by pledged securities of \$4,754,290. The deposits were over collateralized by \$1,022,760.

**BARKLEY LAKE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**7. Deposits and Investments, Continued**

The second institution had a highest cash day balance of \$223,904. That balance was covered by \$250,000 Federal Deposit Insurance. Additionally, the funds in excess of \$250,000 are secured by perfected liens on the Bank's securities in an amount not less than 105% of the total excess deposits. However, no such excess deposits existed during 2015 as the balance never exceeded \$250,000.

**8. Capital Assets**

Capital asset activity for the year ended December 31, 2015:

	Balance January 1, 2015	Additions	Eliminations	Balance December 31, 2015
<b>Depreciable Assets</b>				
Buildings - Water Plant	\$ 10,474,080	\$ -	\$ -	\$ 10,474,080
Buildings - General Plant	4,743	-	-	4,743
Pumping Equipment	23,034	-	1,600	21,434
Transmission Lines	11,102,029	1,252,032	248,986	12,105,075
Meters	1,652,734	61,325	-	1,714,059
Plant Equipment	524,204	17,890	9,608	532,486
Office Equipment	115,148	-	-	115,148
Vehicles	279,143	-	2,600	276,543
<b>Total Depreciable Assets</b>	<b>24,175,115</b>	<b>1,331,247</b>	<b>262,794</b>	<b>25,243,568</b>
<b>Accumulated Depreciation</b>				
Buildings - Water Plant	3,024,422	250,969	-	3,275,391
Buildings - General Plant	1,291	316	-	1,607
Pumping Equipment	23,034	-	(1,600)	21,434
Transmission Lines	4,377,464	286,348	(156,667)	4,507,145
Meters	1,387,664	61,072	-	1,448,736
Plant Equipment	337,682	27,104	(9,608)	355,178
Office Equipment	99,356	5,452	-	104,808
Vehicles	216,310	16,739	(2,600)	230,449
<b>Total Accumulated Depreciation</b>	<b>9,467,223</b>	<b>648,000</b>	<b>(170,475)</b>	<b>9,944,748</b>
<b>Net Depreciable Assets</b>	<b>14,707,892</b>	<b>683,247</b>	<b>92,319</b>	<b>15,298,820</b>
<b>Non-Depreciable Assets</b>				
Land	117,522	-	-	117,522
Construction in Progress	757,690	995,380	1,229,572	523,498
<b>Total Non-Depreciable Assets</b>	<b>875,212</b>	<b>995,380</b>	<b>1,229,572</b>	<b>641,020</b>
<b>Net Capital Assets</b>	<b>\$ 15,583,104</b>	<b>\$ 1,678,627</b>	<b>\$ 1,321,891</b>	<b>\$ 15,939,840</b>

Depreciation charged to expense was \$647,998 at December 31, 2015.



**BARKLEY LAKE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**9. Interest Expense**

The District incurred interest costs in 2015 of \$389,544. The entire amount has been recognized as a current non-operating expense.

**10. Long-term Debt**

The original amount of each bond issue, the bond issue dates, interest rates, and maturity dates are summarized below:

Issue	Original Amount	Interest Rates	Maturity Date
2005	\$ 1,185,000	4.000% - 6.000%	2044
2008C	3,060,000	2.350% - 4.550%	2037
2010A	4,002,000	3.375%	2051
2010B	1,837,000	3.000%	2049
2012E	1,465,000	2.200% - 3.550%	2033
2014	825,000	2.750%	2055

Changes in the long-term liability accounts during the year are summarized below:

	Balance January 1, 2015	Proceeds	Repayments	Balance December 31, 2015	Current Amount Due
Revenue Bonds 2005	\$ 1,067,000	\$ -	\$ 18,000	\$ 1,049,000	\$ 18,500
Revenue Bonds 2008C	2,495,000	-	110,000	2,385,000	110,000
Revenue Bonds 2010A	3,956,500	-	47,000	3,909,500	49,000
Revenue Bonds 2010B	1,762,985	-	25,500	1,737,485	26,500
Revenue Bonds 2012E	1,325,000	-	75,000	1,250,000	50,000
Revenue Bonds 2014	-	825,000	-	825,000	-
Bond Anticipation Note	825,000	-	825,000	-	-
Premium on Bond 2012E	13,400	-	718	12,682	718
Total Bond Obligation	11,444,885	825,000	1,101,218	11,168,667	254,718
Compensated Absences	23,441	-	5,706	17,735	-
Customer Deposits	305,474	39,088	38,641	305,921	-
Net Pension Liability	-	1,155,890	-	1,155,890	-
	<u>\$ 11,773,800</u>	<u>\$ 2,019,978</u>	<u>\$ 1,145,565</u>	<u>\$ 12,648,213</u>	<u>\$ 254,718</u>

**BARKLEY LAKE WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**10. Long-term Debt, Continued**

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District at December 31, 2015 for debt service (principal and interest) are as follows:

Maturity	Principal	Interest	Total
2016	\$ 254,000	\$ 391,461	\$ 645,461
2017	280,500	382,800	663,300
2018	290,000	373,120	663,120
2019	305,000	362,844	667,844
2020	318,500	351,675	670,175
2021-2025	1,767,500	1,574,417	3,341,917
2026-2030	1,750,000	1,237,181	2,987,181
2031-2035	1,638,500	934,414	2,572,914
2036-2040	1,402,000	657,345	2,059,345
2041-2045	1,444,000	419,103	1,863,103
2046-2050	1,370,985	178,002	1,548,987
2051-2054	335,000	14,860	349,860
	<u>\$ 11,155,985</u>	<u>\$ 6,877,222</u>	<u>\$ 18,033,207</u>

By a resolution of the Commission on August 26, 2014, the District authorized an \$825,000 Bond Anticipation note through Kentucky Rural Water Finance Corporation, Interim Finance Program. The Interim financing was for the Cerulean Area Water System Improvements and was secured through a bond issuance in 2015. The District issued \$825,000 of revenue bonds (Series 2014). These bonds carry an interest rate of 2.75% and mature between January 1, 2015 and January 1, 2035.

The District issued \$4,002,000 of revenue bonds (Series 2010A) for the purpose of financing construction projects. The bonds carry an interest rate of 3.375% and mature between November 1, 2014 and November 1, 2051.

The District completed a current refunding of the 1976 and 1993 bond issues, dated August 29, 2012. The par amount of the 2012E refunding issue is \$1,465,000 and it has a total debt service requirement of \$2,031,446. The combined remaining total debt service requirement of the 1976 and 1993 bond issues at the date of refunding was \$2,271,305, which produces a cash flow savings of \$197,120. The net present value of the economic gain on the combined refunding of 1976 and 1993 bond issues is \$185,180.

The District issued the Series 2010B bonds through the Build America Bond Program that provides 35% in federal subsidies on the total interest requirements. The interest is paid directly to the District's bond escrow account on a semi-annual basis corresponding with the interest payment dates to the bond holders. Total subsidy payments received at December 31, 2015 were \$14,136.

**BARKLEY LAKE WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**10. Long-term Debt, Continued**

All the Revenue Bonds are payable solely from, and secured by, a first pledge of the water revenues. So long as any of the bonds are outstanding and unpaid, the District shall continuously be maintained and operated in good condition. Rates and charges for services rendered will be imposed and collected so that gross revenues will be sufficient at all times, to provide for the payment of the operation and maintenance of the water plant, and to maintain the Depreciation and Sinking Funds described in Notes 4 and 5.

If there is any default in the payment of the principal or interest on any of the outstanding bonds, and suit is filed by a holder of said bond, any court having jurisdiction may appoint a receiver to administer the District with the power to charge and collect rates. These collected rates shall be sufficient to provide for the payment of the outstanding bonds, and the operating and maintenance expenses. The income and revenues shall be in conformity with the bond resolution, and the provisions of the applicable laws of Kentucky.

The plant may be sold, or otherwise disposed of only as a whole or substantially as a whole and then only if the proceeds to be realized therefore, together with any monies in the Sinking Fund are sufficient fully to redeem at the then current redemption prices all outstanding bonds and other obligations payable from the net revenues of the District. The bond covenants require that the rates for all utility services rendered by the District must be reasonable.

The District must maintain adequate public liability insurance including fire, windstorm, and hazards covered by a standard extended coverage policy. The net revenues of the District will be equal to 120% of the maximum annual principal, interest and Sinking Fund requirements of all outstanding bonds. Net revenues are defined to be gross revenues less current expenses of the system. Current expenses includes all reasonable and necessary costs of operating, repairing, maintaining, and insuring the System, but shall exclude any allowance for depreciation, payments into the Depreciation Fund for extensions, improvements and extraordinary repairs and maintenance, and payments into the Bond Fund and the Debt Service Reserve. The bond covenant also requires the District be audited within 130 days of year-end. The requirements that the District maintain a 1.20 times debt coverage ratio was met for the year ended December 31, 2015. The requirement that the District be audited within 130 days of year-end was met.

**11. Employee Benefits**

**General Information about the Pension Plan**

**Plan Description:** CERS is a cost-sharing multiple-employer defined benefit plan established by the provisions of Kentucky Revised Statute Section 78.520 and administered by the Kentucky Retirement System (KRS). Section 61.645 of the Kentucky Revised Statutes grants the authority to establish and amend the benefit terms to the Board of Trustees of KRS. KRS issues a publicly available financial report that can be obtained at <https://kyret.ky.gov/Investments%20Annual%20Reports/2014-cafr.pdf>.

**BARKLEY LAKE WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**11. Employee Benefits, Continued**

***Benefits provided:*** The CERS plan supports three benefit tiers: Tier 1, Tier 2 and Tier 3. Employees under Tier 1 started participation before September 1, 2008. Employees beginning participation between September 1, 2008 and December 31, 2013 are Tier 2 plan members. Tier 3 members began participating on or after January 1, 2014. All Tiers provide for retirement, disability, health insurance, and death benefits to plan members.

***Tier 1:*** A member may retire and receive normal retirement benefits if any of the following have been met:

- Any age with 27 years of service
- Age 65 with 48 months of service
- Money purchase for age 65 with less than 48 months, based on contributions and interest.

Additionally, there are some provisions allowing for early retirement after 25 years of service or after 60 months of service and being 55 years of age. Retirement benefits paid to members are based on the average of the highest 5 fiscal years (must contain at least 48 months of service), multiplied by the applicable benefit factor based on participation entry date, multiplied by the years of service.

***Tier 2:*** A member may retire and receive normal retirement benefits if any of the following have been met:

- Age 57 and age plus earned service years must equal 87
- Age 65 with 5 years of earned service

Additionally, there are some provisions allowing for early retirement after 25 years of service or after 60 years of age with 5 years of service. Retirement benefits paid to members are based on the 5 complete fiscal years immediately preceding retirement (each year must contain 12 months), multiplied by the applicable benefit factor based on service credit, multiplied by the years of service.

***Tier 3:*** A member may retire and receive normal retirement benefits if any of the following have been met:

- Age 57 and age plus earned service years must equal 87
- Age 65 with 5 years of earned service

Tier 3 is a Cash Balance Plan, which is a new benefit tier within the Defined Benefit plan. In the Cash Balance Plan, the employee and employer will make set contributions. The retirement benefit will be based upon the accumulated account balance at the time of retirement.

**BARKLEY LAKE WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**11. Employee Benefits, Continued**

**Contributions:** Under Tier 1, members contribute 5% of annual compensation and the employer pays the contractually required contribution rate for each year. Under Tier 2, members contribute 6% of annual compensation, 5% to the defined benefit pension and 1% as a health insurance contribution, and the employer pays the contractually required contribution rate for each year. Under Tier 3, members contribute 6% of annual compensation, 5% to the defined benefit pension and 1% as a health insurance contribution, and the employer pays the contractually required contribution rate for each year. The contractually required contribution rate for the year ended December 31, 2015 was 17.67% from January to June and 17.06% from July to December. Contributions to the pension plan from the District were \$112,674 for the year ended December 31, 2015.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2015, the District reported a liability of \$1,155,890 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. The District's proportion of the net pension liability was based on the contributions to CERS during the fiscal year ended June 30, 2015. At June 30, 2015, the District's proportion was 0.02688%. As this is the first year of measurement, there is no increase or decrease in proportion share to be disclosed.

For the year ended December 31, 2015, the District recognized pension expense of \$152,981. At December 31, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	\$ 10,360
Net difference between expected and actual experience	9,604
Changes in actuarial assumptions	116,524
District's Proportionate Share of Net Pension Liability	57,566
City contributions subsequent to the measurement date	60,482
Total	\$ 254,536

**BARKLEY LAKE WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**11. Employee Benefits, Continued**

The total Deferred Outflows recognized in relation to the pension at December 31, 2015 are \$254,536. Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	
2016	\$ 46,763
2017	46,763
2018	22,137
2019	<u>20,842</u>
Total	<u>\$ 136,505</u>

Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**Discount Rate:** The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.50%. Therefore, the long-term expected rate of return on pension plan investment was applied to all periods of projected benefit payments to determine the total pension liability.

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

**12. Commitments and Contingencies**

The District participates in federal and state assisted grant programs for construction of water lines. These programs are subject to review by grantors or their representatives. As of December 31, 2015 there were no material questioned or disallowed costs as a result of grant audits. As construction is completed, amounts due from state grant funds are recognized and are recorded as contributed capital.

**BARKLEY LAKE WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**13. Commercial Insurance**

It is the policy of the District to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, employee health and accident coverage. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**14. New GASB Standards**

In the year ended December 31, 2015, the District implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions". This statement, in conjunction with GASB Statement No. 67, "Financial Reporting for Pension Plans" reflect substantial improvements to the accounting and financial reporting of pensions by state and local governments and pension plans. Statement No. 67 addresses financial reporting for state and local government pension plans, while Statement No. 68 addresses the measurement and recording of pension costs, including those for participants in the multi-employer plans.

The guidance contained in these Statements will change how governments calculate and report the costs and obligations associated with pension in important ways. It is designed to improve the decision / usefulness of reported pension information and to increase the transparency, consistency, and comparability of pension information across governments.

Under the pension standards now in effect, cost-sharing employers have not been required to present actuarial information about pensions. Instead, information has been required to be presented in the pension plan's own financial statements for all of the participating governments combined. Through its research, the GASB concluded that the needs of users of information regarding cost-sharing employers do not differ significantly from those interested in single and agent employers. Therefore, the GASB believes it is important to give users of the financial statements of cost-sharing employers access to better, more transparent financial information. Consequently, under the new standards the GASB is requiring that cost-sharing governments report a net pension liability, pension expense, and pension related deferred inflows and outflows of resources based on their proportionate share of the collective amounts for all the governments in the plan.

The implementation of GASB Statement No. 68 required the District to record their proportionate share of the net pension liabilities of the cost-sharing defined benefit plan in which they participate. This amount, \$1,155,890, was a material amount to the financial statements of the District. They were also required to record current activity related to the plan that included deferred inflows of resources and deferred outflows of resources. See Note 11 for further detail related to the plan.

In the year ended December 31, 2015, the District implemented GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68". This statement requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability. The implementation of this standard resulted in a prior period adjustment of \$59,613 to the beginning net position.

**BARKLEY LAKE WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**15. Prior Period Adjustment**

For the year ended December 31, 2015, the District made prior period adjustments due to the adoption of GASB Statement No. 68 and GASB Statement No. 71, as described in Note 14, New GASB Standards above, which require the restatement of the December 31, 2015 net position in Governmental Activities. Additionally, an adjustment was recorded to appropriately reflect the beginning balance of the customer deposit liability. The result is a decrease in Net Position at January 1, 2015 of \$733,358. This change is in accordance with generally accepted accounting principles.

	<u>Governmental Activities</u>
<b>Beginning Net Position as Previously Reported at December 31, 2014</b>	<u>\$ 8,147,783</u>
Prior Period Adjustment - Implementation of GASB 68 and GASB 71	
Net Pension Liability (As of 12/31/14)	(799,806)
Deferred Outflows - Contributions after Pension Measurement Date June 30, 2015	59,613
Prior Period Adjustment - Customer Deposits	<u>6,835</u>
 Total Prior Period Adjustment	 <u>(733,358)</u>
 <b>Net Position as Restated, January 1, 2015</b>	 <u><u>\$ 7,414,425</u></u>



## **REQUIRED SUPPLEMENTARY INFORMATION**

**BARKLEY LAKE WATER DISTRICT**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**FOR THE YEARS ENDED DECEMBER 31**

<b>Hazardous</b>	<b>2015</b>	<b>2014</b>
City's Proportion of the Net Pension Liability (Asset)	0.02688%	0.02465%
City's Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 1,155,890</u>	<u>\$ 799,806</u>
City's Covered-Employee Payroll	<u>\$ 649,895</u>	<u>\$ 619,402</u>
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	177.86%	129.13%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	59.97%	66.80%

*Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.*

**BARKLEY LAKE WATER DISTRICT  
SCHEDULE OF REQUIRED CONTRIBUTIONS  
FOR THE YEARS ENDED DECEMBER 31**

<b>Hazardous</b>	<u><b>2015</b></u>	<u><b>2014</b></u>
Contractually Required Contribution	\$ 112,889	\$ 112,674
Contributions in Relation to the Contractually Required Contribution	<u>(112,889)</u>	<u>(112,674)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
City's Covered-Employee Payroll	<u>\$ 619,402</u>	<u>\$ 649,895</u>
Contributions as a Percentage of Covered- Employee Payroll	18.23%	17.34%

*Note: Schedule is intended to show information for the last 10 fiscal years.  
Additional years will be displayed as they become available.*

**BARKLEY LAKE WATER DISTRICT  
SCHEDULE OF CHANGES IN BENEFITS AND ASSUMPTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**County Employee Retirement System**

*Changes of benefits terms* – None

*Changes of assumptions* – The following changes were adopted by the Board of Trustees and reflected in the valuation performed as of June 30, 2015:

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- The Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-200 Combine Mortality Table projected with Scale BB to 2013 (multiplied by 5-% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality table projected with Scale BB to 2013 (setback for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- Assumed rates of retirement, withdrawal, and disability were updated to more accurately reflect experience.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS**

To the Board of Commissioners  
Barkley Lake Water District  
PO Box 308  
Cadiz, Kentucky 42211

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Barkley Lake Water District, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Barkley Lake Water District's basic financial statements, and have issued our report thereon dated May 4, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Barkley Lake Water District's internal control over financial reporting (internal control) to determine the 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 Barkley Lake Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of Barkley Lake 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 may exist that have not been identified.

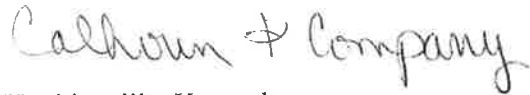
To the Board of Commissioners  
May 4, 2016  
Page 2 of 2

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Barkley Lake 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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.



Hopkinsville, Kentucky  
May 4, 2016