BARKLEY LAKE WATER DISTRICT

FINANCIAL AUDIT

December 31, 2021

BARKLEY LAKE WATER DISTRICT
PO BOX 308
CADIZ, KY 42211

FINANCIAL AUDIT

DECEMBER 31, 2021

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CALHOUN & COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2021, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Barkley Lake Water District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 15 to the financial statements, Barkley Lake Water District implemented new Governmental Accounting Standards for the year ended December 31, 2021. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Barkley Lake Water District's 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 GAAS 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 GAAS, 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 of those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain and 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 Barkley Lake Water District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Barkley Lake Water District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Proportionate Share of Net Pension Liability, Schedule of Required Contributions - Pension, Schedule of Proportionate Share of Net Other Post-Employment Benefits, Schedule of Required Contributions - Other Post-Employment Benefits, and Notes to the Required Supplementary Information on pages 32 through 36, 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 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 the 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 July 29, 2022, 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
July 29, 2022

BARKLEY LAKE WATER DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
DECEMBER 31, 2021

Assets	
Current Assets	
Cash and Cash Equivalents - Unrestricted	$ 975,362
Accounts Receivable	408,564
Other Receivables	5,728
Inventory	291,424
Cash and Cash Equivalents - Restricted	2,543,166
Total Current Assets	4,224,244
Noncurrent Assets	
Capital Assets	
Depreciable Capital Assets, Net of Depreciation	12,345,203
Non-depreciable Capital Assets	1,438,008
Total Capital Assets	13,783,211
Other Assets	
Utility Deposit	525
Total Other Assets	525
Total Noncurrent Assets	13,783,736
Total Assets	18,007,980
Deferred Outflows of Resources	
Deferred Outflows - Pension	176,161
Deferred Outflows - Other-Post Employment Benefits	211,190
Deferred Loss on Refunding Bonds	6,152
Total Deferred Outflows of Resources	393,503

Liabilities	
Current Liabilities	
Accounts Payable	72,982
Construction Payables	375
Payroll Liabilities	34,134
Accrued Expenses:	
Taxes	(418)
Interest	115,370
Current Maturities of Long-Term Debt	322,500
Total Current Liabilities	544,943
Noncurrent Liabilities	
Compensated Absence	26,421
Customers' Deposits	379,258
Bonds Payable	8,861,475
Net Pension Liability	1,719,932
Net Other Post-Employment Benefits Liability	516,327
Total Noncurrent Liabilities	11,503,413
Total Liabilities	12,048,356
Deferred Inflows of Resources	
Deferred Inflows - Pension	256,294
Deferred Inflows - Other Post-Employment Benefits	194,682
Deferred Gain on Refunding Bonds	411,490
Total Deferred Inflows of Resources	862,466
Net Position	
Net Investment in Capital Assets	4,193,898
Restricted Net Position	2,163,908
Unrestricted Net Position	(867,145)
Total Net Position	$ 5,490,661

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

BARKLEY LAKE WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

Operating Revenues	
Charges for Services	$ 2,783,087
Miscellaneous Revenue	11,791
Total Operating Revenues	2,794,878
Operating Expenses	
Salaries, Wages and Benefits	1,168,953
Purchased Power	168,879
Chemicals	126,215
Materials and Supplies	176,477
Contract Services	71,688
Transportation Expense	45,174
Insurance	57,459
Miscellaneous	19,326
Taxes	59,742
Depreciation and Amortization	611,954
Total Operating Expenses	2,505,867
Operating Income (Loss)	289,011
Non-Operating Revenues (Expenses)	
Interest Revenue	4,107
Federal Interest Subsidy	23,961
Donated Property	-
Gain on Disposal of Asset	10,460
Bond Issuance Costs	(1,375)
Interest Expense	(318,439)
Total Non-Operating Revenues (Expenses)	(281,286)
Change in Net Position	7,725
Net Position, Beginning of Year as Restated	5,482,936
Net Position, End of Year	$ 5,490,661

BARKLEY LAKE WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

Cash Flows from Operating Activities	
Receipts from Customers	$2,792,627
Paid to Suppliers for Goods and Services	(790,679)
Paid to Employees for Services	(1,139,578)
Net Cash Provided (Used) by Operating Activities	862,370
Cash Flows from Capital and Related Financing Activities	
Acquisition and Construction of Property, Plant and Equipment	(690,490)
Proceeds from Sale of Property, Plant and Equipment	10,460
Proceeds from Federal Interest Subsidy	23,961
Principal Paid on Long-Term Debt	(121,000)
Proceeds from Issuance of Long-Term Debt	892,990
Bond Issuance Costs	(1,375)
Adjustment for Prior Period Correction Related to Long-Term Debt	(56,583)
Interest Paid on Debt	(229,835)
Net Cash Provided (Used) by Capital and Related Financing Activities	(171,872)
Cash Flows from Investing Activities	
Interest Income	4,107
Net Cash Provided (Used) by Investing Activities	4,107
Net Increase (Decrease) in Cash	694,605
Cash and Cash Equivalents, Beginning of Year	2,823,923
Cash and Cash Equivalents, End of Year	$3,518,528

BARKLEY LAKE WATER DISTRICT
STATEMENT OF CASH FLOWS , CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021

Reconciliation of Operating Activities to Net Cash Flows from Operating Activities

Cash Flows from Operating Activities

Operating Income (Loss)	$ 289,011
Adjustments - Operating Activities	
Depreciation and Amortization	611,954
Pension Contributions	31,133
(Increase) Decrease in	
Accounts Receivable	(6,802)
Other Receivable	(270)
Inventory	(21,632)
Prepaid Insurance	25,504
Increase (Decrease) in	
Accounts Payable	44,648
Construction Payable	(113,969)
Accrued Taxes	(1,082)
Payroll Liabilities	2,517
Compensated Absence	(4,275)
Customer Deposits Payable	5,633
Net Cash Provided (Used) by Operating Activities	$ 862,370

Non-Cash Activities

Capital and Related Financing Activities	$ -
Investing Activities	$ -

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 of 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.

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 twelve 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, 2021 was $408,564.

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, 2021 totaled $291,424.

j. Capital Assets

The utility plant is carried at cost. The District maintains a capitalization threshold of $7,500. 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 net operating income during that period. The cost of maintenance and repairs is charged to expense 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.

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 therefore will not be recognized as an outflow of resources (expense/expenditure) until then. The District has items that qualify for reporting in this category. The deferred loss on refunding bonds of $6,152 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 $176,161 for the year ended December 31, 2021 that relate to pensions as required by GASB Statement No. 68. As of December 31, 2021, the District has $211,190 in deferred outflows of resources that relate to other post-employment benefits as required by GASB Statement No. 75.

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 therefore will not be recognized as an inflow of resources (revenue) until that time. The District has a deferred gain on bond refunding's in the amount of $411,490. The District has deferred inflows of resources of $256,294 for the year ended December 31, 2021 that relate to pensions as required by GASB Statement No. 68. As of December 31, 2021, the District has $194,682 in deferred inflows of resources that relate to other post-employment benefits as required by GASB Statement No. 75.

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 $26,421 at December 31, 2021.

1. Summary of Significant Accounting Policies, Continued

n. Pension and Other Post-Employment Benefits (OPEB)

For purposes of measuring the net liability related to pension and other post-employment benefits, deferred outflows of resources and deferred inflows of resources related to pension and other post-employment benefits, and pension and other post-employment benefits expenses, 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. Non-Exchange Transactions

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include grants and donations. Revenue from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, and, matching requirements, in which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

q. 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.

1. Summary of Significant Accounting Policies, Continued

r. Fair Value of Financial Instruments, Continued

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.

s. Subsequent Events

Subsequent events have been evaluated by management through the date of July 29, 2022, the date the financial statements were available to be issued. Material subsequent events, if any, are disclosed in a separate footnote to these financial statements.

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, 2014 and 2020I. 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.

3. Customers' Deposits Fund, Continued

As of December 31, 2021, the composition of the customer deposit fund is as follows:

Cash in Bank - Checking	$ 470,234
Total Customers' Deposit	$ 470,234

As of December 31, 2021, the District's liability for customers' deposit was:

Meter Deposits	$ 379,383
Interest Payable	2,841
Final Bill Payables	(2,966)
Total Customers' Deposit Liability	$ 379,258

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 1st to a maximum of $207,177.

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

Cash in Bank - Sinking Fund	$ 17,474
Cash in Bank - System Refunding	289,627
Cash in Bank - Sinking Fund	10,468
Cash in Bank - Regions Refunding	64,224
Cash in Bank - Regions Refunding	52,412
Cash in Bank - Revenue	291,026
Certificate of Deposit - Sinking Fund	99,646
Total Bond Sinking and Reserve Funds	$ 824,877

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:

Issue	Monthly Deposit		Maximum Requirement	
2010B	$	755	$	90,600
2012E	$	-	$	-
2014	$	295	$	35,400
2020I	$	-	$	-
2020A / 2020B	$	350	$	42,000

The maximum required level of funding all bond resolutions is $168,000. The Water System Revenue Bonds, Series 2012E require the maintaining of a Depreciation Fund but do not modify the method or level of funding. As of December 31, 2021, the depreciation cash and certificates of deposit totaled $1,100,101. Bond Series 2020I ratified and confirmed that prior bond legislation related to required monthly deposits for current, paid off, and refunded bonds shall continue in force and inure to the security and benefits of the bonds.

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 account with a December 31, 2021 year-end balance of $147,954. Initial funding was obtained through the 2008 bond issue.

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.

7. Deposits and Investments, Continued

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, 2021, the District held balances at two financial institutions. The highest cash day for one institution consisted of a bank balance totaling $3,909,051. That balance was covered by $500,000 Federal Deposit Insurance and by pledged securities of $1,817,383. The deposits were uncollateralized during the fiscal year ended December 31, 2021 by $1,591,668.

The second institution had a high cash day balance of $409,995. The funds are fully unsecured. During the fiscal year ended December 31, 2021, the second institutions' deposits were undercollateralized by $409,995.

8. Capital Assets

Capital asset activity for the year ended December 31, 2021:

	Balance January 1, 2021	Additions	Eliminations	Balance December 31, 2021
Depreciable Assets				
Buildings - Water Plant	$ 10,474,079	$ -	$ -	$ 10,474,079
Buildings - General Plant	35,055	-	-	35,055
Pumping Equipment	21,434	-	-	21,434
Transmission Lines	12,559,038	-	-	12,559,038
Meters	1,140,818	84,961	-	1,225,779
Plant Equipment	488,095	-	-	488,095
Office Equipment	75,609	-	-	75,609
Vehicles	340,040	25,102	36,431	328,711
Total Depreciable Assets	25,134,168	110,063	36,431	25,207,800
Accumulated Depreciation				
Buildings - Water Plant	4,488,041	210,380	-	4,698,421
Buildings - General Plant	8,201	1,910	-	10,111
Pumping Equipment	21,434	-	-	21,434
Transmission Lines	6,195,840	298,362	-	6,494,202
Meters	871,894	52,982	-	924,876
Plant Equipment	378,213	28,319	-	406,532
Office Equipment	75,442	167	-	75,609
Vehicles	248,009	19,834	36,431	231,412
Total Accumulated Depreciation	12,287,074	611,954	36,431	12,862,597
Net Depreciable Assets	12,847,094	(501,891)	-	12,345,203
Non-Depreciable Assets				
Land	128,347	-	-	128,347
Construction in Progress	729,234	580,427	-	1,309,661
Total Non-Depreciable Assets	857,581	580,427	-	1,438,008
Net Capital Assets	$ 13,704,675	$ 78,536	$ -	$ 13,783,211

Depreciation charged to expense was $611,954 at December 31, 2021.

9. Interest Expense

The District incurred interest costs in 2021 of $318,439. 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
2010B	$ 1,837,000	3.000%	2049
2012E	$ 1,465,000	2.200% - 3.550%	2033
2014	$ 825,000	2.750%	2055
2020I	$ 5,070,000	3.200%	2050
2020A	$ 854,890	2.125%	2060
2020B	$ 38,100	1.875%	2059

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

	Balance January 1, 2021	Proceeds	Repayments	Balance December 31, 2021	Current Amount Due
Revenue Bonds 2010B	$ 1,594,485	$ -	$ 32,000	$ 1,562,485	$ 33,000
Revenue Bonds 2012E	975,000	-	60,000	915,000	60,000
Revenue Bonds 2014	772,500	-	14,000	758,500	14,500
Revenue Bonds 2020I	5,070,000	-	-	5,070,000	200,000
Revenue Bonds 2020A	-	854,890	14,000	840,890	14,000
Revenue Bonds 2020B	-	38,100	1,000	37,100	1,000
Total Bond Obligation	8,411,985	892,990	121,000	9,183,975	322,500
Compensated Absences	30,696	-	4,275	26,421	-
Customer Deposits	373,625	36,859	31,226	379,258	-
Net Pension Liability	1,982,137	-	262,205	1,719,932	-
Net OPEB Liability	623,837	-	107,510	516,327	-
	$ 11,422,280	$ 929,849	$ 526,216	$ 11,825,913	$ 322,500

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, 2021 for debt service (principal and interest) are as follows:

Maturity	Principal	Interest	Total
2022	$ 322,500	$ 283,216	$ 605,716
2023	355,000	268,527	623,527
2024	366,000	252,712	618,712
2025	388,500	236,203	624,703
2026	400,500	218,816	619,316
2027-2031	1,731,500	865,024	2,596,524
2032-2036	1,594,000	603,061	2,197,061
2037-2041	1,223,500	431,800	1,655,300
2042-2046	1,302,500	278,361	1,580,861
2047-2051	1,135,485	102,695	1,238,180
2052-2056	243,000	24,880	267,880
2057-2061	121,490	6,407	127,897
	$ 9,183,975	$ 3,571,702	$ 12,755,677

Amortized bond premiums totaling $412,208 consist of bond premiums incurred in securing the 2012E and the 2020I revenue bonds issued by the District. The bond premiums are amortized over the life of the bond and, for financial statement purposes, are classified as a deferred gain on refunding bonds. Estimated future amortization for the succeeding five years is as follows:

Year Ended December 31	
2022	$ 14,619
2023	14,619
2024	14,619
2025	14,619
2026	14,619
Thereafter	338,395
Total	$ 411,490

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.

10. Long-Term Debt, Continued

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 $1,837,000 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, 2021 were $23,961.

The District completed a current refunding of the 2008C and 2010A bond issues, through the Kentucky Rural Water Finance Corporation (KRWFC) dated December 29, 2020. The par amount of the 2020I refunding issue is $5,070,000. The combined remaining debt service requirements of the 2008C and 2010A bond issues at the dates of refunding was $5,463,776. The economic gain resulting from the transaction is a premium of $403,116.

By a resolution of the Commission on August 10, 2020, the District authorized an $892,990 Bond Resolution for the purpose of financing the cost of the construction of extensions, additional and improvements to the existing waterworks system of the District. The District issued $854,890 of Series 2020A Bonds and $38,100 of Series 2020B Bonds. These bonds carry an interest rate of 2.125% and 1.875%, respectively, and mature between January 1, 2021 and December 31, 2060.

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

10. Long-Term Debt, Continued

bonds. Net revenues are defined to be gross revenues less current expenses of the system. Current expenses include 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 150 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, 2021. The requirement that the District be audited within 150 days of year-end was not met, however an extension was approved for the additional time needed.

11. Pension Plan

Plan Description: All eligible District employees participate in the CERS, 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 from http://kyret.ky.gov.

Employee membership data related to the Plan as of June 30, 2020 was as follows:

Inactive plan members currently receiving benefits	65,414
Inactive plan members entitled to but not yet receiving benefits	95,692
Active plan members	81,250
Total plan members	242,356

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

11. Pension Plan, Continued

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.

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both components.

Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are $5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's spouse will receive a $10,000 lump sum payment plus a monthly payment of 75% of the decedent's final average pay. Any dependent child will receive 10% of the decedent's final average rate of pay not to exceed a total child benefit of 25% while the spouse is alive. Five years' service is required for nonservice related disability benefits.

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, 2021 was 24.06% from January 1, 2021 through June 30, 2021, which includes a 4.76% contribution for insurance provided by the Program and a 19.30% contribution for pensions, and 26.95% from July 1, 2021 through December 31, 2021, which includes a 5.78% contribution for insurance provided by the Program and a 21.17% contribution for pensions. Contributions related to the pension plan only, excluding insurance, from the District were $140,139 for the year ended December 31, 2021.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liability: At December 31, 2021, the District reported a liability of $1,719,932 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the

11. Pension Plan, Continued

District's contributions to the pension plan during the fiscal year ended June 30, 2021. At the June 30, 2021 measurement date, the District's proportion was 0.026976%, an increase of 0.001133% from the prior year.

For the year ended December 31, 2021, the District's total payroll for all employees was $721,607. Total covered payroll was $693,077. For the year ended December 31, 2021, the District recognized pension expense of $160,485. At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ 229,238
Net difference between expected and actual experience	3,057	-
Changes in actuarial assumptions	23,084	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	77,844	27,056
District's contributions subsequent to the measurement date	72,176	-
Total	$ 176,161	$ 256,294

The total Deferred Outflows and Deferred Inflows recognized in relation to the pension at December 31, 2021 are $176,161 and $256,294, respectively. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions less the District's contributions subsequent to the measurement date will be recognized in pension expense as follows:

Year Ended December 31,	
2022	$ (6,251)
2023	(24,651)
2024	(49,623)
2025	(71,785)
2026	-
Total	$ (152,310)

11. Pension Plan, Continued

Actuarial Assumptions: For financial reporting, the actuarial valuation as of June 30, 2021 was performed by GRS Retirement Consulting. The total pension liability, net pension liability, and sensitivity information as of June 30, 2021 were based on an actuarial valuation date as of June 30, 2020. The total pension liability was rolled-forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021, using generally accepted actuarial principles. Subsequent to the actuarial valuation date (June 30, 2020), but prior to the measurement date, the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review the Board adopted the following updated actuarial assumptions that were used in performing the actuarial valuation as of June 30, 2021, which were also used to determine the Total Pension Liability and Net Pension Liability as of June 30, 2021:

Inflation	2.30%
Payroll Growth	2.00%
Salary Increases	3.30% - 10.30%, varies by service
Investment Rate of Return	6.25%

The mortality table used for active members was a PUB-2010 General Mortality table, for the Non-Hazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The long-term expected rate of return was determined using a building-block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target asset allocation and best estimates of arithmetic real rate of return for each major asset class are summarized below. The current long term inflation assumption is 2.30% per annum. The long-term expected rates of return on Pension Plans' investments were applied to all periods of projected benefit payments to determine the total pension liability.

11. Pension Plan, Continued

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
High Yield	15.00%	2.80%
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
Total	100.00%	5.00%

Discount Rate: The projection of cash flows used to determine the discount rate of 6.25% assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in statute as last amended by House Bill 362 (passed in 2018). The discount rate determination does not use a municipal bond rate. The discount rate has not changed since the prior measurement date.

Sensitivity of CERS Proportionate Share of Net Pension Liability to Changes in the Discount Rate: The following table presents the net pension liability of the District, calculated using the discount rate selected, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rates.

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
District's Proportionate Share of Net Pension Liability	$ 2,205,894	$ 1,719,932	$ 1,317,809

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. Other Post-Employment Benefits Plan

Plan Description: All eligible District employees participate in the CERS, 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 from http://kyret.ky.gov.

12. Other Post-Employment Benefits Plan, Continued

Employee membership data related to the Plan as of June 30, 2020 was as follows:

Inactive plan members currently receiving benefits	37,037
Inactive plan members entitled to but not yet receiving benefits	29,208
Active plan members	80,745
Total plan members	146,990

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

Tier 1 participation began before July 1, 2003. Members are eligible for benefits if they are the recipient of a retirement allowance. The percentage of the member premium paid by the retirement system is based on the number of years of service as indicated below:

Less than 4 years	0%
4-9 years	25%
10-14 years	50%
15-19 years	75%
20 or more years	100%

Tier 2 participation began on or after July 1, 2003, but before September 1, 2008. Members are eligible for benefits if they are the recipient of a retirement allowance with at least 120 months of service at retirement. The retirement system provides a monthly contribution of \$10 for each year of earned service. The monthly contribution is increased by 1.5% each July. As of July 1, 2019, the monthly contribution was \$13.58/year of service.

Tier 3 participation began on or after September 1, 2008. Benefits are identical to Tier 2, except Tier 3 members are required to have at least 180 months of service in order to be eligible.

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both components. The projections of the sharing of benefit-related costs are based on an established pattern of practice.

Contributions: Required contributions by the employee are based on the tier. Tier 1 members contribute 0% of gross salary. Tier 2 and 3 members both contribute 1% of gross salary.

Employer contribution rates for the fiscal year were adopted by the Board of KRS based on actuarially recommended rates. The District's contributions for the year ended December 31, 2021, were \$36,468.

12. Other Post-Employment Benefits Plan, Continued

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Other Post-Employment Benefits

Other Post-Employment Benefits Liability: At June 30, 2021, the District reported a liability of $516,327 for its proportionate share of net liability associated with the other post-employment benefits. The net other post-employment benefits liability was measured as of June 30, 2021, and the total other post-employment benefits liability used to calculate the net other post-employment benefits asset was determined by an actuarial valuation as of that date. The District's portion of the net other post-employment benefits liability was based on the District's contributions to the other post-employment benefits plan during the year ending June 30, 2021, relative to the contributions of all members for the year ended June 30, 2021. At the June 30, 2021 measurement date, the District's proportion was 0.026970%, an increase of 0.001135% from the prior year.

For the year ended December 31, 2021, the District's total payroll for all employees was $721,607. The total covered payroll was $693,077. Covered payroll refers to all compensation paid by the District to active employees covered by the Plan. Employees contribute 1% from covered payroll for the insurance fund.

For the year ended December 31, 2021, the District recognized expense related to other post-employment benefits of $47,255. At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on plan investments	$ -	$ 80,772
Net difference between expected and actual experience	-	72,965
Change of assumptions	136,888	480
Changes in proportion and differences between employer contributions and proprtionate share of contributions	37,607	40,465
Employer contributions subsequent to the measurement date	36,695	-
	$ 211,190	$ 194,682

12. Other Post-Employment Benefits Plan, Continued

Deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ended December 31,	
2022	$ 13,419
2023	1,148
2024	(4,762)
2025	(29,992)
2026	-
Total	$ (20,187)

Actuarial assumptions: The actuarial valuation as of June 30, 2021, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, new OPEB liability, and sensitivity information as of June 30, 2021, were based on an actuarial valuation date of June 30, 2020. The total OPEB liability was rolled-forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021, using the generally accepted actuarial principles. The following actuarial assumptions were used in performing the actuarial valuation as of June 30, 2021:

Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increases	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Post-65	Initial trend starting at 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Mortality	
Pre-retirement	PUB-2010 General mortality table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both make and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

12. Other Post-Employment Benefits Plan, Continued

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
High Yield	15.00%	2.80%
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
Total	100.00%	5.00%

Discount Rate: The projection of cash flows used to determine the discount rate of 5.20% assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 23-year (closed) amortization period of the unfunded actuarial accrued liability. The discount rate used to calculate the total OPEB liability decreased from 5.34% to 5.20%. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 1.92%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2021. Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. However, the cost associated with the implicit employer subsidy was not included in the calculation of the system's actuarially 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 benefits payments associated with the implicit subsidy.

Sensitivity of CERS Proportionate Share of Net OPEB Liability to Changes in the Discount Rate: The following table presents the District's proportionate share of the collective net OPEB liability, calculated using the discount rate of 5.20%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rates.

12. Other Post-Employment Benefits Plan, Continued

	1% Decrease (4.20%)	Current Discount Rate (5.20%)	1% Increase (6.20%)
District's Proportionate Share of Net OPEB Liability	$ 708,913	$ 516,327	$ 358,278

Sensitivity of CERS Proportionate Share of Collective Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following table presents the District's proportionate share of collective net OPEB liability, calculated using the discount rate selected, as well as what the District's proportionate share of collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates.

	1% Decrease	Current Healthcare Cost Trend	1% Increase
District's Proportionate Share of Collective Net OPEB Liability	$ 371,694	$ 516,327	$ 690,901

OPEB plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems financial report. The OPEB plan's fiduciary net position has been determined on the same basis used by the OPEB plan.

13. 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, 2021 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.

14. 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.

15. New GASB Standards

In the fiscal year ended December 31, 2021, the District implemented a portion of GASB Statement No. 93, "Replacement of Interbank Offered Rates". The primary objective of this statement is to replace citations of London Interbank Offered Rate (LIBOR) with one or more acceptable benchmark reference rates. The implementation of the statement has no impact on the financial statements.

In the fiscal year ended December 31, 2021, the District implemented GASB Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Section 457 Plans". The primary objective of this statement is to increase consistency and comparability related to the reporting of fiduciary component units and mitigates costs associated with the reporting of certain defined contribution pension and OPEB plans, and other employee benefit plans, such as Section 457 plans. The District does not have fiduciary component units, therefore, the implementation of the statement has no impact on the financial statements.

In the fiscal year ended December 31, 2021, the District implemented a portion of GASB Statement No. 98, "The Annual Comprehensive Financial Report". The primary objective of this statement is to replace "comprehensive annual financial report" and its acronym in generally accepted accounting principles for state and local governments with the term "annual comprehensive financial report" and its acronym "ACFR". The implementation of the statement has no impact on the financial statements.

16. Prior Period Adjustment

For the year ended December 31, 2021, the District made a prior period adjustment due to an error identified related to the capital project from the year ended December 31, 2020. Revenue in the amount of $170,552 was reported as capital grant, but it should have been an increase in long-term debt. This discovery resulted in a net overstatement of ending net position of $170,552 for December 31, 2020.

The total adjustment to beginning net position is as follows:

Beginning Net Position as Previously Reported at December 31, 2020	$ 5,653,488
Correction of an Accounting Error - Capital Project Revenue	(170,552)
Total Prior Period Adjustment	(170,552)
Net Position as Restated, January 1, 2021	$ 5,482,936

REQUIRED SUPPLEMENTARY INFORMATION

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

Non-Hazardous	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Total Net pension Liabiltiy (Asset) for County Employee Retirement System	$ 6,375,784,388	$ 7,669,917,211	$ 7,033,044,552	$ 6,090,304,793	$ 5,853,307,463	$ 4,923,618,237	$ 4,299,525,565	$ 3,244,376,263
District's Proportion of the Net Pension Liability (Asset)	0.026976%	0.025843%	0.025014%	0.029299%	0.02679%	0.02887%	0.02688%	0.02465%
District's Proportionate Share of the Net Pension Liability (Asset)	$ 1,719,932	$ 1,982,137	$ 1,759,246	$ 1,784,398	$ 1,568,101	$ 1,421,206	$ 1,155,890	$ 799,806
District's Covered-Employee Payroll	$ 693,077	$ 667,651	$ 643,710	$ 673,054	$ 697,564	$ 650,755	$ 649,895	$ 619,402
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	248.16%	296.88%	273.30%	265.12%	224.80%	218.39%	177.86%	129.13%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	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
NET PENSION LIABILITY
FOR THE YEARS ENDED DECEMBER 31

Non-Hazardous	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Contractually Required Contribution	$ 140,139	$ 128,856	$ 114,832	$ 103,018	$ 99,289	$ 86,839	$ 81,301	$ 82,112
Contributions in Relation to the Contractually Required Contribution	$ (140,139)	$ (128,856)	$ (114,832)	(103,018)	(99,289)	(86,839)	(81,301)	(82,112)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's Covered-Employee Payroll	$ 693,077	$ 667,651	$ 643,710	$ 673,054	$ 697,564	$ 650,755	$ 649,895	$ 619,402
Contributions as a Percentage of Covered-Employee Payroll	20.22%	19.30%	17.84%	15.31%	14.23%	13.34%	12.51%	13.26%

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 PROPORTIONATE SHARE
NET OTHER POST-EMPLOYMENT BENEFITS LIABILITY
COUNTY EMPLOYEE RETIREMENT SYSTEM
FOR THE YEAR ENDED DECEMBER 31

Non-Hazardous	**2021**	**2020**	**2019**	**2018**
Total Net Other Post-Employment Benefits Liability (Asset) for County Employee Retirement System	$1,914,449,967	$2,414,695,884	$1,681,954,950	$ 1,775,480,122
District's Proportion of the Net Other Post-Employment Benefits Liability (Asset)	0.026970%	0.025835%	0.025007%	0.029298%
District's Proportionate Share of the Net Other Post-Employment Benefits Liability (Asset)	$ 516,327	$ 623,837	$ 420,606	$ 520,180
District's Covered Payroll	$ 693,077	$ 667,651	$ 643,710	$ 673,054
District's Proportionate Share of the Net Other Post-Employment Benefits Liability as a Percentage of Its Covered Payroll	74.50%	93.44%	65.34%	77.29%
Plan Fiduciary Net Position as a Percentage of the Total Net Position	62.91%	51.67%	60.44%	57.62%

Note: This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Additional years will be presented as they become available.

BARKLEY LAKE WATER DISTRICT
SCHEDULE OF REQUIRED CONTRIBUTIONS
NET OTHER POST-EMPLOYMENT BENEFITS LIABILITY
COUNTY EMPLOYEE RETIREMENT SYSTEM
FOR THE YEARS ENDED DECEMBER 31

Non-Hazardous	**2021**	**2020**	**2019**	**2018**
Contractually Required Other Post-Employment Benefits Contribution (Implicit Subsidy Omitted)	$ 36,468	$ 31,780	$ 32,275	$ 33,424
Contribution in Relation to the Contractually Required Other Post-Employment Benefits Contribution	(36,468)	(31,780)	(32,275)	(33,424)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 693,077	$ 667,651	$ 643,710	$ 673,054
Contributions as a Percentage of Barkley Lake Water District's Covered Payroll	5.26%	4.76%	5.01%	4.97%

Note: This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Additional years will be presented as they become available.

BARKLEY LAKE WATER DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021

1. Changes of Benefit Terms

Senate Bill 169 passed during the 2021 legislative session increased the disability benefit for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability. The total pension liability as of June 30, 2021, is determined using these updated benefit provisions.

2. Changes of Assumptions

There have been no actuarial assumption or method changes since June 30, 2020, for the pension plan.

The single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2020, valuation process and was updated to better reflect the plan's anticipated long-term healthcare costs. There were no other material assumption changes for OPEB.

CALHOUN & COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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, 2021, 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 July 29, 2022.

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) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 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.

Calhoun & Company

Hopkinsville, Kentucky
July 29, 2022