

LEDBETTER WATER AND SEWER DISTRICT
FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION
AND
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS
As of and for the year ended December 31, 2015

**Ledbetter Water and Sewer District
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THURMAN CAMPBELL GROUP, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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To the Management and District Board
Ledbetter Water and Sewer District
Ledbetter, KY

Management is responsible for the accompanying financial statements of the business-type activities and each major fund of Ledbetter Water and Sewer District, as of and for the year ended December 31, 2015, and related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management Discussion and Analysis on pages 2 through page 5, the Schedule of Proportionate Share of Net Pension Liability-County Employee Retirement System on page 23, and the Schedule of Contributions-County Employee Retirement System on page 24 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. This information is the representation of management. This information was subject to our compilation engagement, however we have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such information.

The Statement of Revenues, Expenses and Changes in Net Position – Water – Budget and Actual on page 26, and the Statement of Revenues, Expenses and Changes in Net Position – Sewer – Budget and Actual on page 27 are presented for purposes of additional analysis and is not a required part of the basic financial statements.

We are not independent with respect to the Ledbetter Water and Sewer District.

Thurman Campbell Group, PLC

Princeton, KY

September 22, 2016

LEDBETTER WATER AND SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015

The Ledbetter Water and Sewer District ("District") offers Management's Discussion and Analysis to provide an overview and analysis of the District's financial activities for the year ended December 31, 2015. To fully understand the entire scope of the District's financial activities, this information should be read in conjunction with the financial statements provided in this document.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of the District exceeded its liabilities and deferred inflows by \$737,003 at December 31, 2015. Of this amount \$328,649 is restricted for debt service and \$705,033 is invested in capital assets net of the related debt, leaving unrestricted net position of (\$296,679).

The District's net position decreased for the year by \$31,449.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's financial statements. The District is authorized under Kentucky Revised Statutes and constitutes a governmental subdivision of the Commonwealth of Kentucky. The District's financial report includes only the activities of the Ledbetter Water and Sewer District.

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).

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

The District's basic financial statements are comprised of two components: 1) fund financial statements, and 2) notes to the financial statements. In addition, this report contains other supplementary information to provide the reader additional information about the District.

Fund Financial Statements - The focus of fund financial statements is directed to specific activities of a governmental entity rather than the entity as a whole. The District, like other state and local governments, uses fund accounting. All activities of the District are reported in the enterprise fund, a proprietary fund type.

Because the District consists of only a proprietary fund, government-wide financial statements are not necessary.

The basic proprietary fund financial statements can be found on pages 6-9 of this report.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 10-22 of this report.

Required Supplementary Information - Required supplementary information can be found on pages 23-25 of this report.

Supplementary Information - Supplementary information can be found on pages 26-27 of this report.

OVERVIEW OF THE DISTRICT'S FINANCIAL POSITION AND RESULTS OF OPERATIONS

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. The District's assets and deferred outflows exceeded liabilities and deferred inflows by \$737,003 at December 31, 2015. That represents a decrease of \$48,951 over the restated net position from December 31, 2014 of \$785,954. Net position at December 31, 2014 was restated due the implementation of Governmental Accounting Standards Board Statement No. 68. *Accounting and Financial Reporting for Pensions*. The objective of this statement is to improve the financial reporting by state and local governmental pension plans by allocating the surplus or deficit of the state-wide plan based on the individual member responsibility. In the District's case net pension liability reduced net position by \$339,923 at December 31, 2014.

During 2015, the District's net capital assets decreased \$144,920. This reduction is due to depreciation for the year. Total noncurrent liabilities increased by \$255,567. The amount of principal repaid during 2015 was 155,194. However, the effect of GASB 68 described above included net pension liability of \$416,761 which is included in noncurrent liabilities. There was no new debt during 2015. The District saw a decrease in unrestricted net position of \$383,706, of which \$339,923 is related to the GASB 68 change.

The District's overall financial position and results of operations for the past two years are summarized as follows, based on the information included in the financial statements.

	Business-type Activities	
	2015	2014
Assets:		
Current assets	\$ 363,200	\$ 396,229
Capital assets	3,106,453	3,251,373
Other non-current assets	308,530	260,026
Total assets	<u>3,778,183</u>	<u>3,907,628</u>
Deferred Outflows Related to Pensions	<u>62,717</u>	<u>-</u>
Liabilities:		
Long-term liabilities	2,656,987	2,401,420
Other liabilities	414,713	397,833
Total liabilities	<u>3,071,700</u>	<u>2,799,253</u>
Deferred Inflows Related to Pensions	<u>32,197</u>	<u>-</u>
Net position:		
Net investment in capital assets	705,033	694,759
Restricted	328,649	326,589
Unrestricted	(296,679)	87,027
Total net position	<u>\$ 737,003</u>	<u>1,108,375.00</u>
Adjustment related to GASB 68		339,923.00
Restated net position at December 31, 2014		<u>\$ 768,452</u>

	Business-type Activities	
	2015	2014
Operating income	870,335	882,730
Operating expenses	873,085	828,211
Operating income (loss)	<u>(2,750)</u>	<u>54,519</u>
Tap-on fees	7,277	7,100
Interest revenue	261	346
Miscellaneous reimbursement	15,679	
Interest expense	(51,916)	(50,050)
Total non-operating revenue and expense	<u>(28,699)</u>	<u>(50,050)</u>
Change in net position	<u>(31,449)</u>	<u>4,469</u>
Net position, beginning of year, restated See Note 12	768,452	1,096,460
Net position, end of year	<u>\$ 737,003</u>	<u>\$ 1,100,929</u>

A portion of the District's net position (\$705,033) reflects its investment in net plant, such as water tanks, buildings, equipment, and distribution systems, less any related outstanding debt used to acquire those assets. The district uses these assets to provide services to customers; consequently, these assets are not available for future spending. Resources needed to repay the outstanding debt shown on the balance sheet must come from other sources such as operations, since the assets themselves cannot be used to liquidate these long-term liabilities.

BUDGETARY HIGHLIGHTS

The original budget and the final budget passed by the board anticipated water and sewer operating revenues of \$435,944 and \$441,842 respectively and operating expenses of \$437,318 and \$367,269 respectively. Actual water operating revenues were under-budget \$1,631 while sewer operating revenues were under-budget \$5,820. Actual water operating expenses were over-budget by \$45,001 while sewer operating expenses were over-budget \$23,497. Actual non-operating water revenues and expenses were under-budget \$2,360 while non-operating sewer revenues and expenses were over-budget by \$18,668. For the year the total water budget variance was a negative \$48,992. For the year the total sewer budget variance was a negative \$10,649.

CAPITAL ASSETS

The District's investment in capital assets as of December 31, 2015 was \$3,106,453. The District acquired assets totaling \$13,337 during 2015. There were no disposals during 2015.

	<u>2015</u>	<u>2014</u>
Construction in progress	\$ 136,957	\$ 136,957
Land	101,340	101,340
Buildings	766,207	766,207
Machinery	80,867	80,867
Plant & equipment	5,240,956	5,227,619
Furniture & fixtures	35,162	35,162
Total capital assets	<u>6,361,489</u>	<u>6,348,152</u>
Less accumulated depreciation	<u>(3,255,036)</u>	<u>(3,096,779)</u>
Total capital assets, net	<u>\$ 3,106,453</u>	<u>\$ 3,251,373</u>

LONG-TERM DEBT

The District's long-term debt at December 31, 2015 was \$2,240,226. A schedule of the District's long-term debt at December 31, 2015 follows:

	<u>2015</u>	<u>2014</u>
Revenue Bond Series 1978	\$ 39,000	\$ 58,000
KIA loan	1,121,941	1,234,135
KACO loan	1,079,285	1,109,285
Total long-term debt	<u>\$ 2,240,226</u>	<u>\$ 2,401,420</u>

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Ledbetter Water and Sewer District's finances for all those with an interest in the government's finances. Questions or requests for additional information may be addressed to Billy Downs, Superintendent, Ledbetter Water and Sewer District, 1483 US Highway 60, Ledbetter, KY 42058.

Ledbetter Water & Sewer District
Statement of Net Position - Proprietary Fund
December 31, 2015

Assets	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 30,883	\$ 9,513	\$ 40,396
Accounts receivable	25,397	43,158	68,555
Prepaid expenses	1,307	469	1,776
Due from sewer	179,510	-	179,510
Restricted cash	25,464	47,499	72,963
Total current assets	<u>262,561</u>	<u>100,639</u>	<u>363,200</u>
Non-current assets:			
Restricted cash	<u>157,165</u>	<u>151,365</u>	<u>308,530</u>
Capital assets:			
Non-Depreciable capital assets:			
Construction in progress	125,317	11,640	136,957
Land	3,480	97,860	101,340
Total non-depreciable capital assets	<u>128,797</u>	<u>109,500</u>	<u>238,297</u>
Depreciable capital assets:			
Buildings	727,603	38,604	766,207
Machinery	60,368	20,499	80,867
Plant & equipment	1,086,794	4,154,162	5,240,956
Furniture and fixtures	35,162	-	35,162
Less accumulated depreciation	<u>(1,222,543)</u>	<u>(2,032,493)</u>	<u>(3,255,036)</u>
Total depreciable capital assets, net	<u>687,384</u>	<u>2,180,772</u>	<u>2,868,156</u>
Total capital assets	<u>816,181</u>	<u>2,290,272</u>	<u>3,106,453</u>
Total non-current assets	<u>973,346</u>	<u>2,441,637</u>	<u>3,414,983</u>
Total assets	<u>1,235,907</u>	<u>2,542,276</u>	<u>3,778,183</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions	62,717	-	62,717
Total deferred outflows	<u>62,717</u>	<u>-</u>	<u>62,717</u>

Ledbetter Water & Sewer District
Statement of Net Position - Proprietary Fund
December 31, 2015

	Water	Sewer	Total
Liabilities			
Current liabilities:			
Payable from unrestricted assets:			
Accounts payable trade	10,250	3,511	13,761
Payroll liabilities	26,662	-	26,662
Other current liabilities	1,185	-	1,185
Due to water	-	179,510	179,510
Total current liabilities payable from unrestricted assets	38,097	183,021	221,118
Payable from restricted assets:			
Current maturities of long-term debt	19,000	142,194	161,194
Interest payable	1,450	1,323	2,773
Tenant deposits payable	14,612	15,016	29,628
Total current liabilities payable from restricted assets	35,062	158,533	193,595
Total current liabilities	73,159	341,554	414,713
Noncurrent liabilities:			
Lease payable	-	1,079,285	1,079,285
Notes payable	-	1,121,941	1,121,941
Bonds payable	39,000	-	39,000
Net pension liability	416,761	-	416,761
Total noncurrent liabilities	455,761	2,201,226	2,656,987
Total liabilities	528,920	2,542,780	3,071,700
Deferred Inflows of Resources			
Deferred inflows related to pensions	32,197	-	32,197
Total deferred inflows	32,197	-	32,197
Net Position			
Net investment in capital assets	758,181	(53,148)	705,033
Restricted for debt service	145,178	198,864	344,042
Unrestricted	(165,852)	(145,212)	(311,064)
Total net position	\$ 737,507	\$ 504	\$ 738,011

Ledbetter Water & Sewer District
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund
Year Ended December 31, 2015

Operating Revenues	Water	Sewer	Total
Charges for services	\$ 434,313	\$ 436,022	\$ 870,335
Miscellaneous operating revenue	-	-	-
Total operating revenue	<u>434,313</u>	<u>436,022</u>	<u>870,335</u>
Operating Expenses			
Salary expenses	214,019	162,625	376,644
Treatment expenses	149,822	76,614	226,436
Maintenance expenses	4,340	2,742	7,082
General operating expenses	67,760	36,906	104,666
Depreciation	46,378	111,879	158,257
Total operating expenses	<u>482,319</u>	<u>390,766</u>	<u>873,085</u>
Operating income (loss)	<u>(48,006)</u>	<u>45,256</u>	<u>(2,750)</u>
Nonoperating Revenue (Expenses)			
Interest revenue	109	152	261
Special assessment-Mid America Fuels	-	15,679	15,679
Interest expense	(4,800)	(47,116)	(51,916)
Total nonoperating expenses	<u>(4,691)</u>	<u>(31,285)</u>	<u>(35,976)</u>
Capital Contributions			
Tap-on fees	4,250	3,027	7,277
Total capital contributions	<u>4,250</u>	<u>3,027</u>	<u>7,277</u>
Change in net position	<u>(48,447)</u>	<u>16,998</u>	<u>(31,449)</u>
Net position, beginning of year, before restatement	1,125,877	(17,502)	1,108,375
Cumulative effect of change in accounting principle	<u>(339,923)</u>	<u>-</u>	<u>(339,923)</u>
Net position, beginning of year, restated	<u>785,954</u>	<u>(17,502)</u>	<u>768,452</u>
Net position, end of year	<u>\$ 737,507</u>	<u>\$ (504)</u>	<u>\$ 737,003</u>

Ledbetter Water and Sewer District
Statement of Cash Flows-Proprietary Fund
Year Ended December 31, 2015

	Water	Sewer	Total
Cash flows from operating activities:			
Cash received from customers	\$ 437,190	\$ 435,021	\$ 872,211
Cash payments to suppliers for goods and services	(158,935)	(112,645)	(271,580)
Cash payments to employees for services	(220,992)	(162,625)	(383,617)
Net cash provided (used) by operating activities	<u>57,263</u>	<u>159,751</u>	<u>217,014</u>
Cash flows from capital and related financing activities:			
Tap-on fees	4,250	3,027	7,277
Special assessment-Mid America Fuels	-	15,679	15,679
Acquisition and construction of property, plant and equipment	-	(13,337)	(13,337)
Principal payments on long-term debt	(18,000)	(137,194)	(155,194)
Interest paid on long-term debt	(4,800)	(47,116)	(51,916)
Net cash provided (used) for capital and related financing activities	<u>(18,550)</u>	<u>(178,941)</u>	<u>(197,491)</u>
Cash flows from investing activities:			
Interest on investments	109	152	261
Net cash provided (used) by investing activities	<u>109</u>	<u>152</u>	<u>261</u>
Net increase (decrease) in cash and cash equivalents	<u>38,822</u>	<u>(19,038)</u>	<u>19,784</u>
Cash and cash equivalents, beginning of year	<u>174,690</u>	<u>227,415</u>	<u>402,105</u>
Cash and cash equivalents, end of year	<u>\$ 213,512</u>	<u>\$ 208,377</u>	<u>\$ 421,889</u>
Reconciliation to Statement of Net Position:			
Cash and cash equivalents - current	\$ 30,883	\$ 9,513	\$ 40,396
Restricted cash - current	25,464	47,499	72,963
Restricted cash - non-current	157,165	151,365	308,530
	<u>\$ 213,512</u>	<u>\$ 208,377</u>	<u>\$ 421,889</u>
Reconciliation of Operating Income to Net Cash Provided by Operations:			
Operating income	\$ (48,006)	\$ 45,256	\$ (2,750)
Adjustments-operating activities			
Depreciation and amortization	46,378	111,879	158,257
(Increase) decrease in:			
Accounts receivable	2,523	(1,377)	1,146
Prepaid expenses	448	2,710	3,158
Deferred outflows	(47,881)	-	(47,881)
Increase (decrease) in:			
Accounts payable	(1,060)	(416)	(1,476)
Customer deposits	349	376	725
Interest Payable	1,450	1,323	2,773
Accrued liabilities	8,864	-	8,864
Net pension liability	97,624	-	97,624
Deferred inflows	(3,426)	-	(3,426)
Net cash provided by operating activities	<u>\$ 57,263</u>	<u>\$ 159,751</u>	<u>\$ 217,014</u>

Ledbetter Water and Sewer District
Notes to the Financial Statements

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Activity - The Ledbetter Water and Sewer District is a utility district organized on January 7, 1964, and supported by funds derived from the sale of water and is operated by a District Board. The District is authorized under Kentucky Revised Statutes 65.005 and constitutes a governmental subdivision of the Commonwealth of Kentucky. The District is located in Ledbetter, Kentucky and primarily serves the Ledbetter and Western Livingston County, Kentucky area.

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 governing body of the district is made up of four commissioners and a secretary-treasurer, 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.

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 and liabilities 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. 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 and sewer 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.

Accounts receivable - The direct write-off method was used for recording un-collectible accounts. No allowance for un-collectible accounts was deemed to be needed.

Utility plant - The utility plant is carried at cost. 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 for the period. The cost of maintenance and repairs is charged to income as incurred; significant betterments are capitalized. The utility does not have a specific capitalization threshold. 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 revenue and expense. Capital assets are depreciated over the following useful lives:

	<u>Years</u>
Utility plant	35-50
Office furnishing and equipment	5-10

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.

Use of Restricted/Unrestricted Net Position - When an expense is incurred for purposes for which both restricted and unrestricted resources are available, the District's policy is to consider restricted net position to have been depleted before unrestricted net position is applied.

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 and are recognized when earned.

Ledbetter Water and Sewer District
Notes to the Financial Statements

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes on income - The Ledbetter Water and Sewer District is exempt from paying income taxes under Section 115 of the Internal Revenue Code.

Budget - The District adopts an annual budget prepared under the basis of accounting utilized in the financial statements.

Cash and cash equivalents - For purposes of the statement of cash flows, the District considers all highly liquid investments with original maturity of three months or less when purchased to be cash equivalents.

Capital Contributions- Contributions in aid of construction are derived from two main sources; 1) developers, when they construct and pay for water lines and then donate these additions to the District; and 2) other governments, in the form of grant contributions for property, plant, or equipment. Developer contributions are recorded at the developer's cost and are depreciated over their estimated useful lives using the straight-line method. Grant proceeds are recorded as increases to unrestricted net position, and when expended on fixed assets, the costs are depreciated over their useful lives using the straight line method.

Due to and Due from Other Funds - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. As of December 31, 2015, the Sewer fund owed the Water fund \$179,510.

Deferred Outflows and Inflows of Resources - Effective for the fiscal year ending December 31, 2015, the District adopted provisions of Governmental Accounting Standards Board (GASB), Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflow of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses or expenditures) or inflows of resources (revenues), certain items that were previously reported as assets and liabilities.

In addition to liabilities, assets and net position, the statement of net position/balance sheet will sometimes report a separate section for deferred outflows and inflows of resources. This separate financial statement element, deferred outflows and inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an expenditure or revenue, respectively until that time. The District has items that arise under the modified accrual basis of accounting that qualifies for reporting in these categories. The Statement of Net Position reports deferred outflows and inflows related to pension requirements.

Pension - 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 in the Kentucky Retirement Systems (KRS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the KRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the County Employees Retirement System. Investments are reported as fair value.

2 RESTRICTED CASH AND INVESTMENTS

Sinking Funds - The Ledbetter Water Bond & Interest Sinking fund was established for the purpose of paying the principal and interest on the Water Revenue Bonds. The bond ordinances require that the amount deposited each month equals one-sixth of the next succeeding interest requirement and one-twelfth of the principal requirements becoming due on the note on the next succeeding January 1. At December 31, 2015 the balance of the Water Sinking Fund was \$25,464.

2 RESTRICTED CASH AND INVESTMENTS (continued)

The Ledbetter Sewer Bond & Interest Sinking Fund was established for the purpose of paying the principal and interest on the KIA Loan due in June and December. At December 31, 2015 the balance of the Sewer Sinking Fund was \$47,499.

Depreciation Reserve – The Ledbetter Water Depreciation Reserve account was established to satisfy the bond ordinances requiring the District to make monthly contributions after observing the priority of deposits into the Sinking Fund. The funds in the Depreciation Reserve Fund can be expended for the purpose of paying the cost of unusual or extra-ordinary maintenance, repairs, renewals or replacements, and the cost of constructing additions and improvements to the system. The District is to maintain a \$35,100 minimum throughout the life of the bonds. At December 31, 2015 the balance of the Depreciation Reserve Fund was \$92,059, the balance of the Depreciation Checking Account was \$22,608, and the balance of the Certificate of Deposit – Reserve was \$27,655 for a total of \$142,322.

The Ledbetter Sewer Depreciation Reserve account required by Kentucky Infrastructure Authority requires an annual transfer of \$22,000 until a balance of \$220,000 is accumulated. The account was adequately funded for the year ending December 31, 2015 as required for the life of the loan. For the year ended December 31, 2015, \$22,107 had been deposited into the Ledbetter Sewer Depreciation Reserve making the balance at December 31, 2015 \$136,348.

Ledbetter Water and Sewer Tenant Deposit Fund - This account is set aside to account for customer deposits. At December 31, 2015 the restricted balance of the Ledbetter Water and Sewer District's Tenant Deposit Fund was \$14,612 and \$15,017 respectively.

3 DEPOSITS

The District has adopted Governmental Accounting Standards Board (GASB) Statement No. 40 effective July 1, 2005. GASB 40 is designed to inform financial statement users about deposit and investment risks that could effect a government's ability to provide services and meet its obligations as they become due. There are risks inherent in all deposits and investments, and GASB believes that the disclosures required by this Statement provide users of governmental financial statements with information to assess common risks inherent in deposit and investment transactions. Deposit and investment resources often represent significant assets of the enterprise fund. These resources are necessary for the delivery of governmental services and programs. GASB 40, as it applies to the district, includes disclosure of the following risks:

- Risks related to custodial credit risk of deposits;
- Deposit and investment policies related to those risks.

Custodial Credit Risk is the risk that in the event of a failure of a depository institution, the district will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of December 31, 2015, the carrying amount of District's deposits was \$421,889 and the bank balance of \$419,251 was categorized as follows:

Insured by FDIC	\$ 277,710
Uninsured and collateralized with securities held by the pledging financial institution in the district's name	141,541
Total	\$ 419,251

Ledbetter Water and Sewer District
Notes to the Financial Statements

3 DEPOSITS (continued)

The district does not have deposit and investment policies. However Kentucky Revised Statutes (KRS 66.480) authorize Kentucky municipalities to invest in:

1. Obligations of the U. S. Treasury, agencies and instrumentalities. Such investments may be accomplished through repurchase agreements reached with national or state banks chartered in Kentucky;
2. Bonds or certificates of indebtedness of the state of Kentucky, agencies and instrumentalities;
3. Savings and loan associations insured by the U. S. government;
4. Interest-bearing deposits in national or state banks chartered in Kentucky and insured by an agency of the U. S. government;
5. Deposit accounts with banking institutions;
6. State treasurer investment pool.

Ledbetter Water and Sewer District
Notes to the Financial Statements

4 CAPITAL ASSETS

Capital asset activity for Ledbetter Water and Sewer District for the year ended December 31, 2015, was as follows:

Water:	Beginning Balance 1/1/2015	Increases	Decreases	Ending Balance 12/31/2015
Capital assets not being depreciated:				
Construction in progress	\$ 125,317	\$ -	\$ -	\$ 125,317
Land	3,480	-	-	3,480
Total capital assets not being depreciated	<u>128,797</u>	<u>-</u>	<u>-</u>	<u>128,797</u>
Capital assets being depreciated:				
Electric Pump Equipment	54,523	-	-	54,523
General Plant	51,861	-	-	51,861
Hydrants	27,940	-	-	27,940
Mains	525,310	-	-	525,310
Meter Installations	14,405	-	-	14,405
Meter	74,930	-	-	74,930
Office Furniture	35,163	-	-	35,163
Other Misc Equipment	47,946	-	-	47,946
Services	69,393	-	-	69,393
Tanks	223,691	-	-	223,691
Tools & Shop Equipment	27,253	-	-	27,253
Vehicles & Trans Equipment	33,115	-	-	33,115
Water Treatment Equipment	48,654	-	-	48,654
Water Treatment Structure	675,743	-	-	675,743
Total capital assets being depreciated	<u>1,909,927</u>	<u>-</u>	<u>-</u>	<u>1,909,927</u>
Less accumulated depreciation for:				
Electric Pump Equipment	(51,660)	(1,146)	-	(52,806)
General Plant	(27,646)	(1,826)	-	(29,472)
Hydrants	(13,958)	(599)	-	(14,557)
Mains	(268,081)	(10,690)	-	(278,771)
Meter Installations	(8,873)	(289)	-	(9,162)
Meter	(30,038)	(1,729)	-	(31,767)
Office Furniture	(32,823)	(677)	-	(33,500)
Other Misc Equipment	(36,720)	(3,959)	-	(40,679)
Services	(42,304)	(1,637)	-	(43,941)
Tanks	(131,640)	(9,555)	-	(141,195)
Tools & Shop Equipment	(10,665)	(186)	-	(10,851)
Vehicles & Trans Equipment	(33,115)	-	-	(33,115)
Water Treatment Equipment	(23,227)	(575)	-	(23,802)
Water Treatment Structure	(465,415)	(13,510)	-	(478,925)
Total accumulated depreciation	<u>(1,176,165)</u>	<u>(46,378)</u>	<u>-</u>	<u>(1,222,543)</u>
Total capital assets being depreciated, net	<u>733,762</u>	<u>(46,378)</u>	<u>-</u>	<u>687,384</u>
Business-type activities capital assets, net	<u>\$ 862,559</u>	<u>\$ (46,378)</u>	<u>\$ -</u>	<u>\$ 816,181</u>

Ledbetter Water and Sewer District
Notes to the Financial Statements

4 CAPITAL ASSETS (continued)

Sewer:	Beginning Balance 1/1/2015	Increases	Decreases	Ending Balance 12/31/2015
Capital assets not being depreciated:				
Construction in progress	\$ 11,640	\$ -	\$ -	\$ 11,640
Land	97,860	-	-	97,860
Total capital assets not being depreciated, net	<u>109,500</u>	<u>-</u>	<u>-</u>	<u>109,500</u>
Capital assets being depreciated:				
Buildings and Improvements	38,604	-	-	38,604
Engineering Cost	285,709	-	-	285,709
General & Office Equipment	74,221	-	-	74,221
Lines	2,465,513	-	-	2,465,513
Plant & Lagoons	1,188,138	-	-	1,188,138
Utility Assets	127,244	13,337	-	140,581
Vehicles	20,499	-	-	20,499
Total capital assets being depreciated, net	<u>4,199,928</u>	<u>13,337</u>	<u>-</u>	<u>4,213,265</u>
Less accumulated depreciation for:				
Buildings and Improvements	(17,690)	(965)	-	(18,655)
Engineering Cost	(130,269)	(7,143)	-	(137,412)
General & Office Equipment	(66,705)	(1,460)	-	(68,165)
Lines	(1,113,531)	(61,688)	-	(1,175,219)
Plant & Lagoons	(533,758)	(31,413)	-	(565,171)
Utility Assets	(38,162)	(9,210)	-	(47,372)
Vehicles	(20,499)	-	-	(20,499)
Total accumulated depreciation	<u>(1,920,614)</u>	<u>(111,879)</u>	<u>-</u>	<u>(2,032,493)</u>
Total capital assets being depreciated, net	<u>2,279,314</u>	<u>(98,542)</u>	<u>-</u>	<u>2,180,772</u>
Business-type activities capital assets, net	<u>\$ 2,388,814</u>	<u>\$ (98,542)</u>	<u>\$ -</u>	<u>\$ 2,290,272</u>

Depreciation charged to income was \$158,257 during the year ending December 31, 2015 as follows:

Business-type depreciation:	
Water	\$ 46,378
Sewer	111,879
Total business-type depreciation	<u>\$ 158,257</u>

5 LONG-TERM DEBT

Bonds

The Ledbetter Water and Sewer District Waterworks Revenue Bonds of 1978 were issued in the amount of \$359,000 for the purpose of financing the construction, extension, additions, and improvements to the existing waterworks system. Bond maturity date is 2018. The interest rate is 5%. The issue was purchased by United States Department of Agriculture Rural Economic and Community Development.

The bonds are secured and payable from an exclusive pledge of a fixed portion of gross revenues of the Waterworks System as now or hereafter constituted and additionally secured by a statutory lien on the Waterworks System.

Ledbetter Water and Sewer District
Notes to the Financial Statements

5 LONG-TERM DEBT (continued)

The remaining bond repayment schedule is as follows:

	Principal	Interest	Total
2016	19,000	2,425	\$ 21,425
2017	19,000	1,475	\$ 20,475
2018	20,000	500	\$ 20,500
	\$ 58,000	\$ 4,400	\$ 62,400

Note Payable

The Ledbetter Water and Sewer District Kentucky Infrastructure Authority note date June 1, 2007, refinanced certain long term debt obligations of the District. The note is 0% with 40 payments. There are no discounts, premiums or fees associated with this loan. Payments are due each June and December. The note and bond repayment schedule is as follows:

	Principal	Interest	Total
2016	\$ 112,194	\$ -	\$ 112,194
2017	112,194	-	\$ 112,194
2018	112,194	-	\$ 112,194
2019	112,194	-	\$ 112,194
2020	112,194	-	\$ 112,194
2021-2025	560,971	-	\$ 560,971
2026	112,194	-	\$ 112,194
	\$ 1,234,135	\$ -	\$ 1,234,135

Leases

On November 9, 2007 Livingston County entered into a refinancing of a financing obligation with Kentucky Association of Counties Leasing Trust (KACoLT) for the financing of a sewer system project for the Ledbetter Sanitation District, Livingston County, Kentucky. This capital lease is for the purpose of debt refinancing and the related assets are detailed below. The original lease was dated July 1, 2005 for \$3,300,000. During 2007, the Ledbetter Water District paid a lump sum payment of \$2,020,715. The principal amount of the refinanced lease is \$1,184,285 with repayment to be made over a thirty year period starting in November 2007. The Ledbetter Water District has pledged their revenues for repayment of the note and are repaying the note to KACoLT. The lease carries a variable interest rate of 2.863% - 5.032%. The lease required interest only payments for the first 59 months. To reduce these interest payments further, KACO increased the principal by \$109,410, and invested these funds separately to provide a return over the first 59 months of the loan to reduce the interest payable by the district. These funds were amortized over their period of use which ended in October 2012. As of December 31, 2015, the balance of the lease was \$1,109,285 and the future minimum lease principal and interest requirements for the capital lease is as follows:

Ledbetter Water and Sewer District
Notes to the Financial Statements

5 LONG-TERM DEBT (continued)

<u>Year End December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 30,000	\$ 54,659	\$ 84,659
2017	30,000	53,055	83,055
2018	30,000	51,558	81,558
2019	35,000	49,757	84,757
2020	35,000	48,200	83,200
2021-2025	200,000	211,787	411,787
2026-2030	255,000	154,349	409,349
2031-2035	335,000	79,882	414,882
2036-2037	159,285	6,039	165,324
	<u>\$ 1,109,285</u>	<u>\$ 709,286</u>	<u>\$ 1,818,571</u>

The lease is secured by sewer distribution lines originally costing \$2,329,254 with accumulated depreciation of \$1,125,806 for a net value of \$1,203,448. Amortization of the leased asset is included in depreciation expense.

Total debt activity for the district for the year ending December 31, 2015 is as follows:

<u>Debt Schedule:</u>	<u>Balance 1/1/15</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 12/31/15</u>	<u>Current Portion</u>
Water Bonds	\$ 76,000	\$ -	\$ 18,000	\$ 58,000	\$ 19,000
Sewer KIA	1,346,329	-	112,194	1,234,135	112,194
Sewer KACO Lease	1,134,285	-	25,000	1,109,285	30,000
	<u>\$ 2,556,614</u>	<u>\$ -</u>	<u>\$ 155,194</u>	<u>\$ 2,401,420</u>	<u>\$ 161,194</u>

6 PENSION PLAN

General Information about the Pension Plan

Plan description. Employees with membership in the Kentucky Retirement Systems (KRS) are provided with pensions through the County Employee Retirement System (CERS), a cost sharing multiple-employer pension plan administered by the KRS. The KRS was created by state statute under Kentucky Revised Statute Chapter 61. The KRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the KRS. The Kentucky Department of Revenue, an agency in the legislative branch of state government, administers the plans of the KRS. The KRS issues a publically available financial report that can be obtained at www.kyret.ky.gov.

Benefits provided. Kentucky Revised Statute Chapter 61 established the benefit terms and can be amended only by the Kentucky General Assembly.

Members of the CERS (nonhazardous), participating prior to September 1, 2008 (Tier 1), are eligible to retire with an unreduced benefit at age 65 or any age with over 27 years of service credit. Benefits are determined by a formula using the member's five highest annual compensations and the member's years of service. A reduced early retirement benefit is available at age 65 with at least 25 years, but less than 27 years of service credit, or at age 55 with 5 years of service credit. Members of the CERS (nonhazardous), participating after September 1, 2008 but before January 1, 2014 (Tier 2), are eligible to retire with an unreduced benefit at age 57 if age plus service credits equal 87 years at retirement or after age 65 with 5 years of service credit. Benefits are determined by a formula using the member's last five consecutive years compensation and the member's years of service credit. A reduced early retirement benefit is available at age 60 with at least 10 years of service credit. Members of the CERS (nonhazardous), participating after January 1, 2014 (Tier 3), are eligible to retire with an unreduced benefit

6 PENSION PLAN (continued)

at age 57 if age plus service credits equals 87 years at retirement or after age 65 with 5 years of service credit.

Service related disability benefits are provided for all three tiers regardless of length of service. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustment (COLAs) after retirement. The COLA has increased annually by 1.5% since July 1, 2003. A member who leaves employment may withdraw their employee contribution, plus any accumulated interest.

Contributions. Contributions for members are established in the statutes governing the KRS and may only be changed by the Kentucky General Assembly. CERS covered employees are required to contribute 5% of gross pay and all employees that began participating after September 1, 2008 are required to contribute an additional 1% for health coverage. The agencies make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the CERS are required to be paid. Employer contributions by the Ledbetter Water and Sewer District, Kentucky for the year ended June 30, 2015 to the CERS were \$91,063 which is 18.89% of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension liability. At June 30, 2015, the Ledbetter Water District reported a liability of \$416,761 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan during the year ended June 30, 2015, relative to the contributions of all members for the year ended June 30, 2015. At the June 30, 2015 measurement date, District's proportion was 0.009693%. No update procedures were used to determine the total pension liability. An expected total pension liability is determined as of July 1, 2014, using standard roll back techniques. The roll back calculation subtracts the annual normal cost (also called the service cost), adds the actual benefit payments and refunds for the plan year and then applies the expected investment rate of return for the year. The procedure was used to determine the total pension liability as of July 1, 2014, are shown for CERS submitted on March 16, 2015.

Pension expense. For the year ended June 30, 2015, the District recognized a pension expense of \$82,397.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2015, The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Ledbetter Water and Sewer District
Notes to the Financial Statements

6 PENSION PLAN (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,463	\$ -
Change of assumptions	42,026	-
Net difference between projected and actual earnings on plan investments	3,736	28,499
Changes in portion and differences between employer contributions and proportionate share of contributions	-	3,699
Employer contributions subsequent to the Measurement Date	13,492	-
	\$ 62,717	\$ 32,198

The amount shown for "Employer contributions subsequent to the Measurement Date" will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	
2016	(7,864)
2017	(7,864)
2018	(7,864)
2019	(7,864)
2020	(742)

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	
2016	9,845
2017	9,845
2018	9,845
2019	9,845
2020	9,845

In the tables above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.00%, average, including inflation
Investment rate of return	7.50 %, net of pension plan investment expense, including inflation

6 PENSION PLAN (continued)

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. 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.

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 return on plan assets is reviewed as part of the regular experience studies prepared every five years for the System. The most recent analysis, performed for the period covering fiscal years 2008 through 2013 is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Combined Equity	44%	5.40%
Combined Fixed Income	19%	1.50%
Real Return (Diversified Inflation Strategies)	10%	3.50%
Real Estate	5%	4.50%
Absolute (Diversified Hedge Funds)	10%	4.25%
Private Equity	10%	8.50%
Cash Equivalent	2%	-0.25%
Total	<u>100%</u>	

Discount rate. The discount rate used to measure the total pension liability was 7.50%. The discount rate determination does not use a municipal bond rate.

Projected cash flows. The projection of the cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 28 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. Projected future benefit payments for all current plan members were projected through 2117.

Ledbetter Water and Sewer District
Notes to the Financial Statements

6 PENSION PLAN (continued)

Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate. The following presents the net pension liability of the District, calculated using the discount rate of percent, as well as what the system's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate for non-hazardous:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Ledetter Water and Sewer District's net pension liability	\$ 532,037	\$ 416,761	\$ 318,023

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

7 NEW PRONOUNCEMENTS

Effective for the fiscal year ending December 31, 2015, the District adopted the provisions of Governmental Accounting Standards Board (GASB), Statement No. 68, Accounting and Financial Reporting for Pensions. The objective of this statement is to improve financial reporting by state and local governmental pension plans. In addition, it requires the liability of the employers and non-employer contributing entities to employees for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payment to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. In addition, this statement requires additional changes to Required Supplementary Information, among other extensive changes.

Effective for the fiscal year ending December 31, 2015, the District adopted the provision of Governmental Accounting Standards Board (GASB), Statement No. 71, Pension Transition for Contributions made Subsequent to the Measurement Date. The objective of this statement is to address an issue regarding application of the transition provisions of GASB No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

8 COMPENSATED ABSENCE

Employees were allowed to carry-over to the following and all subsequent years the amount of 32 hours of sick time and accumulated comp time which is accrued at time and a half. The balance of compensated absence as of December 31, 2015 was \$21,610 and was considered to be a current liability.

9 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 and fidelity bond coverage. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

10 INTEREST EXPENSE

The District incurred interest cost in 2015 for water and sewer of \$4,800 and \$47,116 respectively. The entire amount has been recognized as a current operating expense.

Ledbetter Water and Sewer District
Notes to the Financial Statements

11 INTERFUND ACTIVITY

The amounts due to and from water and sewer are related to operating activity. .

12 PRIOR PERIOD ADJUSTMENT

Changes in accounting principle

The net position was restated to reflect implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (which amends GASB Statement No. 27), and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement No. 68 changed how governments' measure and report long-term obligations and annual costs associated with the pension benefits they provide. GASB Statement No. 71 addressed the issue of contributions made to defined benefit pension plans after the measurement date for the year in which GASB Statement No. 68 is implemented. Net position was restated as follows:

Net position as reported at December 31, 2014	\$ 1,108,375
Adjustment related to GASB 68	<u>(339,923)</u>
Net position, restated	<u>\$ 768,452</u>

Ledbetter Water and Sewer District
 Schedule of Proportionate Share of Net Pension Liability-County Employee Retirement System
 Last ten fiscal years

Total net pension liability (asset) for Employee Retirement System	\$ 4,299,525,565
Ledbetter Water and Sewer District's proportion of the net pension liability	0.009693%
Ledbetter Water and Sewer District's proportionate share of the net pension liability	\$ 416,761
Ledbetter Water and Sewer District's covered-employee payroll	\$ 226,154
Ledbetter Water and Sewer District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	184.28%
Plan fiduciary net position as a percentage of the total pension liability	69.97%

*The amounts presented were determined as of June of the prior fiscal year

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Purpose is to provide information that serves as a surrogate for the funding progress of the plan.

Ledbetter Water and Sewer District
 Schedule of Contributions
 County Employee Retirement System of the KRS
 Last ten fiscal years

	<u>2014</u>	<u>2015</u>
Actuarially Determined Contribution (ADC)	\$ 42,629	\$ 28,940
Contribution in relation to the actuarially determined contribution	42,629	28,940
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Ledbetter Water and Sewer District's covered-employee payroll	\$ 225,669	\$ 226,154
Contributions as a percentage of Ledbetter Water and Sewer District's covered-employee payroll	18.89%	12.80%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retrospectively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Ledbetter Water and Sewer District
Notes to the Required Supplementary Information

Notes Related to Schedule of the Ledbetter Water District Proportionate Share of the Net Pension Liability- County Employee Retirement System of the KRS

Changes of benefit terms: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

1. Tiered Structure for benefit accrual rates
2. New retirement eligibility requirements
3. Different rules for the computation of final average compensation

2014: A cash balance plan was introduced for members whose participation date is on or after January 1, 2014.

Changes of assumption: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

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%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. 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.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal years ended 2016 and 2017, determined as of July 1, 2015. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	28 years
Asset valuation	5-year smoothed market
Inflation	3.25%
Salary increases	4.00%, average, including inflation
Investment Rate of Return	7.50%, net of pension plan investment expense, including inflation

Ledbetter Water and Sewer District
Statement of Revenues, Expenses and Changes in Net Position - Water
Budget and Actual
For the Year Ending December 31, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Charges for services	\$ 435,944	\$ 435,944	\$ 434,313	\$ (1,631)
Total operating revenues	<u>435,944</u>	<u>435,944</u>	<u>434,313</u>	<u>(1,631)</u>
Operating expenses:				
Salary expenses	153,396	153,396	214,019	(60,623)
Water treatment expenses	141,989	141,989	149,822	(7,833)
Maintenance expenses	7,860	7,860	4,340	3,520
General operating expenses	88,208	88,208	67,760	20,448
Depreciation	45,865	45,865	46,378	(513)
Total operating expenses	<u>437,318</u>	<u>437,318</u>	<u>482,319</u>	<u>(45,001)</u>
Operating income	<u>(1,374)</u>	<u>(1,374)</u>	<u>(48,006)</u>	<u>(46,632)</u>
Non-operating income (expenses):				
Tap-on fees	5,100	5,100	4,250	(850)
Interest revenue	169	169	109	(60)
Interest expense	(3,350)	(3,350)	(4,800)	(1,450)
Total non-operating revenue (expenses)	<u>1,919</u>	<u>1,919</u>	<u>(441)</u>	<u>(2,360)</u>
Change in net position	<u>\$ 545</u>	<u>\$ 545</u>	<u>(48,447)</u>	<u>\$ (48,992)</u>
Net position, beginning of year, restated			<u>785,954</u>	
Net position, end of year			<u>\$ 737,507</u>	

Ledbetter Water and Sewer District
Statement of Revenues, Expenses and Changes in Net Position - Sewer
Budget and Actual
For the Year Ending December 31, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Charges for services	\$ 441,842	\$ 441,842	\$ 436,022	\$ (5,820)
Miscellaneous operating revenue	-	-	-	-
Total operating revenues	<u>441,842</u>	<u>441,842</u>	<u>436,022</u>	<u>(5,820)</u>
Operating expenses:				
Salary expenses	141,263	141,263	162,625	(21,362)
Treatment expenses	50,943	50,943	76,614	(25,671)
Maintenance expenses	2,578	2,578	2,742	(164)
General operating expenses	64,005	64,005	36,906	27,099
Depreciation	108,480	108,480	111,879	(3,399)
Total operating expenses	<u>367,269</u>	<u>367,269</u>	<u>390,766</u>	<u>(23,497)</u>
Operating income	<u>74,573</u>	<u>74,573</u>	<u>45,256</u>	<u>(29,317)</u>
Non-operating income (expenses):				
Tap-on fees	-	-	3,027	3,027
Interest revenue	222	222	152	(70)
Miscellaneous reimbursement	-	-	15,679	15,679
Interest expense	(47,148)	(47,148)	(47,116)	32
Total non-operating revenue (expenses)	<u>(46,926)</u>	<u>(46,926)</u>	<u>(28,258)</u>	<u>18,668</u>
Change in net position	<u>\$ 27,647</u>	<u>\$ 27,647</u>	<u>16,998</u>	<u>\$ (10,649)</u>
Net position, beginning of year, restated			<u>(17,502)</u>	
Net position, end of year			<u>\$ (504)</u>	