

CITY OF LIBERTY
Liberty, Kentucky

FINANCIAL STATEMENTS
June 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the Mayor and the City Council
City of Liberty, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Liberty, Kentucky as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively, comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Liberty, Kentucky, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules, and other post-employment benefits (OPEB) schedules on pages 3–10 and 40-46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Liberty, Kentucky's basic financial statements. The combining nonmajor governmental fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining nonmajor governmental fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2020, on our consideration of the City of Liberty, Kentucky'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Liberty, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Liberty, Kentucky's internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
May 5, 2020

City of Liberty, Kentucky

Management's Discussion and Analysis

Our discussion and analysis of the City of Liberty's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2019. Please read in conjunction with the auditor's report on page 1-2 and the City's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- The City's net position decreased in the governmental activities and in the business-type activities. The net position of the governmental activities decreased by \$1,259, and the net position of the business-type activities decreased by \$272,362, which was a 3.0 percent decrease from the previous year.
- In the City's governmental activities, revenues decreased by \$95,815, or 8.8 percent, and expenses decreased by 12.9 percent to \$1,041,444. In the business-type activities, revenues decreased to \$3,011,013 which is a decrease of 25.6 percent, while expenses increased by 6.4 percent to \$3,268,525.

OVERVIEW OF THIS ANNUAL REPORT

This annual report consists of the management's discussion and analysis report, the independent auditors' report, the basic financial statements of the City and the independent auditors' report on compliance. The financial statements also include notes that explain in more detail some of the information in the financial statements.

The City's financial statements now present two kinds of statements, each with a different snapshot of the City's finances. The focus is both the City as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the City's overall financial status. The fund financial statements focus on the individual funds of the City, reporting the City's operations in more detail than the government-wide statements. Both perspectives (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison (year to year or government to government) and enhance the City's accountability.

GOVERNMENT – WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the City's activities in a way that will help answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the net position of the City and the changes in them. One can think of the City's net position—the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources—as one way to measure financial health or financial position. Over time, increases or decreases in the City's net position are an indicator of whether its financial health or position is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, changes in property tax rates or valuation, infrastructure asset condition, and new or changed government legislation.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

Governmental activities—Most of the City's basic services are reported here, including general government administration, police, fire, dispatch, streets, sanitation and parks. Property taxes, licenses and permits, and grants finance most of these activities.

Business-type activities—The City collects fees from customers to cover the costs of the services, which includes gas, water, sewer and garbage.

FUND FINANCIAL STATEMENTS

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The focus is now on the City's funds. The fund financial statements provide more information about the City's funds and not the City as a whole.

The City has two kinds of funds:

Governmental Fund—Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets, that can readily be converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statement that explains the relationship (or differences) between them.

Proprietary Fund—Services for which the City charges customers a fee are generally reported in proprietary funds.

NET POSITION

Our analysis begins with a summary of the City's Statement of Net Position, which is presented on Table A-1 followed by an explanation of the results. Changes in net position are presented in Table A-2, which is also followed by an explanation of the results.

Table A-1

Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2018</u>
Current and Other Assets	\$ 405,076	\$ 504,899	\$ 2,543,751	\$ 2,602,355	\$ 2,948,827	\$ 3,107,254
Capital Assets	2,168,302	2,142,365	16,803,779	16,440,734	18,972,081	18,583,099
Deferred Outflows	183,723	224,189	427,433	459,428	611,156	683,617
Total Assets and and Deferred Outflows	<u>2,757,101</u>	<u>2,871,453</u>	<u>19,774,963</u>	<u>19,502,517</u>	<u>22,532,064</u>	<u>22,373,970</u>
Long-Term Debt Outstanding	596,653	663,907	7,789,515	7,565,745	8,386,168	8,229,652
Net Pension	590,949	601,487	1,309,410	1,175,933	1,900,359	1,777,420
Net OPEB	172,271	206,582	381,714	403,878	553,985	610,460
Deferred Inflows	48,433	26,192	107,317	51,207	155,750	77,399
Current Liabilities	<u>102,827</u>	<u>126,058</u>	<u>1,226,227</u>	<u>1,072,612</u>	<u>1,329,054</u>	<u>1,198,670</u>
Total Liabilities and Deferred Inflows	<u>1,511,133</u>	<u>1,624,226</u>	<u>10,814,183</u>	<u>10,269,375</u>	<u>12,325,316</u>	<u>11,893,601</u>
Net Position:						
Net Investment in						
Capital Assets	2,168,302	2,120,800	8,357,642	8,694,033	10,525,944	10,814,833
Restricted	89,370	162,297	188,237	178,070	277,607	340,367
Unrestricted	<u>(1,011,704)</u>	<u>(1,035,870)</u>	<u>414,901</u>	<u>361,039</u>	<u>(596,803)</u>	<u>(674,831)</u>
Total Net Position	<u>\$ 1,245,968</u>	<u>\$ 1,247,227</u>	<u>\$ 8,960,780</u>	<u>\$ 9,233,142</u>	<u>\$ 10,206,748</u>	<u>\$ 10,480,369</u>

The net position of the City's governmental activities decreased from \$1,247,227 in 2018 to \$1,245,968 in 2019, which is a decrease of \$1,259. The net position of the business-type activities decreased from \$9,233,142 to \$8,960,780 in 2019, which is a 3.0 percent decrease. The net position from one activity generally cannot be used to make up for any deficits in the other activities.

NET POSITION, continued**Table A-2****Condensed Statement of Activities**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2018</u>
Revenues						
<u>Program Revenues</u>						
Charges for Service	\$ 3,880	\$ 4,601	\$ 2,840,210	\$ 2,891,491	\$ 2,844,090	\$ 2,896,092
Operating Grants & Contributions	174,211	160,579	-	11,600	174,211	172,179
Capital Grants & Contributions	13,673	142,920	145,743	1,127,397	159,416	1,270,317
<u>General Revenue</u>						
Taxes	293,779	289,840	-	-	293,779	289,840
License fees	315,615	311,282	-	-	315,615	311,282
Permits	3,550	1,480	-	-	3,550	1,480
Other Grants and Contributions	1,474	2,045	-	-	1,474	2,045
Investment Earnings	9,980	6,118	25,060	15,033	35,040	21,151
Management fees	135,000	135,000	-	-	135,000	135,000
Miscellaneous	<u>36,275</u>	<u>29,387</u>	<u>-</u>	<u>-</u>	<u>36,275</u>	<u>29,387</u>
Total Revenue	<u>987,437</u>	<u>1,083,252</u>	<u>3,011,013</u>	<u>4,045,521</u>	<u>3,998,450</u>	<u>5,128,773</u>
Program Expenses						
General Government	366,300	388,671	-	-	366,300	388,671
Public Safety - Police	458,221	509,199	-	-	458,221	509,199
Public Safety - Fire	122,366	106,642	-	-	122,366	106,642
Streets Department	77,454	169,929	-	-	77,454	169,929
Interest on Debt	17,103	21,706	-	-	17,103	21,706
Utility	<u>-</u>	<u>-</u>	<u>3,268,525</u>	<u>3,073,026</u>	<u>3,268,525</u>	<u>3,073,026</u>
Total Program Expenses	<u>1,041,444</u>	<u>1,196,147</u>	<u>3,268,525</u>	<u>3,073,026</u>	<u>4,309,969</u>	<u>4,269,173</u>
Other Changes						
Transfers	51,350	58,700	(51,350)	(58,700)	-	-
Gain (loss) on sale of assets	<u>1,398</u>	<u>(11,405)</u>	<u>36,500</u>	<u>(3,700)</u>	<u>37,898</u>	<u>(15,105)</u>
Total Other Changes	<u>52,748</u>	<u>47,295</u>	<u>(14,850)</u>	<u>(62,400)</u>	<u>37,898</u>	<u>(15,105)</u>
Change In Net Position	<u>\$ (1,259)</u>	<u>\$ (65,600)</u>	<u>\$ (272,362)</u>	<u>\$ 910,095</u>	<u>\$ (273,621)</u>	<u>\$ 844,495</u>

The City's total revenue decreased by 22.0 percent and the total cost of all programs reflected an increase of 1.0 percent. On the following page is a more in-depth description of the revenues and expenses of the governmental and business-type activities.

Looking at the business-type activities, revenues for the City decreased to \$3,011,013, or 25.6 percent, while total expenses increased 6.4 percent. Revenue decreased at this rate due to a decrease to \$145,743 in capital contributions from KIA loan forgiveness and grants for the waste water treatment plant project, as opposed to \$1,119,121 in grants during fiscal year 2018. The decrease of revenues combined with the increase of expenses and increase in other changes decreased net position by \$272,362. The City's major source of revenue in the business-type activities is charges for services, which decreased to \$2,840,210. This revenue source makes up 94.3 percent of total revenues.

GOVERNMENTAL ACTIVITIES

Next, the City analyzes the governmental activities and the changes in those activities, which is presented in Table A-3.

Table A-3

Condensed Governmental Funds - Revenues & Expenditures

	<u>FY 2019</u>	<u>FY 2018</u>	<u>Change</u>
Taxes	\$ 293,779	\$ 289,840	\$ 3,939
Licenses and Permits	319,165	312,762	6,403
Fines and Forfeits	865	1,545	(680)
Intergovernmental	189,357	305,544	(116,187)
Charges for Services	3,880	4,601	(721)
Other Revenues	<u>180,390</u>	<u>168,960</u>	<u>11,430</u>
Total Revenues	<u>987,436</u>	<u>1,083,252</u>	<u>(95,816)</u>
General Government	291,857	299,194	(7,337)
Public Safety	520,037	492,333	27,704
Streets Department	77,454	169,929	(92,475)
Capital Outlay	143,071	166,833	(23,762)
Debt Service	<u>90,277</u>	<u>106,405</u>	<u>(16,128)</u>
Total Expenditures	<u>1,122,696</u>	<u>1,234,694</u>	<u>(111,998)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ (135,260)</u>	<u>\$ (151,442)</u>	<u>\$ 16,182</u>

Revenues for the City's governmental activities decreased by 8.8 percent, while total expenditures decreased by 9.1 percent. Governmental activities (deficiency) of revenues over expenditures before other financing sources (uses) decreased by \$16,182. The City's major sources of revenue in the governmental activities are other revenue (18.3 percent), licenses and permits (32.3 percent), taxes (29.8 percent) and intergovernmental (19.2 percent). These revenue sources decreased 8.8 percent in 2019.

BUDGET HIGHLIGHTS

Over the course of the year, the City Council revised the City budget once. The budget contains proposed expenditures and expected revenues. A comparison of the final amended budget to actual amounts is presented in the tables below (Tables A-4 & 5).

Table A-4

General Fund - Revenues and Other Financing Sources

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Taxes	\$ 288,328	\$ 293,779	\$ 5,451
Licenses and Permits	334,542	319,165	(15,377)
Fines and Forfeitures	605	865	260
Intergovernmental	123,935	146,435	22,500
Charges for Services	820	880	60
Other Revenues	175,051	176,287	1,236
Transfers in (out)	35,250	51,350	16,100
Sale of Asset	-	1,398	1,398
Total Revenues and Other Financing Sources	<u>\$ 958,531</u>	<u>\$ 990,159</u>	<u>\$ 31,628</u>

Table A-5

General Fund - Expenditures

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Government	\$ 274,061	\$ 280,116	\$ 6,055
Public Safety	529,236	520,037	(9,199)
Streets Department	60,493	66,889	6,396
Debt Service	79,544	90,277	10,733
Capital Outlay	<u>52,993</u>	<u>42,425</u>	<u>(10,568)</u>
Total Expenditures	<u>\$ 996,327</u>	<u>\$ 999,744</u>	<u>\$ 3,417</u>

In the General Fund, the City budgeted for a total of \$958,531 in revenues and other financing sources for 2019, but ended up having revenues of \$990,159, which put the City over the revenue budget by \$31,628. A total of \$996,327 was budgeted for expenses, and actual expenditures totaled \$999,744 at the end of 2019. The City was over budget on the expenses by \$3,417, as detailed above.

CAPITAL ASSETS

As discussed in Table A-6, the City has a total of \$33,380,895 invested in a broad range of capital assets, including police and fire equipment and vehicles, buildings, land, infrastructure assets, and water and sewer lines. This amount represents a 3.3 percent increase from last year's total investment of \$32,316,133.

The major capital additions in the governmental activities were land improvements for \$19,180, infrastructure (street paving) for \$100,646, two snow plows for \$11,700 and a lawn mower for \$5,900. The business-type activities major capital additions were a waste water treatment plant expansion of \$5,648,837, a new garbage truck for \$320,049 and various water, gas and sewer equipment for \$162,315. The business-type activities also had construction in process of \$18,000.

Table A-6

Capital Assets at Year End Without Depreciation

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2018</u>
Land & Improvements	\$ 1,634,767	\$ 1,609,942	\$ 104,272	\$ 104,272	\$ 1,739,039	\$ 1,714,214
Construction in Progress	-	-	18,000	5,156,544	18,000	5,156,544
Infrastructure	100,646	-	-	-	100,646	-
Buildings & Improvements	1,003,422	1,003,422	-	-	1,003,422	1,003,422
Vehicles & Equipment	970,689	953,089	-	-	970,689	953,089
Water & Sewer System	-	-	29,549,099	23,488,864	29,549,099	23,488,864
Total Capital Assets	<u>\$ 3,709,524</u>	<u>\$ 3,566,453</u>	<u>\$ 29,671,371</u>	<u>\$ 28,749,680</u>	<u>\$ 33,380,895</u>	<u>\$ 32,316,133</u>

DEBT

This year the City has \$9,115,378 in debt, a 7.4 percent increase from last year's total of \$8,489,897. The increase in debt was due to draws on the KIA loan for construction of the waste water treatment plant and a new capital lease for a garbage truck purchase.

Table A-7

Debt Outstanding at Year End

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2018</u>
Notes and Leases Payable	\$ 648,894	\$ 722,068	\$ 4,376,900	\$ 3,476,162	\$ 5,025,794	\$ 4,198,230
Revenue Bonds Payable	-	-	4,089,584	4,291,667	4,089,584	4,291,667
Total Debt Outstanding	<u>\$ 648,894</u>	<u>\$ 722,068</u>	<u>\$ 8,466,484</u>	<u>\$ 7,767,829</u>	<u>\$ 9,115,378</u>	<u>\$ 8,489,897</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected officials consider many factors when setting the fiscal year 2020 budget. Some of the factors are the local economy, expected grant money, and anticipated tax revenue.

In February 2020, the City entered into a franchise agreement with Rumpke to provide sanitation services to their customers. The garbage fund is expected to close in fiscal year ending June 30, 2020.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens of the City, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mrs. Bridgett Blake, City Clerk, at P.O. Box 127, Liberty, KY 42539.

CITY OF LIBERTY, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash	\$ 156,418	\$ 1,334,848	\$ 1,491,266
Investments	131,033	759,025	890,058
Receivables, net	132,392	244,545	376,937
Interest receivable	44	2,285	2,329
Internal balances	(14,811)	14,811	-
Total current assets	<u>405,076</u>	<u>2,355,514</u>	<u>2,760,590</u>
Noncurrent assets			
Restricted assets			
Cash	-	188,237	188,237
Capital assets			
Construction in progress	-	18,000	18,000
Land and improvements	873,802	104,272	978,074
Utility systems, net	-	16,681,507	16,681,507
Depreciable buildings, property, and equipment, net	1,294,500	-	1,294,500
Total noncurrent assets	<u>2,168,302</u>	<u>16,992,016</u>	<u>19,160,318</u>
Total assets	<u>2,573,378</u>	<u>19,347,530</u>	<u>21,920,908</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension	130,373	288,876	419,249
Deferred outflows - OPEB	53,350	118,211	171,561
Defeasance on refunding	-	20,346	20,346
Total deferred outflows of resources	<u>183,723</u>	<u>427,433</u>	<u>611,156</u>
Total assets and deferred outflows of resources	<u>\$ 2,757,101</u>	<u>\$ 19,774,963</u>	<u>\$ 22,532,064</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 35,173	\$ 65,598	\$ 100,771
Accrued liabilities	15,413	280,480	295,893
Customer deposits	-	181,109	181,109
Accrued interest payable	-	22,072	22,072
Current portion of long-term obligations	52,241	676,968	729,209
Total current liabilities	<u>102,827</u>	<u>1,226,227</u>	<u>1,329,054</u>
Noncurrent liabilities			
Noncurrent portion of long-term obligations	596,653	7,789,515	8,386,168
Net pension liability	590,949	1,309,410	1,900,359
Net OPEB liability	172,271	381,714	553,985
Total noncurrent liabilities	<u>1,359,873</u>	<u>9,480,639</u>	<u>10,840,512</u>
Total liabilities	<u>1,462,700</u>	<u>10,706,866</u>	<u>12,169,566</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension	15,736	34,867	50,603
Deferred inflows - OPEB	32,697	72,450	105,147
Total deferred inflows of resources	<u>48,433</u>	<u>107,317</u>	<u>155,750</u>
NET POSITION			
Net investment in capital assets	2,168,302	8,357,642	10,525,944
Restricted for other purposes	89,370	188,237	277,607
Unrestricted	(1,011,704)	414,901	(596,803)
Total net position	<u>1,245,968</u>	<u>8,960,780</u>	<u>10,206,748</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,757,101</u>	<u>\$ 19,774,963</u>	<u>\$ 22,532,064</u>

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

CITY OF LIBERTY, KENTUCKY
STATEMENT OF ACTIVITIES
for the year ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ 366,300	\$ 3,000	\$ 104,848	-	\$ (258,452)	\$ -	\$ (258,452)
Public safety-Police	458,221	880	26,441	-	(430,900)	-	(430,900)
Public safety-Fire	122,366	-	-	12,698	(109,668)	-	(109,668)
Street department	77,454	-	42,922	975	(33,557)	-	(33,557)
Interest on long-term debt	17,103	-	-	-	(17,103)	-	(17,103)
Total governmental activities	1,041,444	3,880	174,211	13,673	(849,680)	-	(849,680)
Business-type activities							
Utility	3,268,525	2,840,210	-	145,743	-	(282,572)	(282,572)
Total business-type activities	3,268,525	2,840,210	-	145,743	-	(282,572)	(282,572)
Total primary government	\$ 4,309,969	\$ 2,844,090	\$ 174,211	\$ 159,416	(849,680)	(282,572)	(1,132,252)

General revenues

Taxes			
Property taxes, levied for general purposes	293,779	-	293,779
License fee			
Franchise	113,019	-	113,019
Insurance premiums	202,596	-	202,596
Permits			
Building	3,550	-	3,550
Fines and forfeitures	865	-	865
Grants and contributions			
not restricted to specific programs	1,474	-	1,474
Investment earnings	9,980	25,060	35,040
Management fees	135,000	-	135,000
Miscellaneous	35,410	-	35,410
Total general revenues	795,673	25,060	820,733
Gain (Loss) on sale of assets	1,398	36,500	37,898
Transfers	51,350	(51,350)	-
Total general revenues, gain (loss) on sale of assets and transfers	848,421	10,210	858,631
Change in net position	(1,259)	(272,362)	(273,621)
Net position-beginning	1,247,227	9,233,142	10,480,369
NET POSITION-ENDING	\$ 1,245,968	\$ 8,960,780	\$ 10,206,748

The accompanying notes are an integral
part of the financial statements

CITY OF LIBERTY, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash	\$ 130,687	\$ 25,731	\$ 156,418
Investments	71,112	59,921	131,033
Receivables, net	127,312	5,080	132,392
Interest receivable	44	-	44
Due from other funds	<u>4,495</u>	<u>3,974</u>	<u>8,469</u>
Total assets	<u>\$ 333,650</u>	<u>\$ 94,706</u>	<u>\$ 428,356</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 34,623	\$ 550	\$ 35,173
Accrued liabilities	15,413	-	15,413
Due to other funds	<u>18,494</u>	<u>4,786</u>	<u>23,280</u>
Total liabilities	<u>68,530</u>	<u>5,336</u>	<u>73,866</u>
Fund balances			
Restricted	-	89,370	89,370
Unassigned	<u>265,120</u>	<u>-</u>	<u>265,120</u>
Total fund balances	<u>265,120</u>	<u>89,370</u>	<u>354,490</u>
Total liabilities and fund balances	<u>\$ 333,650</u>	<u>\$ 94,706</u>	<u>\$ 428,356</u>

Amounts reported for *governmental activities* in the statement of net position are different because:

Fund balances represented above	\$ 354,490
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	2,168,302
Net deferred inflows/outflows related to the long-term net pension and OPEB liability are not reported in the funds	135,290
Long-term liabilities, including bonds payable, net pension liability, and net OPEB liability are not due and payable in the current period and therefore are not reported in the funds	<u>(1,412,114)</u>
Net position of governmental activities	<u>\$ 1,245,968</u>

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

CITY OF LIBERTY, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
for the year ended June 30, 2019

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 293,779	\$ -	\$ 293,779
Licenses and permits	319,165	-	319,165
Fines and forfeits	865	-	865
Intergovernmental	146,435	42,922	189,357
Charges for service	880	3,000	3,880
Other revenues	<u>176,287</u>	<u>4,103</u>	<u>180,390</u>
Total revenues	<u>937,411</u>	<u>50,025</u>	<u>987,436</u>
EXPENDITURES			
Current			
General government	280,116	11,741	291,857
Public safety - Police	420,551	-	420,551
Public safety - Fire	99,486	-	99,486
Streets department	66,889	10,565	77,454
Capital outlay	42,425	100,646	143,071
Debt service	<u>90,277</u>	<u>-</u>	<u>90,277</u>
Total expenditures	<u>999,744</u>	<u>122,952</u>	<u>1,122,696</u>
Excess (deficiency) of revenues over expenditures	<u>(62,333)</u>	<u>(72,927)</u>	<u>(135,260)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of assets	1,398	-	1,398
Transfers in (out)	<u>51,350</u>	<u>-</u>	<u>51,350</u>
Total other financing sources and uses	<u>52,748</u>	<u>-</u>	<u>52,748</u>
Net change in fund balances	<u>(9,585)</u>	<u>(72,927)</u>	<u>(82,512)</u>
Fund balances-beginning	<u>274,705</u>	<u>162,297</u>	<u>437,002</u>
FUND BALANCES-ENDING	<u>\$ 265,120</u>	<u>\$ 89,370</u>	<u>\$ 354,490</u>
Reconciliation to government-wide change in net position:			
Net change in fund balances			\$ (82,512)
add: capital outlay expenditures capitalized			143,071
add: debt service expenditures			90,277
less: depreciation on governmental activities capital assets			(117,134)
less: change in net pension liability			(23,862)
add: change in net OPEB liability			6,004
less: interest on long term debt			<u>(17,103)</u>
Change in net position governmental activities			<u>\$ (1,259)</u>

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

CITY OF LIBERTY, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019

	Business-type Activities				
	Water Fund	Sewer Fund	Gas Fund	Garbage Fund	2019 Totals
ASSETS					
Current assets					
Cash	\$ 814,473	\$ 50,161	\$ 333,209	\$ 137,005	\$ 1,334,848
Investments	56,900	-	694,654	7,471	759,025
Receivables, net	108,059	54,237	50,753	31,496	244,545
Interest receivable	39	-	2,246	-	2,285
Due from (to) other funds	125,100	(112,682)	9,842	1,000	23,260
Total current assets	1,104,571	(8,284)	1,090,704	176,972	2,363,963
Noncurrent assets					
Restricted assets					
Cash	108,028	80,209	-	-	188,237
Capital assets:					
Construction in progress	18,000	-	-	-	18,000
Land	-	66,872	37,400	-	104,272
Depreciable utility fixed assets	13,810,305	14,435,678	706,861	596,255	29,549,099
Less accumulated depreciation	(6,467,091)	(5,617,138)	(485,402)	(297,961)	(12,867,592)
Total noncurrent assets	7,469,242	8,965,621	258,859	298,294	16,992,016
Total assets	8,573,813	8,957,337	1,349,563	475,266	19,355,979
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows - pension	104,910	37,110	105,356	41,500	288,876
Deferred outflows - OPEB	42,930	15,186	43,113	16,982	118,211
Defeasance on refunding	12,877	7,469	-	-	20,346
Total deferred outflows of resources	160,717	59,765	148,469	58,482	427,433
Total assets and deferred outflows of resources	\$ 8,734,530	\$ 9,017,102	\$ 1,498,032	\$ 533,748	\$ 19,783,412
LIABILITIES					
Current liabilities					
Accounts payable	\$ 10,517	\$ 30,610	\$ 12,355	\$ 12,116	\$ 65,598
Accrued liabilities	32,709	2,352	241,039	4,380	280,480
Due to other funds	8,449	-	-	-	8,449
Customer deposits	88,205	-	92,904	-	181,109
Accrued interest payable	6,563	6,415	-	9,094	22,072
Current portion of long-term obligations	131,062	272,188	-	273,718	676,968
Total current liabilities	277,505	311,565	346,298	299,308	1,234,676
Noncurrent liabilities					
Noncurrent portion of long-term obligations	2,457,235	5,332,280	-	-	7,789,515
Net pension liability	475,534	168,211	477,554	188,111	1,309,410
Net OPEB liability	138,626	49,036	139,215	54,837	381,714
Total noncurrent liabilities	3,071,395	5,549,527	616,769	242,948	9,480,639
Total liabilities	3,348,900	5,861,092	963,067	542,256	10,715,315
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows - pension	12,663	4,479	12,716	5,009	34,867
Deferred inflows - OPEB	26,311	9,308	26,423	10,408	72,450
Total deferred inflows of resources	38,974	13,787	39,139	15,417	107,317
NET POSITION					
Net investment in capital assets	4,785,794	3,288,413	258,859	24,576	8,357,642
Restricted for debt service	108,028	80,209	-	-	188,237
Unrestricted	452,834	(226,399)	236,967	(48,501)	414,901
Total net position	5,346,656	3,142,223	495,826	(23,925)	8,960,780
Total liabilities, deferred inflows of resources and net position	\$ 8,734,530	\$ 9,017,102	\$ 1,498,032	\$ 533,748	\$ 19,783,412

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

CITY OF LIBERTY, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
for the year ended June 30, 2019

	Business-type Activities				
	Water Fund	Sewer Fund	Gas Fund	Garbage Fund	2019 Totals
Operating revenues					
Charges for services	\$ 1,103,034	\$ 449,263	\$ 909,933	\$ 377,980	\$ 2,840,210
Total operating revenues	<u>1,103,034</u>	<u>449,263</u>	<u>909,933</u>	<u>377,980</u>	<u>2,840,210</u>
Operating expenses					
Salaries and wages	206,746	71,012	202,889	54,007	534,654
Casual labor	9,434	6,785	16,083	16,424	48,726
Gas purchases	-	-	281,606	-	281,606
Payroll taxes	15,406	5,283	15,108	3,957	39,754
Retirement	134,749	25,456	92,594	65,132	317,931
Uniforms and laundry	4,043	923	2,933	2,246	10,145
Maintenance and repairs	233,952	103,304	41,709	7,136	386,101
Truck expense	-	-	-	2,065	2,065
Motor fuel	5,159	3,559	7,133	16,846	32,697
Office expense and postage	3,826	1,833	1,777	2,204	9,640
Legal and professional	13,899	21,317	7,533	7,532	50,281
Utilities	65,599	55,450	8,067	-	129,116
Insurance	79,790	42,329	60,804	35,680	218,603
Dump expense	-	-	-	206,076	206,076
Pretreatment expenses	-	22,387	-	-	22,387
Management fees	32,714	10,286	66,000	26,000	135,000
Sludge hauling	20,258	2,744	-	-	23,002
Training and certifications	2,160	-	7,045	-	9,205
Other expense	6,603	1,820	6,182	2,876	17,481
Depreciation	<u>275,344</u>	<u>295,941</u>	<u>14,894</u>	<u>43,433</u>	<u>629,612</u>
Total operating expenses	<u>1,109,682</u>	<u>670,429</u>	<u>832,357</u>	<u>491,614</u>	<u>3,104,082</u>
Operating income (loss)	(6,648)	(221,166)	77,576	(113,634)	(263,872)
Nonoperating revenues (expenses)					
Investment earnings	4,293	1,825	18,519	423	25,060
Interest expense	(87,786)	(67,563)	-	(9,094)	(164,443)
Gain (loss) on sale of capital assets	<u>36,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,500</u>
Income (loss) before capital contributions and transfers	<u>(53,641)</u>	<u>(286,904)</u>	<u>96,095</u>	<u>(122,305)</u>	<u>(366,755)</u>
Capital contributions and transfers					
KIA loan forgiveness	-	29,357	-	-	29,357
Grant revenues	-	116,386	-	-	116,386
Transfers in (out)	<u>-</u>	<u>-</u>	<u>(116,350)</u>	<u>65,000</u>	<u>(51,350)</u>
Change in net position	<u>(53,641)</u>	<u>(141,161)</u>	<u>(20,255)</u>	<u>(57,305)</u>	<u>(272,362)</u>
Total net position-beginning	<u>5,400,297</u>	<u>3,283,384</u>	<u>516,081</u>	<u>33,380</u>	<u>9,233,142</u>
TOTAL NET POSITION-ENDING	<u>\$ 5,346,656</u>	<u>\$ 3,142,223</u>	<u>\$ 495,826</u>	<u>\$ (23,925)</u>	<u>\$ 8,960,780</u>

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

CITY OF LIBERTY, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
for the year ended June 30, 2019

	Business-type Activities				
	Water Fund	Sewer Fund	Gas Fund	Garbage Fund	2019 Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 1,087,192	\$ 443,704	\$ 909,296	\$ 377,733	\$ 2,817,925
Payments to suppliers	(453,330)	(241,485)	(415,949)	(290,220)	(1,400,984)
Payments for interfund services (payment in lieu of taxes)	(32,714)	(10,286)	(66,000)	(26,000)	(135,000)
Payments for employee services and benefits	(270,276)	(98,586)	(217,064)	(89,420)	(675,346)
Net cash provided (used) by operating activities	330,872	93,347	210,283	(27,907)	606,595
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Bond principal payment	(127,899)	(164,485)	-	(46,331)	(338,715)
Capital contributions	-	144,721	-	-	144,721
Proceeds from long-term obligations	-	746,677	-	-	746,677
Purchases of capital assets	(58,116)	(934,752)	(60,842)	-	(1,053,710)
Proceeds from the sale of capital assets	36,500	-	-	-	36,500
Interest paid on capital debt	(87,502)	(86,180)	-	-	(173,682)
Net cash (used) by capital and related financing activities	(237,017)	(294,019)	(60,842)	(46,331)	(638,209)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Receipts (payments) on interfund loans	(112,682)	112,682	-	-	-
Net operating transfers in (out)	-	-	(116,350)	65,000	(51,350)
Net cash provided (used) by noncapital financing activities	(112,682)	112,682	(116,350)	65,000	(51,350)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends	4,293	1,825	18,403	423	24,944
Purchase of investments	(565)	-	(18,371)	(73)	(19,009)
Net cash provided by investing activities	3,728	1,825	32	350	5,935
Net increase (decrease) in cash and cash equivalents	(15,099)	(86,165)	33,123	(8,888)	(77,029)
Cash and cash equivalents-beginning of the year	937,600	216,535	300,086	145,893	1,600,114
CASH AND CASH EQUIVALENTS-END OF THE YEAR	\$ 922,501	\$ 130,370	\$ 333,209	\$ 137,005	\$ 1,523,085
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ (6,648)	\$ (221,166)	\$ 77,576	\$ (113,634)	\$ (263,872)
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation expense	275,344	295,941	14,894	43,433	629,612
Net pension adjustment	76,348	10,535	44,984	38,974	170,841
Net OPEB adjustment	15,077	(404)	4,102	9,020	27,795
Change in assets and liabilities					
Receivables, net	(15,842)	(5,559)	(6,003)	(247)	(27,651)
Accounts and other payables	(18,041)	14,181	7,161	(7,557)	(4,256)
Accrued expenses	4,634	(181)	67,569	2,104	74,126
Net cash provided by operating activities	\$ 330,872	\$ 93,347	\$ 210,283	\$ (27,907)	\$ 606,595
Supplemental disclosures of cash flow information:					
Noncash capital and related financing activities:					
Capital asset purchase from lease obligation	\$ -	\$ -	\$ -	\$ (320,049)	\$ (320,049)

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

CITY OF LIBERTY, KENTUCKY
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2019

	Restaurant Tax Agency Fund
	<u> </u>
ASSETS	
Cash	\$ 23,358
Receivables, net	<u>21,113</u>
 Total assets	 <u>\$ 44,471</u>
 LIABILITIES	
Liabilities	
Due to Tourism Commission	<u>\$ 44,471</u>
 Total liabilities	 <u>\$ 44,471</u>

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Liberty, Kentucky (the City) operates under the City Council form of government and provides the following services as authorized by its charter: public safety and public works. The accounting policies of the City of Liberty conform to generally accepted accounting principles applicable to governmental units. The following is a summary of the more significant accounting policies.

A. Reporting Entity

The financial statements of the City of Liberty, Kentucky include the funds, account groups and entities over which the Mayor and Council exercise significant oversight responsibility. Oversight responsibility, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, was determined on the basis of the City's scope of public service, and the ability to significantly influence operation, select the governing body, and participate in fiscal management.

The Economic Development Authority of Liberty/Casey County is a joint venture between the City and the Casey County Fiscal Court and is excluded from the City's financial statements.

The Liberty Tourist and Convention Commission was created by the City Council and members of the board are appointed by the City. The City's accountability for this entity does not extend beyond making appointments and collecting and remitting the restaurant tax on behalf of the Commission. The Commission is excluded from the City's financial statements.

B. Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements display information about the City as a whole. The statements distinguish between governmental and business-type activities of the City. These financial statements include the financial activities of the City except for fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. The government-wide statement of activities reflects costs of government by function for governmental activities and business-type activities. Program revenues include charges paid by recipient for the goods or services offered by the program and grants or contributions that are restricted to the program. Revenues which are not classified as program revenues are presented as general revenues of the City.

Fund Financial Statements

Fund financial statements report detailed information about the City. The accounts of the City are organized on the basis of funds each of which is considered to be a separate fiscal and accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that is comprised of its assets, liabilities, fund balance/net position, revenues and expenditures or expenses.

Governmental funds are those through which most governmental functions are financed. Proprietary fund types are used to account for operations that are financed and operated in a manner similar to business enterprises - where intent of the governing body is that costs of providing services are to be financed or recovered primarily through user charges.

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, continued

The following funds are used by the City of Liberty:

Governmental Funds

General Fund – The general operating fund of the City is used to account for all financial resources except those required to be accounted for in another fund.

Cemetery Fund – A non-major permanent fund used to account for Glenwood cemetery activities.

Municipal Road Aid Fund – A non-major special revenue fund used to account for revenues received from the Commonwealth of Kentucky under the gasoline tax distribution program.

Proprietary Funds

Proprietary funds are used to account for the ongoing organizations and activities of the City, which are similar to those found in private business enterprises. The measurement focus is upon determination of net income, financial position, and changes in cash flows.

Proprietary funds are established to account for the acquisition, operations and maintenance of the City's facilities and services which are entirely or predominantly self-supported by user charges or where the City has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City's enterprise operations include the following:

Water Fund – A proprietary fund used to account for the water services provided to the residents of the City of Liberty, the operations of which are financed by user charges.

Sewer Fund – A proprietary fund used to account for the sewer services provided to the residents of the City of Liberty, the operations of which are financed by user charges.

Gas Fund – A proprietary fund used to account for the gas services provided to the residents of the City of Liberty, the operations of which are financed by user charges.

Garbage Fund – A proprietary fund used to account for the garbage services provided to the residents of the City of Liberty, the operations of which are financed by user charges.

Fiduciary Fund - The fiduciary fund consists of an Agency Fund. The Agency fund is used to collect and remit restaurant taxes on behalf of the Liberty Tourism and Convention Commission.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the City as a whole. The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for individual funds.

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting, continued

Fund Financial Statements

The financial transactions of the City are recorded in individual funds. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred.

Permits, fines and forfeits, and miscellaneous revenues (except for investment earnings) are recorded as revenues when received because they are generally not measurable until actually received. Investment earnings are recorded when earned since they are measurable and available in all funds.

Proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and expenses are recognized when they are incurred.

D. Budgeting

The City follows the procedures established pursuant to Section 91A.030 of the Kentucky Revised Statutes in establishing the budgetary data reflected in the financial statements. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles. During the year, the City under-budgeted expenditures in the General Fund by \$3,417.

E. Internal Balances

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "internal balances". Interfund receivables and payables between funds within governmental activities and proprietary activities are eliminated in the Statement of Net Position.

F. Revenues and Receivables

Proprietary funds report all revenues and expenses as operating, except interest income, interest expense, amortization, interfund transfers and capital contributions.

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Fund Balances

Fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts constrained for a specific purpose by the City using its highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City of Liberty. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Council.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The City has designated the Mayor to carry the intent of the City Council.

Unassigned – all other spendable amounts.

It is the policy of the City to spend restricted funds first when both restricted and unrestricted funds are available. Once restricted funds are spent, the City will use committed funds first, assigned funds second and unassigned funds last.

As of June 30, 2019, fund balances are composed of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Restricted:			
Road surface repairs	\$ -	\$ 9,054	\$ 9,054
Cemetery fund	-	80,316	80,316
Unassigned	<u>265,120</u>	<u>-</u>	<u>265,120</u>
Total fund balances	<u>\$ 265,120</u>	<u>\$ 89,370</u>	<u>\$ 354,490</u>

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets

Under GASB 34, the City of Liberty has elected to not report major infrastructure retroactively. Capital assets acquired are recorded at cost or estimated cost. Depreciation of capital assets is provided over the estimated useful lives of the respective assets using the straight-line basis. The estimated useful lives are as follows:

Infrastructure	20-40 years
Buildings	25-40 years
Improvements	10-20 years
Vehicles, furniture and equipment	5-10 years

I. 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.

J. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees' Retirement System (CERS) and additions to/deductions from CERS' 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 benefit terms. Investments are reported at fair value.

K. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees' Retirement System (CERS) and additions to/deductions from CERS' 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 benefit terms. Investments are reported at fair value.

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Other Accounting Policies

General fixed asset purchases are recorded as expenditures in the governmental funds at the time of purchase. Such assets are capitalized at cost in the general fixed assets group of accounts. Certain improvements including roads, bridges, curbs and gutters, streets and sidewalks, and drainage systems acquired or constructed before July 1, 2003 have not been capitalized. Infrastructure assets acquired or constructed after July 1, 2003 have been capitalized as permitted by GASB 34.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City of Liberty.

Certificates of deposit are carried at cost, which approximates fair value. All other investments are carried at fair value based on quoted market prices.

The City considers all highly liquid investments (both restricted and unrestricted) with a maturity of 90 days or less when purchased to be cash equivalents.

All restricted and unrestricted cash are considered cash for purposes of the Statement of Cash Flows.

M. Management's Review of Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through May 5, 2020, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2019, have not been evaluated by the City.

2. CASH AND INVESTMENTS

KRS 66.480 authorizes the City to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which have a physical presence in Kentucky and are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4). The Statute also authorizes investment in mutual funds, exchange traded funds, individual equity securities and high-quality corporate bonds that are managed by a professional investment manager and subject to additional requirements outlined in KRS 66.480.

The City has a formal investment policy, stating that the provisions of KRS 66.480 will be adhered to in order to reduce exposure to the following risks:

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

2. CASH AND INVESTMENTS (Continued)

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2019, the City held investments in the following municipal bonds. Bond ratings were not available for disclosure.

Municipal Bonds

American Municipal Power Inc OH Series A
 Clark County Nevada Las Vegas Convention
 Colorado State Board of Governors
 Dodge County Nebraska School District 001
 Florida State Department Management Services
 Itasca County Minnesota Nursing Home
 Maricopa County Arizona University
 Massachusetts Health and Education Northeast University
 Minnesota Financial School Loan Revolving Fund
 New Hampshire State Federal Highway Grant Anticipation
 Santa Clara Vy California Police Department Series D
 South Correctional Entity
 Tustin California University School District
 Walnut California Energy Center
 Washington County School District

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

The City's deposits and investments were substantially covered by federal depository insurance, the Securities Investor Protection Corporation, or by collateral held by the custodial banks in the City's name. The carrying amount of the City's deposits, including investments and fiduciary funds, totaled \$2,592,919 and the bank balances totaled \$2,646,207. As of June 30, 2019, \$2,713,553 was held as collateral by the custodial banks in the City's name.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer.

The City's investments at June 30, 2019, are as follows:

<u>Investment Type</u>	<u>Book Value</u>	<u>Investment Maturities in Years</u>			
		<u>1 year or less</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
Certificates of deposit	\$ 655,070	\$ 632,181	\$ 22,889	\$ -	\$ -
Money market funds	4,104	4,104	-	-	-
Mutual funds	130,689	130,689	-	-	-
Municipal bonds	<u>100,195</u>	<u>10,014</u>	<u>16,657</u>	<u>39,948</u>	<u>33,576</u>
	<u>\$ 890,058</u>	<u>\$ 776,988</u>	<u>\$ 39,546</u>	<u>\$ 39,948</u>	<u>\$ 33,576</u>

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

2. CASH AND INVESTMENTS (Continued)

Investment Valuation

The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City does not have any investments that are measured using Level 3 inputs.

For those investments measured at fair value, the investments' fair value measurements are as follows at June 30, 2019:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Money market funds	\$ 4,104	\$ 4,104	\$ -	\$ -
Mutual funds	130,689	130,689	-	-
Municipal bonds	100,195	-	100,195	-
Corporate bonds	-	-	-	-
	<u>\$ 234,988</u>	<u>\$ 134,793</u>	<u>\$ 100,195</u>	<u>\$ -</u>

3. ACCOUNTS RECEIVABLE

Receivables at year end of the City's major individual funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General Fund	Nonmajor Funds	Governmental Funds Total		
Governmental Funds:					
Taxes	\$ 10,407	\$ -	\$ 10,407		
Licenses, permits, billings	73,419	-	73,419		
Intergovernmental	<u>49,837</u>	<u>5,080</u>	<u>54,917</u>		
Gross receivables	133,663	5,080	138,743		
Less: allowance for uncollectible	<u>(6,351)</u>	<u>-</u>	<u>(6,351)</u>		
Net receivables	<u>\$ 127,312</u>	<u>\$ 5,080</u>	<u>\$ 132,392</u>		
	Water Fund	Sewer Fund	Gas Fund	Garbage Fund	Business- Type Activities Total
Business-type Activities:					
Customer	\$ 127,881	\$ 59,389	\$ 107,464	\$ 54,028	\$ 348,762
Other	-	19,564	-	-	19,564
Less: allowance for uncollectible	<u>(19,822)</u>	<u>(24,716)</u>	<u>(56,711)</u>	<u>(22,532)</u>	<u>(123,781)</u>
Net receivables	<u>\$ 108,059</u>	<u>\$ 54,237</u>	<u>\$ 50,753</u>	<u>\$ 31,496</u>	<u>\$ 244,545</u>

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

4. CAPITAL ASSETS

A summary of capital asset activity during the fiscal year follows:

	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 854,622	\$ 19,180	\$ -	\$ 873,802
Capital assets that are depreciated:				
Land Improvements	755,320	5,645	-	760,965
Buildings and improvements	1,003,422	-	-	1,003,422
Infrastructure	-	100,646	-	100,646
Vehicles	810,275	-	-	810,275
Equipment	142,814	17,600	-	160,414
Totals	<u>2,711,831</u>	<u>123,891</u>	<u>-</u>	<u>2,835,722</u>
Total capital assets	<u>3,566,453</u>	<u>143,071</u>	<u>-</u>	<u>3,709,524</u>
Less accumulated depreciation:				
Land improvements	279,031	38,430	-	317,461
Buildings and improvements	464,301	29,392	-	493,693
Infrastructure	-	1,258	-	1,258
Vehicles	588,848	35,356	-	624,204
Equipment	91,908	12,698	-	104,606
Totals	<u>1,424,088</u>	<u>117,134</u>	<u>-</u>	<u>1,541,222</u>
Capital assets, net	<u>\$ 2,142,365</u>	<u>\$ 25,937</u>	<u>\$ -</u>	<u>\$ 2,168,302</u>
Business-type activities				
Capital assets not depreciated:				
Land	\$ 104,272	\$ -	\$ -	\$ 104,272
Construction in progress	5,156,544	510,293	(5,648,837)	18,000
Totals	<u>5,260,816</u>	<u>510,293</u>	<u>(5,648,837)</u>	<u>122,272</u>
Capital assets that are depreciated:				
Water plant	13,817,187	58,116	(64,998)	13,810,305
Sewer plant	8,748,455	5,692,194	(4,971)	14,435,678
Gas lines & equipment	647,016	60,842	(997)	706,861
Garbage equipment	276,206	320,049	-	596,255
Totals	<u>23,488,864</u>	<u>6,131,201</u>	<u>(70,966)</u>	<u>29,549,099</u>
Total capital assets	<u>28,749,680</u>	<u>6,641,494</u>	<u>(5,719,803)</u>	<u>29,671,371</u>
Less accumulated depreciation	<u>12,308,946</u>	<u>629,612</u>	<u>(70,966)</u>	<u>12,867,592</u>
Capital assets, net	<u>\$ 16,440,734</u>	<u>\$ 6,011,882</u>	<u>\$(5,648,837)</u>	<u>\$ 16,803,779</u>

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

4. CAPITAL ASSETS (Continued)

Depreciation expense was charged to the governmental functions as follows:

General government	\$ 65,722
Police	28,532
Fire	<u>22,880</u>
Total depreciation expense	<u>\$ 117,134</u>

5. LONG - TERM DEBT

BUSINESS - TYPE ACTIVITIES

In February 2013, the Kentucky Bond Corporation issued Series 2013A Revenue Bonds for the City in order to refund all prior outstanding Water Fund and Sewer Fund revenue bonds. This current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt in the amount of \$25,293. The deferred amount on refunding is being amortized as a component of interest expense over the life of the new bond issue. The new issue will reduce debt service payments by \$1,962,458 and has a net economic gain of \$731,039. As part of the issuance, the City was required to deposit \$164,250 in a debt service reserve fund managed by the Kentucky Bond Corporation. Beginning January 1, 2039, the reserve funds will be used to reduce the City's monthly payment. The balance in the debt service reserve is \$188,237 at June 30, 2019. The annual requirements to amortize the Series 2013A Revenue Bonds as of June 30, 2019, are as follows:

June 30	Principal	Interest	Total
2020	\$ 207,082	\$ 133,540	\$ 340,622
2021	212,083	128,204	340,287
2022	217,083	122,371	339,454
2023	222,083	116,402	338,485
2024	225,000	110,294	335,294
2025-2029	1,109,583	443,996	1,553,579
2030-2034	965,000	272,045	1,237,045
2035-2039	841,250	110,763	952,013
2040	<u>90,419</u>	<u>3,738</u>	<u>94,157</u>
	<u>\$ 4,089,583</u>	<u>\$ 1,441,353</u>	<u>\$ 5,530,936</u>

The following is a summary of the revenue bonds outstanding for the year ended June 30, 2019:

	Total Outstanding June 30, 2019	Sewer Fund Allocation June 30, 2019	Water Fund Allocation June 30, 2019
Revenue Bonds			
Water and Sewer Funds - \$5,475,000			
Kentucky Bond Corporation – 2013A Series			
due in monthly installments of \$12,917			
to \$21,364 through 2040, Interest at 2.0%-3.4%	<u>\$ 4,089,583</u>	<u>\$ 1,501,286</u>	<u>\$ 2,588,297</u>

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

5. LONG - TERM DEBT (Continued)

BUSINESS - TYPE ACTIVITIES (Continued)

During 2017, the City began construction on a project to install a one-million-gallon wet weather flow equalization basin, replace various wastewater treatment plant components and make improvements to the laboratory and office facilities of the waste water treatment plant. The project was completed during fiscal year 2019 at a total cost of \$5.65 million. The project was funded with a \$1 million Community Development Block Grant and a \$4.6 million Kentucky Infrastructure Authority federally assisted wastewater revolving loan. For the year ended June 30, 2019, the City received \$746,677 in loan funds from the Kentucky Infrastructure Authority. As part of the loan agreement, the City is entitled to principal forgiveness in the amount of 10% of the original loan amount, not to exceed \$415,600. Due to this provision, the City has recognized \$29,357 of principal forgiveness for the year ended June 30, 2019 and a total of \$415,600 over the past three fiscal years. The loan bears interest at .75% with a loan term of 30 years with principal payments that began in June of 2019. As of June 30, 2019 the loan had a balance of \$4,103,182. The annual requirements for the Kentucky Infrastructure Authority loan as of June 30, 2019, are as follows:

June 30	Principal	Interest	Total
2020	\$ 196,168	\$ 38,774	\$ 234,942
2021	197,642	36,648	234,290
2022	199,127	34,767	233,894
2023	200,624	32,872	233,496
2024	202,131	30,962	233,093
2025-2029	1,033,668	125,663	1,159,331
2030-2034	1,073,091	75,727	1,148,818
2035-2039	<u>1,000,731</u>	<u>23,886</u>	<u>1,024,617</u>
	<u>\$ 4,103,182</u>	<u>\$ 399,299</u>	<u>\$ 4,502,481</u>

During fiscal year 2019 the City entered into a capital lease agreement in the garbage fund to acquire a 2018 Mack garbage truck. As of June 30, 2019, the garbage truck had a net book value of \$293,378. The lease bears interest at a rate of 4.4% and is scheduled to be paid over a period of eight years, with the first annual installment to be paid in September 2018. In February 2020, the City sold the 2018 Mack garbage to Rumpke and used the proceeds to pay off the capital lease agreement. The entire balance due of \$273,718 is reported as current debt at June 30, 2019.

The following is a summary of the changes in long-term debt for the year ended June 30, 2019:

	July 1, 2018	Additions	Retirements	June 30, 2019
W&S Bond 2013A	\$ 4,291,667	\$ -	\$ (202,084)	\$ 4,089,583
KIA Loan - WWTP	3,476,162	746,677	(119,657)	4,103,182
Garbage Truck Lease	-	<u>320,049</u>	<u>(46,331)</u>	<u>273,718</u>
	<u>\$ 7,767,829</u>	<u>\$ 1,066,726</u>	<u>\$ (368,072)</u>	<u>\$ 8,466,483</u>

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

5. LONG - TERM DEBT (Continued)

BUSINESS - TYPE ACTIVITIES (Continued)

The Water and Sewer Funds are in compliance with all significant limitations and restrictions contained in the bond indenture. As of June 30, 2019, the amount reserved for bond principal and interest payments was \$188,237. Additionally, the City has designated \$50,161 for the Sewer Fund and \$267,164 for the Water Fund as a depreciation reserve.

GOVERNMENTAL ACTIVITIES

During fiscal year 2014, the City of Liberty entered into a note payable with Casey County Bank to finance the purchase of an additional fire truck. The note bears interest at a rate of 3.0% and requires eleven annual payments ranging from \$5,922 to \$7,822. The total cost of the fire truck was \$75,150 and the net book value of the truck at June 30, 2019 was \$30,686. The obligation is reported as general long-term debt. The loan was paid in full in August 2018.

During fiscal year 2015, the City of Liberty entered into a fifteen year lease with Casey County Bank to pay off a revolving note plus additional expenses related to the Casey County Education and Learning Center. The lease bears interest at 2.5% and has quarterly interest due and semi-annual principal. The obligation is reported as general long-term debt.

The following is a summary of changes in general long-term debt for the year ended June 30, 2019:

	July 1, 2018	Additions	Retirements	June 30, 2019
Casey County Bank - 2014	\$ 21,565	\$ -	\$ (21,565)	\$ -
Casey County Bank - 2015	<u>700,503</u>	<u>-</u>	<u>(51,609)</u>	<u>648,894</u>
	<u>\$ 722,068</u>	<u>\$ -</u>	<u>\$ (73,174)</u>	<u>\$ 648,894</u>

The following is a summary of debt service requirements as of June 30, 2019:

June 30,	Principal	Interest	Total
2020	\$ 52,241	\$ 16,304	\$ 68,545
2021	53,547	14,998	68,545
2022	54,885	13,660	68,545
2023	56,258	12,287	68,545
2024	57,664	10,881	68,545
2025-2029	310,679	32,046	342,725
2030	<u>63,620</u>	<u>1,672</u>	<u>65,292</u>
TOTAL	<u>\$ 648,894</u>	<u>\$ 101,848</u>	<u>\$ 750,742</u>

6. PROPERTY TAX CALENDAR

Property taxes for fiscal year 2019 were levied in October 2018 on the assessed valuation of property located in Casey County as of the preceding January 1, the lien date. The due date and collection periods for all taxes, exclusive of vehicle taxes, are as follows:

Description	Per K.R.S. 134.020
1. Due date for payment of taxes	Upon receipt
2. Face value amount payment dates	Upon receipt to January 31
3. 10% delinquent date	February 1

Vehicle taxes are collected by the County Clerk of Casey County and are due and collected in the birth month of the licensee.

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

7. RETIREMENT PLAN

CERS

The City of Liberty is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Retirement Systems website.

Plan Description – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of state legislature.

Contributions – For the year ended June 30, 2019, plan members were required to contribute 5% of wages for non-hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2019, participating employers contributed 21.48% of each employee's wages for non-hazardous job classifications. The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described in Note 8. Plan members contributed 16.22% to the pension trust for non-hazardous job classifications. The contribution rate is equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

Plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% of wages to their own account for non-hazardous job classifications. Plan members also contribute 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. Each member's account is credited with a 4% employer pay credit for non-hazardous members. The employer pay credit represents a portion of the employer contribution.

For the year ended June 30, 2019, the City contributed \$172,933, or 100% of the required contribution. The contribution was allocated \$130,585 to the CERS pension fund and \$42,348 to the CERS insurance fund.

Benefits – CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service.

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

7. RETIREMENT PLAN (Continued)

For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old or 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+
	Reduced retirement	Not available

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 of these 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 beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources –

At June 30, 2019, the City reported a liability of \$1,900,359 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the City's proportionate share was .0312 percent, which was an increase of .0009 percent from its proportion at June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$325,292. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 61,983	\$ 27,817
Changes of assumptions	185,720	-
Net difference between projected and actual earnings on Plan investments	-	22,786
Changes in proportion and differences between City contributions and proportionate share of contributions	40,961	-
City contributions subsequent to the measurement date	130,585	-
Total	<u>\$ 419,249</u>	<u>\$ 50,603</u>

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

7. RETIREMENT PLAN (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	17.50%	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity	17.50%	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	100.00%	6.09%

Discount Rate – The discount rate used to measure the total pension liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-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. The discount rate does not use a municipal bond rate.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	Discount rate	City's proportionate share of net pension liability
1% decrease	5.25%	\$ 2,392,354
Current discount rate	6.25%	\$ 1,900,359
1% increase	7.25%	\$ 1,488,151

Payable to the Pension Plan – At June 30, 2019, the City reported a payable of \$15,759 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019. The payable includes both the pension and insurance contribution allocation.

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description – As more fully described in Note 7, the City of Liberty participates in the County Employees' Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

Contributions – As more fully described in Note 7, plan members contribute to CERS for non-hazardous job classifications. For the year ending June 30, 2019, the employer's contribution was 5.26% to the insurance trust for non-hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

For the year ended June 30, 2019, the City contributed \$42,348, or 100% of the required contribution for non-hazardous job classifications.

Benefits – CERS provides health insurance benefits to Plan employees and beneficiaries.

For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date Insurance eligibility Benefit	Before July 1, 2003 10 years of service credit required Set percentage of single coverage health insurance based on service credit accrued at retirement
Tier 1	Participation date Insurance eligibility Benefit	Before September 1, 2008 but after July 1, 2003 10 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 2	Participation date Insurance eligibility Benefit	After September 1, 2008 and before December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 3	Participation date Insurance eligibility Benefit	After December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2019, the City reported a liability for its proportionate share of the net OPEB liability of \$553,985.

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018 the City's proportionate share was .0312 percent, which was an increase of .0009 percent from its proportion at June 30, 2017.

For the year ended June 30, 2019, the City recognized OPEB expense of \$70,676. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ -	\$ 64,560
Changes of assumptions	110,639	1,280
Net difference between projected and actual earnings on Plan investments	-	38,159
Changes in proportion and differences between City contributions and proportionate share of contributions	9,637	1,148
City contributions subsequent to the measurement date	51,285	-
Total	<u>\$ 171,561</u>	<u>\$ 105,147</u>

The \$51,285 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. This includes an adjustment of \$8,937 related to the implicit subsidy, which is required to be recognized as a deferred outflow of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in expense as follows:

Year ending June 30,	
2020	\$ 3,522
2021	\$ 3,522
2022	\$ 3,522
2023	\$ 10,932
2024	\$ (3,267)
2025	\$ (3,102)

Actuarial Assumptions – The total OPEB liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

Inflation	2.30%
Salary increases	3.05%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation
Healthcare trend	

Pre – 65: Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.

Post – 65: Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Mortality rates were based on the 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.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013. The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2018, was based on an actuarial valuation date of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018.

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 following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	17.50%	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity	17.50%	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	100.00%	6.09%

Discount Rate – The discount rate used to measure the total OPEB liability was 5.85% for non-hazardous classifications. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.62%, as reported in Fidelity Index's "20 –Year Municipal GO AA Index" as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net OPEB liability calculated using the discount rate as well as what the City's proportionate share of the 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 rate:

	Discount rate	Proportionate share of net OPEB liability
1% decrease	4.85%	\$ 719,538
Current discount rate	5.85%	\$ 553,985
1% increase	6.85%	\$ 412,965

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following presents the City's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Proportionate share of net OPEB liability
1% decrease	\$ 412,448
Current trend rate	\$ 553,985
1% increase	\$ 720,818

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report.

9. RISK MANAGEMENT

The City of Liberty is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In addition to its general liability insurance, the City also carries commercial insurance for all other risks of loss such as worker's compensation and employee health and accident insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

10. CONCENTRATIONS

The City has a concentration of revenue in the Water Fund and the Gas Fund. One customer generated approximately 63% of the Water Fund's service revenue and 65% of the accounts receivable at June 30, 2019. In addition, one industrial company generated approximately 28% of gas service charges and comprised 43% of the accounts receivable balance reported in the Gas Fund at June 30, 2019.

11. CONTINGENT LIABILITY

The City has booked an estimated liability of \$210,076, which is included in accrued liabilities on the financial statements, for amounts the City was potentially underbilled by their gas supplier. The amount accrued is an estimate. The actual amount the City owes its gas supplier is unknown.

SUPPLEMENTARY INFORMATION

CITY OF LIBERTY, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2019

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Taxes				
Property and motor vehicle taxes	\$ 274,100	\$ 277,328	\$ 280,944	\$ 3,616
Payment in lieu of taxes	10,000	11,000	12,835	1,835
	<u>284,100</u>	<u>288,328</u>	<u>293,779</u>	<u>5,451</u>
 Licenses and permits				
Franchise fees	102,000	115,986	113,019	(2,967)
Insurance premiums	203,000	215,821	202,596	(13,225)
Building permits	1,000	2,735	3,550	815
	<u>306,000</u>	<u>334,542</u>	<u>319,165</u>	<u>(15,377)</u>
 Fines and forfeitures				
Parking tickets/arrest fees	1,600	605	865	260
	<u>1,600</u>	<u>605</u>	<u>865</u>	<u>260</u>
 Intergovernmental				
Base court revenue	6,500	7,132	7,254	122
Police incentive pay	23,800	24,560	24,640	80
Local economic assistance	2,100	1,456	1,474	18
Other grants	208,512	76,369	100,369	24,000
Fire equipment grant	11,000	14,418	12,698	(1,720)
	<u>251,912</u>	<u>123,935</u>	<u>146,435</u>	<u>22,500</u>
 Charges for service				
Accident reports	1,000	820	880	60
	<u>1,000</u>	<u>820</u>	<u>880</u>	<u>60</u>
 Other revenues				
Interest income	4,000	5,892	5,877	(15)
Management fees	135,000	135,000	135,000	-
Other revenues	38,658	34,159	35,410	1,251
	<u>177,658</u>	<u>175,051</u>	<u>176,287</u>	<u>1,236</u>
 Other financing sources				
Proceeds from sale of assets	-	-	1,398	1,398
Transfers in, net	96,032	35,250	51,350	16,100
	<u>96,032</u>	<u>35,250</u>	<u>52,748</u>	<u>17,498</u>
 Total revenues and other financing sources	<u>\$ 1,118,302</u>	<u>\$ 958,531</u>	<u>\$ 990,159</u>	<u>\$ 31,628</u>

CITY OF LIBERTY, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2019

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
General Government				
Salaries	\$ 101,640	\$ 99,890	\$ 99,514	\$ (376)
Payroll taxes and employee benefits	27,142	27,039	23,930	(3,109)
KY ASAP grant	42,800	41,664	48,450	6,786
Planning and zoning expenses	5,600	5,616	5,616	-
Professional services	8,500	7,958	8,008	50
Utilities	7,000	7,061	6,895	(166)
Office supplies	2,000	3,356	8,348	4,992
Insurance	20,300	22,300	22,300	-
Lake Liberty expenses	550	456	425	(31)
Postage	1,100	428	404	(24)
Dues and subscriptions	250	200	200	-
Parks and recreation	15,000	14,849	16,746	1,897
Fireworks	17,450	16,766	16,766	-
Deficit for College Building	12,700	-	-	-
Other expenses	<u>11,300</u>	<u>26,478</u>	<u>22,514</u>	<u>(3,964)</u>
	<u>273,332</u>	<u>274,061</u>	<u>280,116</u>	<u>6,055</u>
 Public Safety - Police				
Salaries	275,000	251,601	243,133	(8,468)
Payroll taxes and employee benefits	129,573	126,584	117,243	(9,341)
Motor fuels	15,000	14,808	13,912	(896)
Utilities	4,550	4,276	4,243	(33)
Equipment	7,000	2,296	1,989	(307)
Vehicle repairs	2,500	5,593	6,255	662
Uniforms	1,500	8,811	3,989	(4,822)
Insurance	22,900	28,322	25,449	(2,873)
Miscellaneous	<u>5,200</u>	<u>4,852</u>	<u>4,338</u>	<u>(514)</u>
	<u>463,223</u>	<u>447,143</u>	<u>420,551</u>	<u>(26,592)</u>
 Public Safety - Fire				
Labor	46,400	44,070	44,070	-
Repairs and maintenance	4,500	6,546	6,627	81
Equipment	16,000	11,902	28,962	17,060
Utilities	4,900	4,640	4,695	55
Insurance	7,350	7,322	7,322	-
Motor fuel	1,700	1,446	1,589	143
Miscellaneous	<u>5,000</u>	<u>6,167</u>	<u>6,221</u>	<u>54</u>
	<u>85,850</u>	<u>82,093</u>	<u>99,486</u>	<u>17,393</u>

CITY OF LIBERTY, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - NONHAZARDOUS
Last Six Fiscal Years

	2014	2015	2016	2017	2018	2019
City's proportion of the net pension liability	0.0296%	0.0296%	0.0296%	0.0298%	0.0303%	0.0312%
City's proportionate share of the net pension liability (asset)	\$ 1,085,805	\$ 962,373	\$ 1,261,770	\$ 1,457,174	\$ 1,777,420	\$ 1,900,359
City's covered employee payroll	\$ 673,796	\$ 671,150	\$ 676,346	\$ 708,809	\$ 739,341	\$ 773,375
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	161.15%	143.39%	186.56%	205.58%	240.41%	245.72%
Plan fiduciary net position as a percentage of the total pension liability	61.22%	66.80%	59.97%	55.50%	53.32%	53.54%

Notes:

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year.

The measurement date of the net pension liability is one year preceding the fiscal year of the City.

The City's covered payroll reported above is payroll for the City's corresponding measurement date of the net pension liability and differs from the City's fiscal year payroll, reported on the schedule of contributions.

The above schedule will present 10 years of historical data, once available.

**CITY OF LIBERTY, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF PENSION CONTRIBUTIONS - NONHAZARDOUS
Last Seven Fiscal Years**

	2013	2014	2015	2016	2017	2018	2019
Contractually required employer contribution	\$ 80,490	\$ 93,431	\$ 87,992	\$ 88,308	\$ 103,135	\$ 111,984	\$ 130,585
Contributions relative to contractually required employer contribution	<u>80,490</u>	<u>93,431</u>	<u>87,992</u>	<u>88,308</u>	<u>103,135</u>	<u>111,984</u>	<u>130,585</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 637,796	\$ 671,150	\$ 676,346	\$ 708,809	\$ 739,341	\$ 773,375	\$ 805,087
Employer contributions as a percentage of covered-employee payroll	12.62%	13.92%	13.01%	12.46%	13.95%	14.48%	16.22%

Notes:

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The above contributions only include those contributions allocated directly to the CERS pension fund.

The City's covered payroll reported above is payroll for the City's corresponding fiscal year and differs from the covered payroll reported on the schedule of proportionate share of the net pension liability.

The above schedule will present 10 years of historical data, once available.

**CITY OF LIBERTY, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - NONHAZARDOUS
Last Three Fiscal Years**

	2017	2018	2019
City's proportion of the net OPEB liability	0.0298%	0.0303%	0.0312%
City's proportionate share of the net OPEB liability (asset)	\$ 478,827	\$ 610,460	\$ 553,985
City's covered employee payroll	\$ 708,809	\$ 739,341	\$ 773,375
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	67.55%	82.57%	71.63%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	52.39%	57.62%

Notes:

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year.

The measurement date of the net OPEB liability is one year preceding the fiscal year of the City.

The City's covered payroll reported above is payroll for the corresponding measurement date of the net OPEB liability and differs from the City's fiscal year payroll, reported on the schedule of contributions.

The above schedule will present 10 years of historical data, once available.

**CITY OF LIBERTY, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF OPEB CONTRIBUTIONS - NONHAZARDOUS
Last Seven Fiscal Years**

	2013	2014	2015	2016	2017	2018	2019
Contractually required employer contribution	\$ 44,199	\$ 35,020	\$ 33,954	\$ 32,889	\$ 34,971	\$ 36,349	\$ 42,348
Contributions relative to contractually required employer contribution	<u>44,199</u>	<u>35,020</u>	<u>33,954</u>	<u>32,889</u>	<u>34,971</u>	<u>36,349</u>	<u>42,348</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 637,796	\$ 671,150	\$ 676,346	\$ 708,809	\$ 739,341	\$ 773,375	\$ 808,057
Employer contributions as a percentage of covered-employee payroll	6.93%	5.22%	5.02%	4.64%	4.73%	4.70%	5.24%

Notes:

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the pension fund of the CERS. The above contributions only include those contributions allocated directly to the CERS insurance fund.

The City's covered payroll reported above is payroll for the City's corresponding fiscal year and differs from the covered payroll reported on the schedule of proportionate share of the net OPEB liability.

The above schedule will present 10 years of historical data, once available.

CITY OF LIBERTY, KENTUCKY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019

	<u>Cemetery Fund</u>	<u>Municipal Road Aid Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash	\$ 25,731	\$ -	\$ 25,731
Investments	59,921	-	59,921
Receivables, net	-	5,080	5,080
Due from other funds	<u>-</u>	<u>3,974</u>	<u>3,974</u>
 Total assets	 <u>\$ 85,652</u>	 <u>\$ 9,054</u>	 <u>\$ 94,706</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 550	\$ -	\$ 550
Due to other funds	<u>4,786</u>	<u>-</u>	<u>4,786</u>
 Total liabilities	 <u>5,336</u>	 <u>-</u>	 <u>5,336</u>
 Fund balance	 <u>80,316</u>	 <u>9,054</u>	 <u>89,370</u>
 Total liabilities and fund balances	 <u>\$ 85,652</u>	 <u>\$ 9,054</u>	 <u>\$ 94,706</u>

CITY OF LIBERTY, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
for the year ended June 30, 2019

	Cemetery Fund	Municipal Road Aid Fund	Total
REVENUES			
Charges for services	\$ 3,000	\$ -	\$ 3,000
Intergovernmental	-	42,922	42,922
Other revenues	<u>4,103</u>	<u>-</u>	<u>4,103</u>
 Total revenues	 <u>7,103</u>	 <u>42,922</u>	 <u>50,025</u>
 EXPENDITURES			
Current			
General government	11,741	-	11,741
Streets department	-	10,565	10,565
Capital outlay	<u>-</u>	<u>100,646</u>	<u>100,646</u>
 Total expenditures	 <u>11,741</u>	 <u>111,211</u>	 <u>122,952</u>
 Excess (deficiency) of revenues over expenditures	 <u>(4,638)</u>	 <u>(68,289)</u>	 <u>(72,927)</u>
 OTHER FINANCING SOURCES (USES)			
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>
 Total other financing sources and uses	 <u>-</u>	 <u>-</u>	 <u>-</u>
 Net change in fund balances	 (4,638)	 (68,289)	 (72,927)
 Fund balances-beginning	 <u>84,954</u>	 <u>77,343</u>	 <u>162,297</u>
 Fund balances-ending	 <u>\$ 80,316</u>	 <u>\$ 9,054</u>	 <u>\$ 89,370</u>



**INDEPENDENT AUDITORS' 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 Mayor and City Council
City of Liberty, Kentucky

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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Liberty, Kentucky, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Liberty, Kentucky's basic financial statements, and have issued our report thereon dated May 5, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Liberty, Kentucky's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Liberty, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Liberty, Kentucky's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Liberty, Kentucky's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The result 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.

RFH

RFH, PLLC
Lexington, Kentucky
May 5, 2020