

**CITY OF LIBERTY**  
**Liberty, Kentucky**

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**FINANCIAL STATEMENTS**  
**June 30, 2020**

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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, 2020, 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, 2020, 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 41–49 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 28, 2021, 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 28, 2021

## **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, 2020. 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 increased in the governmental activities and decreased in the business-type activities. The net position of the governmental activities increased by \$393,527, and the net position of the business-type activities decreased by \$843,038, which was a 9.4 percent decrease from the previous year.
- In the City's governmental activities, revenues increased by \$364,293, or 36.9 percent, and expenses increased by 0.5 percent to \$1,046,703. In the business-type activities, revenues decreased to \$2,654,786 which is a decrease of 11.8 percent, while expenses increased by 3.5 percent to \$3,381,948.

#### **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 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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<u>FY 2020</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2019</u>
Current and Other Assets	\$ 465,713	\$ 405,076	\$ 2,341,863	\$ 2,543,751	\$ 2,807,576	\$ 2,948,827
Capital Assets	2,487,094	2,168,302	15,760,395	16,803,779	18,247,489	18,972,081
Deferred Outflows	215,930	183,723	534,926	427,433	750,856	611,156
Total Assets and and Deferred Outflows	<u>3,168,737</u>	<u>2,757,101</u>	<u>18,637,184</u>	<u>19,774,963</u>	<u>21,805,921</u>	<u>22,532,064</u>
Long-Term Debt Outstanding	542,438	596,653	7,489,157	7,789,515	8,031,595	8,386,168
Net Pension	662,812	590,949	1,581,925	1,309,410	2,244,737	1,900,359
Net OPEB	158,472	172,271	378,223	381,714	536,695	553,985
Deferred Inflows	68,912	48,433	164,470	107,317	233,382	155,750
Current Liabilities	<u>96,608</u>	<u>102,827</u>	<u>905,667</u>	<u>1,226,227</u>	<u>1,002,275</u>	<u>1,329,054</u>
Total Liabilities and Deferred Inflows	<u>1,529,242</u>	<u>1,511,133</u>	<u>10,519,442</u>	<u>10,814,183</u>	<u>12,048,684</u>	<u>12,325,316</u>
Net Position:						
Net Investment in						
Capital Assets	2,487,094	2,168,302	7,954,127	8,357,642	10,441,221	10,525,944
Restricted	80,379	89,370	202,029	188,237	282,408	277,607
Unrestricted	<u>(927,978)</u>	<u>(1,011,704)</u>	<u>(38,414)</u>	<u>414,901</u>	<u>(966,392)</u>	<u>(596,803)</u>
Total Net Position	<u>\$ 1,639,495</u>	<u>\$ 1,245,968</u>	<u>\$ 8,117,742</u>	<u>\$ 8,960,780</u>	<u>\$ 9,757,237</u>	<u>\$ 10,206,748</u>

The net position of the City's governmental activities increased from \$1,245,968 in 2019 to \$1,639,495 in 2020, which is an increase of \$393,527. The net position of the business-type activities decreased from \$8,960,780 to \$8,117,742 in 2020, which is a 9.4 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**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<u>FY 2020</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2019</u>
<b>Revenues</b>						
<u>Program Revenues</u>						
Charges for Service	\$ 2,910	\$ 3,880	\$ 2,628,862	\$ 2,840,210	\$ 2,631,772	\$ 2,844,090
Operating Grants & Contributions	327,435	174,211	10,195	-	337,630	174,211
Capital Grants & Contributions	212,080	13,673	-	145,743	212,080	159,416
<u>General Revenue</u>						
Taxes	293,074	293,779	-	-	293,074	293,779
License fees	327,306	315,615	-	-	327,306	315,615
Permits	2,315	3,550	-	-	2,315	3,550
Other Grants and Contributions	2,847	1,474	-	-	2,847	1,474
Investment Earnings	9,189	9,980	15,729	25,060	24,918	35,040
Management fees	135,000	135,000	-	-	135,000	135,000
Miscellaneous	39,574	36,275	-	-	39,574	36,275
<b>Total Revenue</b>	<u>1,351,730</u>	<u>987,437</u>	<u>2,654,786</u>	<u>3,011,013</u>	<u>4,006,516</u>	<u>3,998,450</u>
<b>Program Expenses</b>						
General Government	358,229	366,300	-	-	358,229	366,300
Public Safety - Police	491,442	458,221	-	-	491,442	458,221
Public Safety - Fire	103,193	122,366	-	-	103,193	122,366
Streets Department	78,204	77,454	-	-	78,204	77,454
Interest on Debt	15,635	17,103	-	-	15,635	17,103
Utility	-	-	3,381,948	3,268,525	3,381,948	3,268,525
<b>Total Program Expenses</b>	<u>1,046,703</u>	<u>1,041,444</u>	<u>3,381,948</u>	<u>3,268,525</u>	<u>4,428,651</u>	<u>4,309,969</u>
<b>Other Changes</b>						
Transfers	88,500	51,350	(88,500)	(51,350)	-	-
Gain (loss) on sale of assets	-	1,398	(27,376)	36,500	(27,376)	37,898
<b>Total Other Changes</b>	<u>88,500</u>	<u>52,748</u>	<u>(115,876)</u>	<u>(14,850)</u>	<u>(27,376)</u>	<u>37,898</u>
<b>Change In Net Position</b>	<u>\$ 393,527</u>	<u>\$ (1,259)</u>	<u>\$ (843,038)</u>	<u>\$ (272,362)</u>	<u>\$ (449,511)</u>	<u>\$ (273,621)</u>

The City's total revenue increased by 0.2 percent and the total cost of all programs reflected an increase of 2.8 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 \$2,654,786, or 11.8 percent, while total expenses increased 3.5 percent. Revenue decreased due to no KIA loan forgiveness and grants for the waste water treatment plant project, as opposed to \$145,743 in grants during fiscal year 2019 and a reduction in charges for garbage services. During the fiscal year, the City began outsourcing its garbage service. The decrease of revenues combined with the increase of expenses and decrease in other changes decreased net position by \$843,038. The City's major source of revenue in the business-type activities is charges for services, which decreased to \$2,628,862. This revenue source makes up 99.0 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 2020</u>	<u>FY 2019</u>	<u>Change</u>
Taxes	\$ 293,074	\$ 293,779	\$ (705)
Licenses and Permits	329,621	319,165	10,456
Fines and Forfeits	1,100	865	235
Intergovernmental	542,362	189,357	353,005
Charges for Services	2,910	3,880	(970)
Other Revenues	<u>182,663</u>	<u>180,390</u>	<u>2,273</u>
Total Revenues	<u>1,351,730</u>	<u>987,436</u>	<u>364,294</u>
General Government	279,500	291,857	(12,357)
Public Safety	505,574	520,037	(14,463)
Streets Department	78,204	77,454	750
Capital Outlay	440,246	143,071	297,175
Debt Service	<u>68,544</u>	<u>90,277</u>	<u>(21,733)</u>
Total Expenditures	<u>1,372,068</u>	<u>1,122,696</u>	<u>249,372</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ (20,338)</u>	<u>\$ (135,260)</u>	<u>\$ 114,922</u>

Revenues for the City's governmental activities increased by 36.9 percent, while total expenditures increased by 22.2 percent. Governmental activities (deficiency) of revenues over expenditures before other financing sources (uses) decreased by \$114,922. The City's major sources of revenue in the governmental activities are other revenue (13.5 percent), licenses and permits (24.4 percent), taxes (21.7 percent) and intergovernmental (40.1 percent). These revenue sources increased 37.1 percent in 2020.

## 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).

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**Table A-4**

**General Fund - Revenues and Other Financing Sources**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Taxes	\$ 288,204	\$ 293,074	\$ 4,870
Licenses and Permits	324,992	329,621	4,629
Fines and Forfeitures	1,284	1,100	(184)
Intergovernmental	330,738	398,223	67,485
Charges for Services	800	910	110
Other Revenues	165,155	178,324	13,169
Transfers in (out)	88,500	88,500	-
Sale of Asset	-	-	-
Total Revenues and Other Financing Sources	<u>\$ 1,199,673</u>	<u>\$1,289,752</u>	<u>\$ 90,079</u>

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**Table A-5**

**General Fund - Expenditures**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Government	\$ 266,772	\$ 265,723	\$ (1,049)
Public Safety	504,465	505,574	1,109
Streets Department	69,449	69,592	143
Debt Service	122,355	68,544	(53,811)
Capital Outlay	<u>236,492</u>	<u>303,166</u>	<u>66,674</u>
Total Expenditures	<u>\$ 1,199,533</u>	<u>\$1,212,599</u>	<u>\$ 13,066</u>

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In the General Fund, the City budgeted for a total of \$1,199,673 in revenues and other financing sources for 2020, but ended up having revenues of \$1,289,752, which put the City over the revenue budget by \$90,079. A total of \$1,199,533 was budgeted for expenses, and actual expenditures totaled \$1,212,599 at the end of 2020. The City was over budget on the expenses by \$13,066, as detailed above.

## CAPITAL ASSETS

As discussed in Table A-6, the City has a total of \$33,548,567 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 0.5 percent increase from last year's total investment of \$33,380,895.

The major capital additions in the governmental activities were infrastructure (street paving) for \$137,080, two police vehicles for \$64,670, a fire cascade system for \$53,810 and sidewalks for \$153,329. The business-type activities major capital additions were various water, gas and sewer equipment for \$47,475. The business-type activities also had construction in process of \$18,000.

**Table A-6**

### Capital Assets at Year End Without Depreciation

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<u>FY 2020</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2019</u>
Land & Improvements	\$ 1,793,896	\$ 1,634,767	\$ 104,272	\$ 104,272	\$ 1,898,168	\$ 1,739,039
Construction in Progress	-	-	18,000	18,000	18,000	18,000
Infrastructure	237,726	100,646	-	-	237,726	100,646
Buildings & Improvements	1,003,422	1,003,422	-	-	1,003,422	1,003,422
Vehicles & Equipment	1,114,726	970,689	-	-	1,114,726	970,689
Water & Sewer System	-	-	29,276,525	29,549,099	29,276,525	29,549,099
Total Capital Assets	<u>\$4,149,770</u>	<u>\$3,709,524</u>	<u>\$ 29,398,797</u>	<u>\$29,671,371</u>	<u>\$ 33,548,567</u>	<u>\$ 33,380,895</u>

## DEBT

This year the City has \$8,421,819 in debt, a 7.6 percent decrease from last year's total of \$9,115,378.

**Table A-7**

### Debt Outstanding at Year End

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<u>FY 2020</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2019</u>
Notes and Leases Payable	\$ 595,985	\$ 648,894	\$ 3,943,334	\$ 4,376,900	\$ 4,539,319	\$ 5,025,794
Revenue Bonds Payable	-	-	3,882,500	4,089,584	3,882,500	4,089,584
Total Debt Outstanding	<u>\$ 595,985</u>	<u>\$ 648,894</u>	<u>\$ 7,825,834</u>	<u>\$ 8,466,484</u>	<u>\$ 8,421,819</u>	<u>\$ 9,115,378</u>

**CITY OF LIBERTY, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**June 30, 2020**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash	\$ 52,821	\$ 1,206,556	\$ 1,259,377
Investments	134,294	769,759	904,053
Receivables, net	293,373	146,329	439,702
Interest receivable	36	2,379	2,415
Internal balances	(14,811)	14,811	-
Total current assets	<u>465,713</u>	<u>2,139,834</u>	<u>2,605,547</u>
Noncurrent assets			
Restricted assets			
Cash	-	202,029	202,029
Capital assets			
Construction in progress	-	18,000	18,000
Land and improvements	879,602	104,272	983,874
Utility systems, net	-	15,638,123	15,638,123
Depreciable buildings, property, and equipment, net	<u>1,607,492</u>	<u>-</u>	<u>1,607,492</u>
Total noncurrent assets	<u>2,487,094</u>	<u>15,962,424</u>	<u>18,449,518</u>
Total assets	<u>2,952,807</u>	<u>18,102,258</u>	<u>21,055,065</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows - pension	148,638	354,753	503,391
Deferred outflows - OPEB	67,292	160,607	227,899
Defeasance on refunding	-	19,566	19,566
Total deferred outflows of resources	<u>215,930</u>	<u>534,926</u>	<u>750,856</u>
Total assets and deferred outflows of resources	<u>\$ 3,168,737</u>	<u>\$ 18,637,184</u>	<u>\$ 21,805,921</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 23,364	\$ 101,875	\$ 125,239
Accrued liabilities	19,697	261,496	281,193
Customer deposits	-	191,613	191,613
Accrued interest payable	-	14,006	14,006
Current portion of long-term obligations	<u>53,547</u>	<u>336,677</u>	<u>390,224</u>
Total current liabilities	<u>96,608</u>	<u>905,667</u>	<u>1,002,275</u>
Noncurrent liabilities			
Noncurrent portion of long-term obligations	542,438	7,489,157	8,031,595
Net pension liability	662,812	1,581,925	2,244,737
Net OPEB liability	<u>158,472</u>	<u>378,223</u>	<u>536,695</u>
Total noncurrent liabilities	<u>1,363,722</u>	<u>9,449,305</u>	<u>10,813,027</u>
Total liabilities	<u>1,460,330</u>	<u>10,354,972</u>	<u>11,815,302</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows - pension	13,485	32,184	45,669
Deferred inflows - OPEB	<u>55,427</u>	<u>132,286</u>	<u>187,713</u>
Total deferred inflows of resources	<u>68,912</u>	<u>164,470</u>	<u>233,382</u>
<b>NET POSITION</b>			
Net investment in capital assets	2,487,094	7,954,127	10,441,221
Restricted for other purposes	80,379	202,029	282,408
Unrestricted	<u>(927,978)</u>	<u>(38,414)</u>	<u>(966,392)</u>
Total net position	<u>1,639,495</u>	<u>8,117,742</u>	<u>9,757,237</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 3,168,737</u>	<u>\$ 18,637,184</u>	<u>\$ 21,805,921</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, 2020

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
<b>Primary government</b>							
<b>Governmental activities</b>							
General government	\$ 358,229	\$ 2,000	\$ 106,033	\$ -	\$ (250,196)	\$ -	\$ (250,196)
Public safety-Police	491,442	910	78,071	47,200	(365,261)	-	(365,261)
Public safety-Fire	103,193	-	4,730	27,800	(70,663)	-	(70,663)
Street department	78,204	-	138,601	137,080	197,477	-	197,477
Interest on long-term debt	15,635	-	-	-	(15,635)	-	(15,635)
<b>Total governmental activities</b>	<u>1,046,703</u>	<u>2,910</u>	<u>327,435</u>	<u>212,080</u>	<u>(504,278)</u>	<u>-</u>	<u>(504,278)</u>
<b>Business-type activities</b>							
Utility	3,381,948	2,628,862	10,195	-	-	(742,891)	(742,891)
<b>Total business-type activities</b>	<u>3,381,948</u>	<u>2,628,862</u>	<u>10,195</u>	<u>-</u>	<u>-</u>	<u>(742,891)</u>	<u>(742,891)</u>
<b>Total primary government</b>	<u>\$ 4,428,651</u>	<u>\$ 2,631,772</u>	<u>\$ 337,630</u>	<u>\$ 212,080</u>	<u>(504,278)</u>	<u>(742,891)</u>	<u>(1,247,169)</u>

**General revenues**

Taxes			
Property taxes, levied for general purposes	293,074	-	293,074
License fee			
Franchise	119,996	-	119,996
Insurance premiums	207,310	-	207,310
Permits			
Building	2,315	-	2,315
Fines and forfeitures	1,100	-	1,100
Grants and contributions			
not restricted to specific programs	2,847	-	2,847
Investment earnings	9,189	15,729	24,918
Management fees	135,000	-	135,000
Miscellaneous	38,474	-	38,474
<b>Total general revenues</b>	<u>809,305</u>	<u>15,729</u>	<u>825,034</u>
Gain (Loss) on sale of assets	-	(27,376)	(27,376)
Transfers	88,500	(88,500)	-
<b>Total general revenues, gain (loss) on sale of     assets and transfers</b>	<u>897,805</u>	<u>(100,147)</u>	<u>797,658</u>
<b>Change in net position</b>	393,527	(843,038)	(449,511)
Net position-beginning	1,245,968	8,960,780	10,206,748
<b>NET POSITION-ENDING</b>	<u>\$ 1,639,495</u>	<u>\$ 8,117,742</u>	<u>\$ 9,757,237</u>

The accompanying notes are an integral  
part of the financial statements

**CITY OF LIBERTY, KENTUCKY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2020**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash	\$ 37,662	\$ 15,159	\$ 52,821
Investments	71,789	62,505	134,294
Receivables, net	187,185	106,188	293,373
Interest receivable	36	-	36
Due from other funds	<u>103,182</u>	<u>-</u>	<u>103,182</u>
Total assets	<u>\$ 399,854</u>	<u>\$ 183,852</u>	<u>\$ 583,706</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 23,364	\$ -	\$ 23,364
Accrued liabilities	19,697	-	19,697
Due to other funds	<u>14,520</u>	<u>103,473</u>	<u>117,993</u>
Total liabilities	<u>57,581</u>	<u>103,473</u>	<u>161,054</u>
Fund balances			
Restricted	-	80,379	80,379
Unassigned	<u>342,273</u>	<u>-</u>	<u>342,273</u>
Total fund balances	<u>342,273</u>	<u>80,379</u>	<u>422,652</u>
Total liabilities and fund balances	<u>\$ 399,854</u>	<u>\$ 183,852</u>	<u>\$ 583,706</u>

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

Fund balances represented above	\$ 422,652
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	2,487,094
Net deferred inflows/outflows related to the long-term net pension and OPEB liability are not reported in the funds	147,018
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>(1,417,269)</u>
Net position of governmental activities	<u>\$ 1,639,495</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, 2020**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes	\$ 293,074	\$ -	\$ 293,074
Licenses and permits	329,621	-	329,621
Fines and forfeits	1,100	-	1,100
Intergovernmental	398,223	144,139	542,362
Charges for service	910	2,000	2,910
Other revenues	178,324	4,339	182,663
<b>Total revenues</b>	<u>1,201,252</u>	<u>150,478</u>	<u>1,351,730</u>
<b>EXPENDITURES</b>			
Current			
General government	265,723	13,777	279,500
Public safety - Police	425,710	-	425,710
Public safety - Fire	79,864	-	79,864
Streets department	69,592	8,612	78,204
Capital outlay	303,166	137,080	440,246
Debt service	68,544	-	68,544
<b>Total expenditures</b>	<u>1,212,599</u>	<u>159,469</u>	<u>1,372,068</u>
Excess (deficiency) of revenues over expenditures	<u>(11,347)</u>	<u>(8,991)</u>	<u>(20,338)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	<u>88,500</u>	<u>-</u>	<u>88,500</u>
<b>Total other financing sources and uses</b>	<u>88,500</u>	<u>-</u>	<u>88,500</u>
<b>Net change in fund balances</b>	77,153	(8,991)	68,162
Fund balances-beginning	<u>265,120</u>	<u>89,370</u>	<u>354,490</u>
<b>FUND BALANCES-ENDING</b>	<u>\$ 342,273</u>	<u>\$ 80,379</u>	<u>\$ 422,652</u>
Reconciliation to government-wide change in net position:			
Net change in fund balances			\$ 68,162
add: capital outlay expenditures capitalized			440,246
add: debt service expenditures			68,544
less: depreciation on governmental activities capital assets			(121,454)
less: change in net pension liability			(51,348)
add: change in net OPEB liability			5,012
less: interest on long term debt			<u>(15,635)</u>
Change in net position governmental activities			<u>\$ 393,527</u>

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

**CITY OF LIBERTY, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2020**

	Business-type Activities				
	Water Fund	Sewer Fund	Gas Fund	Garbage Fund	2020 Totals
<b>ASSETS</b>					
Current assets					
Cash	\$ 690,204	\$ 50,802	\$ 371,106	\$ 94,444	\$ 1,206,556
Investments	57,471	-	704,743	7,545	769,759
Receivables, net	75,574	34,790	35,965	-	146,329
Interest receivable	30	-	2,349	-	2,379
Due from other funds	316,199	-	9,842	1,000	327,041
Total current assets	1,139,478	85,592	1,124,005	102,989	2,452,064
Noncurrent assets					
Restricted assets					
Cash	109,352	92,677	-	-	202,029
Capital assets:					
Construction in progress	18,000	-	-	-	18,000
Land	-	66,872	37,400	-	104,272
Depreciable utility fixed assets	13,823,803	14,462,001	713,152	277,569	29,276,525
Less accumulated depreciation	(6,743,394)	(6,117,617)	(502,942)	(274,449)	(13,638,402)
Total noncurrent assets	7,207,761	8,503,933	247,610	3,120	15,962,424
Total assets	8,347,239	8,589,525	1,371,615	106,109	18,414,488
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows - pension	141,176	42,549	142,296	28,732	354,753
Deferred outflows - OPEB	63,914	19,264	64,421	13,008	160,607
Defeasance on refunding	12,383	7,183	-	-	19,566
Total deferred outflows of resources	217,473	68,996	206,717	41,740	534,926
Total assets and deferred outflows of resources	\$ 8,564,712	\$ 8,658,521	\$ 1,578,332	\$ 147,849	\$ 18,949,414
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	\$ 45,488	\$ 35,025	\$ 16,882	\$ 4,480	\$ 101,875
Accrued liabilities	35,345	2,037	224,114	-	261,496
Due to other funds	8,449	303,781	-	-	312,230
Customer deposits	94,780	-	96,833	-	191,613
Accrued interest payable	6,889	7,117	-	-	14,006
Current portion of long-term obligations	134,228	202,449	-	-	336,677
Total current liabilities	325,179	550,409	337,829	4,480	1,217,897
Noncurrent liabilities					
Noncurrent portion of long-term obligations	2,323,006	5,166,151	-	-	7,489,157
Net pension liability	629,535	189,737	634,529	128,124	1,581,925
Net OPEB liability	150,516	45,364	151,710	30,633	378,223
Total noncurrent liabilities	3,103,057	5,401,252	786,239	158,757	9,449,305
Total liabilities	3,428,236	5,951,661	1,124,068	163,237	10,667,202
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows - pension	12,808	3,860	12,909	2,607	32,184
Deferred inflows - OPEB	52,644	15,867	53,061	10,714	132,286
Total deferred inflows of resources	65,452	19,727	65,970	13,321	164,470
<b>NET POSITION</b>					
Net investment in capital assets	4,653,558	3,049,839	247,610	3,120	7,954,127
Restricted for debt service	109,352	92,677	-	-	202,029
Unrestricted	308,114	(455,383)	140,684	(31,829)	(38,414)
Total net position	5,071,024	2,687,133	388,294	(28,709)	8,117,742
Total liabilities, deferred inflows of resources and net position	\$ 8,564,712	\$ 8,658,521	\$ 1,578,332	\$ 147,849	\$ 18,949,414

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, 2020**

	<b>Business-type Activities</b>				
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Gas Fund</b>	<b>Garbage Fund</b>	<b>2020 Totals</b>
<b>Operating revenues</b>					
Charges for services	\$ 1,133,714	\$ 421,840	\$ 846,133	\$ 227,175	\$ 2,628,862
Other revenues	8,945	1,000	-	-	9,945
Total operating revenues	<u>1,142,659</u>	<u>422,840</u>	<u>846,133</u>	<u>227,175</u>	<u>2,638,807</u>
<b>Operating expenses</b>					
Salaries and wages	243,381	71,966	254,977	45,289	615,613
Casual labor	7,646	6,092	11,767	10,940	36,445
Gas purchases	-	-	151,278	-	151,278
Payroll taxes	18,706	5,343	18,898	3,548	46,495
Retirement	194,749	32,249	198,156	(57,409)	367,745
Uniforms and laundry	4,633	901	2,702	1,117	9,353
Maintenance and repairs	197,978	125,048	38,254	3,017	364,297
Truck expense	-	-	-	4,692	4,692
Motor fuel	6,520	813	6,512	12,628	26,473
Office expense and postage	4,767	1,576	1,241	1,510	9,094
Legal and professional	12,854	31,542	5,735	5,443	55,574
Utilities	78,165	67,001	11,135	-	156,301
Insurance	81,400	44,424	81,980	27,083	234,887
Dump expense	-	-	-	84,542	84,542
Pretreatment expenses	-	21,377	-	-	21,377
Management fees	32,714	10,286	66,000	26,000	135,000
Sludge hauling	-	11,693	-	-	11,693
Training and certifications	1,571	-	4,875	-	6,446
Other expense	15,176	19,697	4,630	4,788	44,291
Depreciation	<u>276,304</u>	<u>500,479</u>	<u>17,541</u>	<u>19,161</u>	<u>813,485</u>
Total operating expenses	<u>1,176,564</u>	<u>950,487</u>	<u>875,681</u>	<u>192,349</u>	<u>3,195,081</u>
Operating income (loss)	(33,905)	(527,647)	(29,548)	34,826	(556,274)
<b>Nonoperating revenues (expenses)</b>					
Investment earnings	3,544	1,409	10,266	510	15,729
Interest expense	(85,337)	(88,786)	-	(12,744)	(186,867)
Gain (loss) on sale of capital assets	-	-	-	(27,376)	(27,376)
Income (loss) before capital contributions and transfers	<u>(115,698)</u>	<u>(615,024)</u>	<u>(19,282)</u>	<u>(4,784)</u>	<u>(754,788)</u>
<b>Capital contributions and transfers</b>					
Tap fees	-	-	250	-	250
Transfers in (out)	<u>(159,934)</u>	<u>159,934</u>	<u>(88,500)</u>	<u>-</u>	<u>(88,500)</u>
Change in net position	<u>(275,632)</u>	<u>(455,090)</u>	<u>(107,532)</u>	<u>(4,784)</u>	<u>(843,038)</u>
Total net position-beginning	<u>5,346,656</u>	<u>3,142,223</u>	<u>495,826</u>	<u>(23,925)</u>	<u>8,960,780</u>
<b>TOTAL NET POSITION-ENDING</b>	<u>\$ 5,071,024</u>	<u>\$ 2,687,133</u>	<u>\$ 388,294</u>	<u>\$ (28,709)</u>	<u>\$ 8,117,742</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, 2020

	Business-type Activities				
	Water Fund	Sewer Fund	Gas Fund	Garbage Fund	2020 Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 1,175,153	\$ 442,286	\$ 864,850	\$ 258,671	\$ 2,740,960
Payments to suppliers	(361,518)	(319,657)	(298,941)	(152,455)	(1,132,571)
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	(326,727)	(101,687)	(367,544)	(76,292)	(872,250)
Net cash provided (used) by operating activities	454,194	10,656	132,365	3,924	601,139
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Principal payments on capital debt	(131,063)	(235,868)	-	(273,718)	(640,649)
Capital contributions	-	-	250	-	250
Purchases of capital assets	(13,498)	(26,323)	(6,291)	(1,363)	(47,475)
Proceeds from the sale of capital assets	-	-	-	250,000	250,000
Interest paid on capital debt	(84,518)	(87,798)	-	(21,838)	(194,154)
Net cash (used) by capital and related financing activities	(229,079)	(349,989)	(6,041)	(46,919)	(632,028)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Receipts (payments) on interfund loans	(191,099)	191,099	-	-	-
Net operating transfers in (out)	(159,934)	159,934	(88,500)	-	(88,500)
Net cash provided (used) by noncapital financing activities	(351,033)	351,033	(88,500)	-	(88,500)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest and dividends	3,544	1,409	10,162	510	15,625
Purchase of investments	(571)	-	(10,089)	(76)	(10,736)
Net cash provided by investing activities	2,973	1,409	73	434	4,889
Net increase (decrease) in cash and cash equivalents	(122,945)	13,109	37,897	(42,561)	(114,500)
Cash and cash equivalents-beginning of the year	922,501	130,370	333,209	137,005	1,523,085
<b>CASH AND CASH EQUIVALENTS-END OF THE YEAR</b>	<u>\$ 799,556</u>	<u>\$ 143,479</u>	<u>\$ 371,106</u>	<u>\$ 94,444</u>	<u>\$ 1,408,585</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>					
Operating income (loss)	\$ (33,905)	\$ (527,647)	\$ (29,548)	\$ 34,826	\$ (556,274)
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation expense	276,304	500,479	17,541	19,161	813,485
Net pension adjustment	117,880	15,468	120,229	(49,622)	203,955
Net OPEB adjustment	17,239	(1,190)	17,825	(19,924)	13,950
Change in assets and liabilities					
Receivables, net	32,494	19,446	14,787	31,499	98,226
Accounts and other payables	41,546	4,415	8,456	(7,636)	46,781
Accrued expenses	2,636	(315)	(16,925)	(4,380)	(18,984)
Net cash provided by operating activities	<u>\$ 454,194</u>	<u>\$ 10,656</u>	<u>\$ 132,365</u>	<u>\$ 3,924</u>	<u>\$ 601,139</u>

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

**CITY OF LIBERTY, KENTUCKY**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**June 30, 2020**

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	<b>Restaurant Tax Agency Fund</b>
	<hr/>
<b>ASSETS</b>	
Cash	\$ 22,522
Receivables, net	<u>20,767</u>
 Total assets	 <u>\$ 43,289</u>
 <b>LIABILITIES</b>	
Liabilities	
Due to Tourism Commission	<u>\$ 43,289</u>
 Total liabilities	 <u>\$ 43,289</u>

**CITY OF LIBERTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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**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 Tourism 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, 2020

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**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, 2020**

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**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 \$13,066.

**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, 2020**

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**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. 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. 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, 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. Other Accounting Policies**

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 28, 2021, 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, 2020, 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.

**Credit Risk**

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2020, the City held investments in the following municipal bonds. Bond ratings were not available for disclosure.



**CITY OF LIBERTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**2. CASH AND INVESTMENTS (Continued)**

**Municipal Bonds**

American Municipal Power Inc OH Series A  
Colorado State Board of Governors  
Itasca County Minnesota Nursing Home  
Louisiana Local Government Monroe Refunding  
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  
Village of Skokie Illinois Series 2018A  
Stratford Connecticut General Obligation 2013  
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 \$2,387,981 and the bank balances totaled \$2,389,259. As of June 30, 2020, \$2,719,196 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, 2020, are as follows:

<b><u>Investment Type</u></b>	<b><u>Book Value</u></b>	<b><u>Investment Maturities in Years</u></b>			
		<b><u>1 year or less</u></b>	<b><u>1-5</u></b>	<b><u>6-10</u></b>	<b><u>More than 10</u></b>
Certificates of deposit	\$ 661,610	\$ 9,076	\$ 652,534	\$ -	\$ -
Money market funds	1,928	1,928	-	-	-
Mutual funds	142,684	142,684	-	-	-
Municipal bonds	<u>97,831</u>	<u>-</u>	<u>33,298</u>	<u>30,566</u>	<u>33,967</u>
	<u>\$ 904,053</u>	<u>\$ 153,688</u>	<u>\$ 685,832</u>	<u>\$ 30,566</u>	<u>\$ 33,967</u>

**CITY OF LIBERTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**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, 2020:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Money market funds	\$ 1,928	\$ 1,928	\$ -	\$ -
Mutual funds	142,684	142,684	-	-
Municipal bonds	<u>97,831</u>	<u>-</u>	<u>97,831</u>	<u>-</u>
	<u>\$ 242,443</u>	<u>\$ 144,612</u>	<u>\$ 97,831</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:

		Nonmajor	Governmental		
	General Fund	Funds	Funds		
Governmental Funds:			Total		
Taxes	\$ 15,947	\$ -	\$ 15,947		
Licenses, permits, billings	73,720	-	73,720		
Intergovernmental	<u>106,299</u>	<u>106,188</u>	<u>212,487</u>		
Gross receivables	195,966	106,188	302,154		
Less: allowance for uncollectible	<u>(8,781)</u>	<u>-</u>	<u>(8,781)</u>		
Net receivables	<u>\$ 187,185</u>	<u>\$ 106,188</u>	<u>\$ 293,373</u>		
		Sewer		Garbage	Business-
	Water Fund	Fund	Gas Fund	Fund	Type
Business-type Activities:					Activities
Customer	\$ 94,893	\$ 52,821	\$ 93,545	\$ 21,431	Total
Other	-	9,161	-	-	
Less: allowance for uncollectible	<u>(19,319)</u>	<u>(27,192)</u>	<u>(57,580)</u>	<u>(21,431)</u>	
Net receivables	<u>\$ 75,574</u>	<u>\$ 34,790</u>	<u>\$ 35,965</u>	<u>\$ -</u>	<u>\$ 146,329</u>

**CITY OF LIBERTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**4. CAPITAL ASSETS (Continued)**

Depreciation expense was charged to the governmental functions as follows:

General government	\$ 69,962
Police	28,163
Fire	<u>23,329</u>
Total depreciation expense	<u>\$ 121,454</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 \$202,029 at June 30, 2020. The annual requirements to amortize the Series 2013A Revenue Bonds as of June 30, 2020, are as follows:

June 30	Principal	Interest	Total
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	225,000	103,638	328,638
2026-2030	1,086,667	407,934	1,494,601
2031-2035	948,333	239,049	1,187,382
2036-2040	<u>746,251</u>	<u>79,920</u>	<u>826,171</u>
	<u>\$ 3,882,500</u>	<u>\$ 1,307,812</u>	<u>\$ 5,190,312</u>

The following is a summary of the revenue bonds outstanding for the year ended June 30, 2020:

	Total Outstanding June 30, 2020	Sewer Fund Allocation June 30, 2020	Water Fund Allocation June 30, 2020
<b>Revenue Bonds</b>			
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>\$ 3,882,500</u>	<u>\$ 1,425,266</u>	<u>\$ 2,457,234</u>

**CITY OF LIBERTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**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. 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 \$415,600 of principal forgiveness. 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, 2020 the loan had a balance of \$3,943,334. The annual requirements for the Kentucky Infrastructure Authority loan as of June 30, 2020, are as follows:

<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	\$ 124,594	\$ 37,166	\$ 161,760
2022	125,529	35,980	161,509
2023	126,472	34,786	161,258
2024	127,423	33,582	161,005
2025	128,380	32,369	160,749
2026-2030	656,516	143,333	799,849
2031-2035	681,555	111,617	793,172
2036-2040	707,549	78,691	786,240
2041-2045	734,535	44,509	779,044
2046-2049	<u>530,781</u>	<u>10,123</u>	<u>540,904</u>
	<u>\$ 3,943,334</u>	<u>\$ 562,156</u>	<u>\$ 4,505,490</u>

During fiscal year 2019 the City entered into a capital lease agreement in the garbage fund to acquire a 2018 Mack garbage truck. The lease accrued interest at a rate of 4.4% and was scheduled to be paid over a period of eight years, with the first annual installment to be paid in September 2018. On January 31, 2020, the City sold the 2018 Mack garbage truck for \$250,000 and paid \$249,224 to pay off the capital lease agreement. The balance of the loan was \$0 at June 30, 2020.

The following is a summary of the changes in long-term debt for the year ended June 30, 2020:

	<b>July 1, 2019</b>	<b>Additions</b>	<b>Retirements</b>	<b>June 30, 2020</b>
W&S Bond 2013A	\$ 4,089,583	\$ -	\$ (207,083)	\$ 3,882,500
KIA Loan - WWTP	4,103,182	-	(159,848)	3,943,334
Garbage Truck Lease	<u>273,718</u>	<u>-</u>	<u>(273,718)</u>	<u>-</u>
	<u>\$ 8,466,483</u>	<u>\$ -</u>	<u>\$ (640,649)</u>	<u>\$ 7,825,834</u>

The Water and Sewer Funds are in compliance with all significant limitations and restrictions contained in the bond indenture. As of June 30, 2020, the amount reserved for bond principal and interest payments was \$202,029. Additionally, the City has designated \$50,802 for the Sewer Fund and \$268,269 for the Water Fund as a depreciation reserve.

**CITY OF LIBERTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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**7. RETIREMENT PLAN (Continued)**

*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, 2020, 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, 2020, participating employers contributed 24.06% 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 19.30% 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, 2020, the City contributed \$208,150, or 100% of the required contribution. The contribution was allocated \$166,970 to the CERS pension fund and \$41,180 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, 2020**

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**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, 2020, the City reported a liability of \$2,244,737 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, and rolled forward using generally accepted actuarial procedures. 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, 2019, the City's proportionate share was .0319 percent, which was an increase of .0007 percent from its proportion at June 30, 2018.

**CITY OF LIBERTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**7. RETIREMENT PLAN (Continued)**

For the year ended June 30, 2020, the City recognized pension expense of \$422,276. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ 57,315	\$ 9,485
Changes of assumptions	227,193	-
Net difference between projected and actual earnings on Plan investments	-	36,184
Changes in proportion and differences between City contributions and proportionate share of contributions	51,913	-
City contributions subsequent to the measurement date	166,970	-
<b>Total</b>	<b><u>\$ 503,391</u></b>	<b><u>\$ 45,669</u></b>

The \$166,970 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 pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

**Year ending June 30,**

2021	\$ 185,438
2022	\$ 74,843
2023	\$ 27,904
2024	\$ 2,567

*Actuarial Assumptions* – The total pension liability reported at June 30, 2019, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**Non-hazardous**

Inflation	2.30%
Salary increases	3.30% to 10.30%, varies by service, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2019. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013. The total pension liability was rolled-forward from the valuation date (June 30, 2018) to the plan's fiscal year ending June 30, 2019.

**CITY OF LIBERTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020

**7. RETIREMENT PLAN (Continued)**

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>Growth</b>	<b>62.50%</b>	
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Special credit/high yield	15.00%	2.60%
<b>Liquidity</b>	<b>14.50%</b>	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
<b>Diversifying Strategies</b>	<b>23.00%</b>	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
<b>Total</b>	<b>100.00%</b>	<b>6.25%</b>

*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 24-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:

	<b>Discount rate</b>	<b>City's proportionate share of net pension liability</b>
1% decrease	5.25%	\$ 2,807,529
Current discount rate	6.25%	\$ 2,244,737
1% increase	7.25%	\$ 1,775,655

*Payable to the Pension Plan* – At June 30, 2020, the City reported a payable of \$18,906 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2020. The payable includes both the pension and insurance contribution allocation.



**CITY OF LIBERTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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**7. RETIREMENT PLAN (Continued)**

*Departmental Allocations*

As more fully described in Note 12, the City entered into a franchise agreement with Rumpke to provide curbside solid waste collection to residents in February 2020. Due to this, the City ceased providing garbage services and did not have any payroll in the Garbage Fund after February 2020. The drop in payroll expense in the Garbage Fund resulted in a significant decrease in the fund's allocation of the City's net pension and OPEB liabilities. The drop in the Garbage Fund's allocation of the net pension and OPEB liabilities resulted in a credit balance in retirement expense of \$57,409 at June 30, 2020.

**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, 2020, the employer's contribution was 4.76% 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, 2020, the City contributed \$41,180, or 100% of the required contribution for non-hazardous job classifications.

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

**CITY OF LIBERTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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

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, 2020, the City reported a liability for its proportionate share of the net OPEB liability of \$536,695.

The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018 and rolled forward using generally accepted actuarial procedures. 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, 2019 the City's proportionate share was .0319 percent, which was an increase of .0007 percent from its proportion at June 30, 2018.

For the year ended June 30, 2020, the City recognized OPEB expense of \$62,039. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ -	\$ 161,933
Changes of assumptions	158,813	1,062
Net difference between projected and actual earnings on Plan investments		23,838
Changes in proportion and differences between City contributions and proportionate share of contributions	16,382	880
City contributions subsequent to the measurement date	<u>52,704</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 227,899</u></b>	<b><u>\$ 187,713</u></b>

**CITY OF LIBERTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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

*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:

	<b>Proportionate share of net OPEB liability</b>
1% decrease	\$ 399,143
Current trend rate	\$ 536,695
1% increase	\$ 703,493

*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 64% of the Water Fund's service revenue and 62% of the accounts receivable at June 30, 2020. In addition, one industrial company generated approximately 27% of gas service charges and comprised 45% of the accounts receivable balance reported in the Gas Fund at June 30, 2020.

**11. CONTINGENT LIABILITY**

The City has booked an estimated liability of \$188,792, 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.

**12. GARBAGE FUND BUYOUT**

On January 20, 2020, the City entered into a franchise agreement with Rumpke. The agreement is effective from February 1, 2020 through January 31, 2025 and calls for Rumpke to provide curbside solid waste collection for all residential and commercial units in the City of Liberty on an exclusive basis. Under the terms of the agreement Rumpke will pay the City of Liberty a quarterly franchise fee of 7% of Rumpke's gross receipts from residential and commercial trash pick-up. Rumpke will furnish all necessary personnel, tools, labor, equipment, fuel and transportation to complete its work. Consequently, on February 1, 2020, the City of Liberty ceased providing garbage services to the residents of the City of Liberty.

## REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF LIBERTY, KENTUCKY**  
**REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON**  
**GENERAL FUND**  
**for the year ended June 30, 2020**

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Taxes</b>				
Property and motor vehicle taxes	\$ 277,250	\$ 275,404	\$ 280,176	\$ 4,772
Payment in lieu of taxes	11,000	12,800	12,898	98
	<u>288,250</u>	<u>288,204</u>	<u>293,074</u>	<u>4,870</u>
 <b>Licenses and permits</b>				
Franchise fees	111,100	116,968	119,996	3,028
Insurance premiums	215,000	207,209	207,310	101
Building permits	1,000	815	2,315	1,500
	<u>327,100</u>	<u>324,992</u>	<u>329,621</u>	<u>4,629</u>
 <b>Fines and forfeitures</b>				
Parking tickets/arrest fees	750	1,284	1,100	(184)
	<u>750</u>	<u>1,284</u>	<u>1,100</u>	<u>(184)</u>
 <b>Intergovernmental</b>				
Base court revenue	7,100	7,056	5,868	(1,188)
Police incentive pay	25,000	21,080	21,860	780
Local economic assistance	1,400	2,622	2,847	225
Other grants	241,250	272,180	339,848	67,668
Fire equipment grant	11,000	27,800	27,800	-
	<u>285,750</u>	<u>330,738</u>	<u>398,223</u>	<u>67,485</u>
 <b>Charges for service</b>				
Accident reports	800	800	910	110
	<u>800</u>	<u>800</u>	<u>910</u>	<u>110</u>
 <b>Other revenues</b>				
Interest income	5,500	5,200	4,850	(350)
Management fees	135,000	135,000	135,000	-
Other revenues	28,325	24,955	38,474	13,519
	<u>168,825</u>	<u>165,155</u>	<u>178,324</u>	<u>13,169</u>
 <b>Other financing sources</b>				
Proceeds from debt issuance	56,557	-	-	-
Transfers in, net	93,300	88,500	88,500	-
	<u>149,857</u>	<u>88,500</u>	<u>88,500</u>	<u>-</u>
 <b>Total revenues and other financing sources</b>	<u>\$ 1,221,332</u>	<u>\$ 1,199,673</u>	<u>\$ 1,289,752</u>	<u>\$ 90,079</u>

**CITY OF LIBERTY, KENTUCKY**  
**REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON**  
**GENERAL FUND**  
**for the year ended June 30, 2020**

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>General Government</b>				
Salaries	\$ 101,260	\$ 101,522	\$ 100,210	\$ (1,312)
Payroll taxes and employee benefits	28,869	28,176	32,154	3,978
KY ASAP grant	41,500	42,560	40,911	(1,649)
Planning and zoning expenses	5,600	5,973	5,973	-
Professional services	8,000	8,005	5,260	(2,745)
Utilities	7,100	7,180	7,245	65
Office supplies	3,400	4,226	5,975	1,749
Insurance	14,012	17,136	17,542	406
Lake Liberty expenses	500	541	554	13
Postage	500	1,119	1,009	(110)
Dues and subscriptions	200	200	200	-
Parks and recreation	15,000	20,410	20,627	217
Other expenses	<u>17,700</u>	<u>29,724</u>	<u>28,063</u>	<u>(1,661)</u>
	<u>243,641</u>	<u>266,772</u>	<u>265,723</u>	<u>(1,049)</u>
<b>Public Safety - Police</b>				
Salaries	258,830	230,114	224,873	(5,241)
Payroll taxes and employee benefits	132,843	119,151	115,650	(3,501)
Motor fuels	15,000	12,568	11,997	(571)
Utilities	4,300	4,991	4,979	(12)
Equipment	3,000	4,108	5,058	950
Vehicle repairs	2,500	8,374	9,190	816
Uniforms	3,000	1,945	2,041	96
Insurance	27,819	28,585	28,585	-
Miscellaneous	<u>5,300</u>	<u>19,217</u>	<u>23,337</u>	<u>4,120</u>
	<u>452,592</u>	<u>429,053</u>	<u>425,710</u>	<u>(3,343)</u>
<b>Public Safety - Fire</b>				
Labor	46,400	43,690	43,754	64
Repairs and maintenance	5,500	1,613	2,610	997
Equipment	16,000	9,353	11,742	2,389
Utilities	4,900	5,262	5,387	125
Insurance	7,313	7,541	7,541	-
Motor fuel	1,700	1,308	1,665	357
Miscellaneous	<u>5,000</u>	<u>6,645</u>	<u>7,165</u>	<u>520</u>
	<u>86,813</u>	<u>75,412</u>	<u>79,864</u>	<u>4,452</u>

**CITY OF LIBERTY, KENTUCKY**  
**REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON**  
**GENERAL FUND**  
**for the year ended June 30, 2020**

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Street Department</b>				
Street repairs	\$ 750	\$ 2,828	\$ 2,828	\$ -
Repairs and maintenance	20,500	3,891	2,657	(1,234)
Utilities	57,500	62,730	62,698	(32)
Supplies	1,000	-	-	-
Miscellaneous expenses	-	-	1,409	1,409
	<u>79,750</u>	<u>69,449</u>	<u>69,592</u>	<u>143</u>
 <b>Capital Outlay</b>	 <u>278,787</u>	 <u>236,492</u>	 <u>303,166</u>	 <u>66,674</u>
 <b>Debt Service</b>	 <u>79,600</u>	 <u>122,355</u>	 <u>68,544</u>	 <u>(53,811)</u>
 <b>Total expenditures</b>	 <u>\$ 1,221,183</u>	 <u>\$ 1,199,533</u>	 <u>\$ 1,212,599</u>	 <u>\$ 13,066</u>

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

<b>Reporting Fiscal Year (Measurement Date)</b>	<b>2014 (2013)</b>	<b>2015 (2014)</b>	<b>2016 (2015)</b>	<b>2017 (2016)</b>	<b>2018 (2017)</b>	<b>2019 (2018)</b>	<b>2020 (2019)</b>
City's proportion of the net pension liability	0.0296%	0.0296%	0.0296%	0.0298%	0.0303%	0.0312%	0.0319%
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	\$ 2,244,737
City's covered employee payroll	\$ 637,796	\$ 671,150	\$ 676,346	\$ 708,809	\$ 739,341	\$ 773,375	\$ 805,087
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	170.24%	143.39%	186.56%	205.58%	240.41%	245.72%	278.82%
Plan fiduciary net position as a percentage of the total pension liability	61.22%	66.80%	59.97%	55.50%	53.32%	53.54%	50.45%

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



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

	2013	2014	2015	2016	2017	2018	2019	2020
Contractually required employer contribution	\$ 80,490	\$ 93,431	\$ 87,992	\$ 88,308	\$ 103,135	\$ 111,984	\$ 130,585	\$ 166,970
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>	<u>166,970</u>
Contribution deficiency (excess)	<u>\$ -</u>	<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	\$ 865,129
Employer contributions as a percentage of covered-employee payroll	12.62%	13.92%	13.01%	12.46%	13.95%	14.48%	16.22%	19.30%

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 Four Years**

<b>Reporting Fiscal Year (Measurement Date)</b>	<b>2017 (2016)</b>	<b>2018 (2017)</b>	<b>2019 (2018)</b>	<b>2020 (2019)</b>
City's proportion of the net OPEB liability	0.0298%	0.0303%	0.0312%	0.0319%
City's proportionate share of the net OPEB liability (asset)	\$ 478,827	\$ 610,460	\$ 553,985	\$ 536,695
City's covered employee payroll	\$ 708,809	\$ 739,341	\$ 773,375	\$ 808,057
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	67.55%	82.57%	71.63%	66.42%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	52.39%	57.62%	60.44%

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

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

	2013	2014	2015	2016	2017	2018	2019	2020
Contractually required employer contribution	\$ 44,199	\$ 35,020	\$ 33,954	\$ 32,889	\$ 34,971	\$ 36,349	\$ 42,348	\$ 41,180
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>	<u>41,180</u>
Contribution deficiency (excess)	<u>\$ -</u>	<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	\$ 865,129
Employer contributions as a percentage of covered-employee payroll	6.93%	5.22%	5.02%	4.64%	4.73%	4.70%	5.24%	4.76%

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

**CITY OF LIBERTY, KENTUCKY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2020**

	<u>Cemetery Fund</u>	<u>Municipal Road Aid Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash	\$ 15,159	\$ -	\$ 15,159
Investments	62,505	-	62,505
Receivables, net	-	106,188	106,188
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>\$ 77,664</u>	 <u>\$ 106,188</u>	 <u>\$ 183,852</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Due to other funds	<u>\$ 4,786</u>	<u>\$ 98,687</u>	<u>\$ 103,473</u>
 Total liabilities	 <u>4,786</u>	 <u>98,687</u>	 <u>103,473</u>
 Fund balances	 <u>72,878</u>	 <u>7,501</u>	 <u>80,379</u>
 Total liabilities and fund balances	 <u>\$ 77,664</u>	 <u>\$ 106,188</u>	 <u>\$ 183,852</u>

**CITY OF LIBERTY, KENTUCKY  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
for the year ended June 30, 2020**

	<u>Cemetery Fund</u>	<u>Municipal Road Aid Fund</u>	<u>Total</u>
<b>REVENUES</b>			
Charges for services	\$ 2,000	\$ -	\$ 2,000
Intergovernmental	-	144,139	144,139
Other revenues	<u>4,339</u>	<u>-</u>	<u>4,339</u>
 Total revenues	 <u>6,339</u>	 <u>144,139</u>	 <u>150,478</u>
 <b>EXPENDITURES</b>			
Current			
General government	13,777	-	13,777
Streets department	-	8,612	8,612
Capital outlay	<u>-</u>	<u>137,080</u>	<u>137,080</u>
 Total expenditures	 <u>13,777</u>	 <u>145,692</u>	 <u>159,469</u>
 Excess (deficiency) of revenues over expenditures	 <u>(7,438)</u>	 <u>(1,553)</u>	 <u>(8,991)</u>
 <b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>
 Total other financing sources and uses	 <u>-</u>	 <u>-</u>	 <u>-</u>
 <b>Net change in fund balances</b>	 <u>(7,438)</u>	 <u>(1,553)</u>	 <u>(8,991)</u>
 Fund balances-beginning	 <u>80,316</u>	 <u>9,054</u>	 <u>89,370</u>
 <b>Fund balances-ending</b>	 <u>\$ 72,878</u>	 <u>\$ 7,501</u>	 <u>\$ 80,379</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, 2020, 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 28, 2021.

**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 28, 2021