

CITY OF WEST LIBERTY, KENTUCKY

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

June 30, 2015



WELLS & COMPANY, P.S.C.

Certified Public Accountants
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INDEPENDENT AUDITOR'S REPORT

The Honorable Mark Walter, Mayor
Members of the City Council
City of West Liberty, Kentucky

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 West Liberty, Kentucky as of and for the year ended June 30, 2015, 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.

Auditor's Responsibility

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

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

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

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 West Liberty, Kentucky, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 14 to the financial statements, in 2014, the City of West Liberty, Kentucky adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 41-44 and the County Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 45 and 46, respectively, 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of West Liberty, Kentucky's basic financial statements. The supplementary and other information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The supplementary and other information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 supplementary and other information and the schedule of expenditures of federal awards are 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 August 27, 2015 on our consideration of the City of West 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of West Liberty, Kentucky's internal control over financial reporting and compliance.

Wells & Company, PSC

Certified Public Accountants
Paintsville, Kentucky
August 27, 2015

CITY OF WEST LIBERTY, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2015

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 328,239	\$ 385,790	\$ 714,029
Certificates of deposit	100,000	-	100,000
Taxes receivable	8,300	-	8,300
Accounts receivable	18,595	229,291	247,886
Grants receivable	149,721	14,334	164,055
Other receivables	1,564	-	1,564
Internal balances	173,549	(173,549)	-
Unbilled revenues	-	95,573	95,573
Inventory	-	132,965	132,965
Capital assets:			
Land and construction-in-progress	302,836	2,286,005	2,588,841
Other capital assets, net of accumulated depreciation	2,436,317	14,715,305	17,151,622
Total Assets	<u>3,519,121</u>	<u>17,685,714</u>	<u>21,204,835</u>
DEFERRED OUTFLOWS OF RESOURCES			
Employer pension contributions subsequent to measurement date	96,138	99,516	195,654
LIABILITIES			
Accounts payable	77,331	107,943	185,274
Retainage payable	-	42,862	42,862
Accrued payroll	15,492	15,517	31,009
Accrued payroll taxes	5,087	5,091	10,178
Accrued vacation	26,628	28,852	55,480
Accrued interest	4,230	30,489	34,719
Other accrued liabilities	11,464	14,869	26,333
Short-term notes payable	524,556	-	524,556
Long-term liabilities:			
Due within one year			
Current portion of long-term debt	44,479	172,595	217,074
Due in more than one year			
Net pension liability	772,004	797,996	1,570,000
Noncurrent portion of long-term debt	408,694	5,106,361	5,515,055
Total Liabilities	<u>1,889,965</u>	<u>6,322,575</u>	<u>8,212,540</u>
DEFERRED INFLOWS OF RESOURCES			
Net difference between projected and actual investment earnings on pension plan investments	85,925	89,075	175,000
NET POSITION			
Net investment in capital assets	2,285,980	11,722,354	14,008,334
Restricted for:			
Depreciation	-	119,445	119,445
Fire service	121,197	-	121,197
Highways and streets	13,444	-	13,444
Tourism	136,276	-	136,276
911 dispatch	5,526	-	5,526
Debt service	302,616	52,005	354,621
Unrestricted	(1,225,670)	(520,224)	(1,745,894)
Total Net Position	<u>\$ 1,639,369</u>	<u>\$ 11,373,580</u>	<u>\$ 13,012,949</u>

See accompanying notes to basic financial statements.

CITY OF WEST LIBERTY, KENTUCKY
 STATEMENT OF ACTIVITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 637,624	\$ 215,364	\$ 404,345	\$ -	\$ (17,915)	\$ -	\$ (17,915)
Public safety	950,518	164,525	39,750	-	(746,243)	-	(746,243)
Streets	223,144	-	-	-	(223,144)	-	(223,144)
Tourism and planning	139,310	-	-	4,139	(135,171)	-	(135,171)
Interest on long-term debt	46,886	-	-	-	(46,886)	-	(46,886)
Total governmental activities	<u>1,997,482</u>	<u>379,889</u>	<u>444,095</u>	<u>4,139</u>	<u>(1,169,359)</u>	<u>-</u>	<u>(1,169,359)</u>
Business-type activities:							
Water, Sewer, Gas	<u>3,228,648</u>	<u>2,821,650</u>	<u>-</u>	<u>505,298</u>	<u>-</u>	<u>98,300</u>	<u>98,300</u>
Total business-type activities	<u>3,228,648</u>	<u>2,821,650</u>	<u>-</u>	<u>505,298</u>	<u>-</u>	<u>98,300</u>	<u>98,300</u>
Total primary government	<u>\$ 5,226,130</u>	<u>\$ 3,201,539</u>	<u>\$ 444,095</u>	<u>\$ 509,437</u>	<u>(1,169,359)</u>	<u>98,300</u>	<u>(1,071,059)</u>
General revenues:							
Property taxes					185,870	-	185,870
Fire taxes					23,814	-	23,814
Insurance premium taxes					320,760	-	320,760
Occupational taxes and licenses					365,621	-	365,621
Motor vehicle taxes					16,955	-	16,955
Restaurant taxes					166,726	-	166,726
Other taxes					19,556	-	19,556
Licenses and permits					3,500	-	3,500
Administrative					161,598	-	161,598
Intergovernmental revenue					140,524	-	140,524
Interest income					1,816	856	2,672
Rental income					21,155	-	21,155
Insurance proceeds					34,284	-	34,284
Miscellaneous					24,852	-	24,852
Total general revenues and transfers					<u>1,487,031</u>	<u>856</u>	<u>1,487,887</u>
Change in net position					317,672	99,156	416,828
Net position - beginning, restated					<u>1,321,697</u>	<u>11,274,424</u>	<u>12,596,121</u>
Net position - ending					<u>\$ 1,639,369</u>	<u>\$ 11,373,580</u>	<u>\$ 13,012,949</u>

CITY OF WEST LIBERTY, KENTUCKY
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2015

	<u>General Fund</u>	<u>Tourism and Planning</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 83,910	\$ 136,276	\$ 108,053	\$ 328,239
Certificate of deposit	-	-	100,000	100,000
Due from Water, Sewer, Gas	84,523	-	89,026	173,549
Due from General Fund	-	-	161,979	161,979
Receivables:				
Property taxes	1,032	-	-	1,032
Grants	149,721	-	-	149,721
Other	18,595	-	1,564	20,159
Total Assets	<u>\$ 337,781</u>	<u>\$ 136,276</u>	<u>\$ 460,622</u>	<u>\$ 934,679</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 61,012	\$ -	\$ 16,319	\$ 77,331
Accrued payroll	15,492	-	-	15,492
Accrued payroll taxes	5,087	-	-	5,087
Accrued vacation	26,628	-	-	26,628
Other accrued liabilities	9,944	-	1,520	11,464
Short-term notes payable	524,556	-	-	524,556
Due to Debt Service Fund	161,979	-	-	161,979
Total Liabilities	<u>804,698</u>	<u>-</u>	<u>17,839</u>	<u>822,537</u>
Fund Balances:				
Restricted for:				
Debt service	-	-	302,616	302,616
Public safety	-	-	5,526	5,526
Streets	-	-	13,444	13,444
Tourism	-	136,276	-	136,276
Assigned to:				
Public safety	-	-	121,197	121,197
Unassigned:				
General fund	(466,917)	-	-	(466,917)
Total Fund Balances	<u>(466,917)</u>	<u>136,276</u>	<u>442,783</u>	<u>112,142</u>
Total Liabilities and Fund Balances	<u>\$ 337,781</u>	<u>\$ 136,276</u>	<u>\$ 460,622</u>	<u>\$ 934,679</u>

See accompanying notes to basic financial statements.

**CITY OF WEST LIBERTY, KENTUCKY
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
 FUNDS TO THE STATEMENT OF NET POSITION
 JUNE 30, 2015**

Fund Balances - Total Governmental Funds	\$ 112,142
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Governmental capital assets	5,673,597
Less: accumulated depreciation	(2,934,444)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(453,173)
Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet.	(4,230)
Pension contributions after measurement date are reported as a deferred outflow of resources.	96,138
Net pension liability is not due and payable in the current period and, therefore, is not reported in governmental funds.	(772,004)
Net difference between projected and actual investment earnings on pension plan investments is reported as a deferred inflow of resources in the statement of net position.	(85,925)
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Delinquent property taxes	<u>7,268</u>
Net Position of Governmental Activities	<u><u>\$ 1,639,369</u></u>

See accompanying notes to basic financial statements.

CITY OF WEST LIBERTY, KENTUCKY
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund	Tourism and Planning	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
Property	\$ 197,848	\$ -	\$ -	\$ 197,848
Insurance premium	320,760	-	-	320,760
Occupational taxes and licenses	365,621	-	-	365,621
Motor vehicle	-	-	16,955	16,955
Telecom	12,234	-	-	12,234
Fire	-	-	23,814	23,814
Restaurant	-	166,726	-	166,726
Motel	-	7,322	-	7,322
E-911	67,133	-	-	67,133
Shelter income	-	1,750	-	1,750
Wireless collections	-	-	97,392	97,392
Administrative	161,598	-	-	161,598
Licenses and permits	3,500	-	-	3,500
Intergovernmental revenues	412,768	4,139	171,851	588,758
Charges for garbage services	215,364	-	-	215,364
Rental income	21,155	-	-	21,155
Fines and forfeits	1,406	-	-	1,406
Interest income	684	52	1,080	1,816
Contributions	912	-	-	912
Miscellaneous revenues	20,784	-	-	20,784
Total revenues	1,801,767	179,989	311,092	2,292,848
Expenditures:				
Current:				
General government	622,236	-	-	622,236
Public safety	770,509	-	69,550	840,059
Streets	70,654	-	63,217	133,871
Tourism and planning	-	102,768	-	102,768
Debt service:				
Principal retirement	-	-	40,859	40,859
Interest	22,729	-	24,877	47,606
Capital outlay	126,043	4,139	99,134	229,316
Total expenditures	1,612,171	106,907	297,637	2,016,715
Excess (deficiency) of revenues over expenditures	189,596	73,082	13,455	276,133
Other financing sources (uses):				
Operating transfers in	173,611	-	115,986	289,597
Operating transfers out	(84,150)	-	(205,447)	(289,597)
Proceeds from insurance	24,576	-	9,708	34,284
Total other financing sources (uses)	114,037	-	(79,753)	34,284
Net change in fund balances	303,633	73,082	(66,298)	310,417
Fund balances - beginning	(770,550)	63,194	509,081	(198,275)
Fund balances - ending	\$ (466,917)	\$ 136,276	\$ 442,783	\$ 112,142

See accompanying notes to basic financial statements.

CITY OF WEST LIBERTY, KENTUCKY
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES
 OF GOVERNMENTAL FUNDS TO THE STATEMENT
 OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2015

Net Change in Fund Balances - Total Governmental Funds	\$ 310,417
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:	
Capital asset purchases capitalized	229,316
Depreciation expense	(284,800)
The net effect of various miscellaneous transactions involving capital assets:	
-	
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:	
Increase/(decrease) in property taxes	(11,978)
Changes in pension expense are reported only in the statement of activities.	
33,138	
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable.	
720	
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of activities:	
Loans payable	<u>40,859</u>
Change in Net Position of Governmental Activities	<u><u>\$ 317,672</u></u>

See accompanying notes to basic financial statements.

CITY OF WEST LIBERTY, KENTUCKY
 STATEMENT OF NET POSITION
 BUSINESS-TYPE ACTIVITY
 JUNE 30, 2015

	<u>Water, Sewer, Gas</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 214,340
Accounts receivable, no allowance considered necessary	229,291
Grants receivable	14,334
Unbilled receivables	95,573
Inventory	<u>132,965</u>
Total current assets	<u>686,503</u>
Non-current assets:	
Restricted assets:	
Cash and cash equivalents	<u>171,450</u>
Total restricted assets	<u>171,450</u>
Utility Plant:	
Plant in service	26,199,940
Less accumulated depreciation	<u>(11,401,721)</u>
	14,798,219
Construction work in progress	<u>2,203,091</u>
Net utility plant	<u>17,001,310</u>
Total assets	<u>17,859,263</u>
DEFERRED OUTFLOWS	
Employer pension contributions subsequent to measurement date	<u>99,516</u>

See accompanying notes to basic financial statements.

CITY OF WEST LIBERTY, KENTUCKY
 STATEMENT OF NET POSITION (Continued)
 BUSINESS-TYPE ACTIVITY
 JUNE 30, 2015

	<u>Water, Sewer, Gas</u>
LIABILITIES	
Current liabilities:	
Accounts payable	107,943
Retainage payable	42,862
Accrued payroll	15,517
Accrued payroll taxes	5,091
Accrued vacation	28,852
Accrued interest payable	30,489
Due to general fund	84,523
Due to debt service fund	89,026
Other accrued liabilities	14,869
Current portion of long-term liabilities	<u>172,595</u>
Total current liabilities	<u>591,767</u>
Long-term liabilities:	
Net pension liability	797,996
Construction advances	1,592,553
Long-term debt	3,695,727
Unamortized discount	<u>(9,324)</u>
	6,076,952
Less current portion	<u>(172,595)</u>
Total long-term liabilities	<u>5,904,357</u>
Total liabilities	<u>6,496,124</u>
DEFERRED INFLOWS	
Net difference between projected and actual investment earnings on pension plan investments	<u>89,075</u>
NET POSITION:	
Net investment in capital assets	11,722,354
Restricted for:	
Debt service	119,445
Depreciation	52,005
Unrestricted	<u>(520,224)</u>
Total net position	<u>\$ 11,373,580</u>

See accompanying notes to basic financial statements.

**CITY OF WEST LIBERTY, KENTUCKY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
BUSINESS-TYPE ACTIVITY
YEAR ENDED JUNE 30, 2015**

	<u>Water, Sewer, Gas</u>
Operating revenues:	
Sewer revenues	\$ 719,068
Water revenues	1,187,380
Gas revenues	829,614
Other operating revenues	<u>85,588</u>
Total operating revenues	2,821,650
Cost of sales - gas purchases	<u>439,981</u>
Net operating revenues	<u>2,381,669</u>
Operating expenses:	
Sewer	1,107,852
Water	1,289,695
Gas	<u>219,706</u>
Total operating expenses	<u>2,617,253</u>
Utility operating income (loss)	<u>(235,584)</u>
Non-operating revenues (expenses):	
Interest income	856
Interest expense	<u>(171,414)</u>
Total non-operating revenues (expenses)	<u>(170,558)</u>
Net income (loss) before contributions from (to)	(406,142)
Contributions in aid of construction	<u>505,298</u>
Change in net position	99,156
Net position, beginning of year, restated	<u>11,274,424</u>
Net position, end of year	<u><u>\$ 11,373,580</u></u>

See accompanying notes to basic financial statements.

**CITY OF WEST LIBERTY, KENTUCKY
STATEMENT OF CASH FLOWS
BUSINESS-TYPE ACTIVITY
YEAR ENDED JUNE 30, 2015**

	<u>Water, Sewer, Gas</u>
Cash flows from operating activities:	
Cash inflows:	
Payments received from customers	\$ 2,794,237
Total cash provided	<u>2,794,237</u>
Cash outflows:	
Payments for salaries and benefits	786,403
Payments to suppliers for goods and services	<u>1,539,506</u>
Total cash used	<u>2,325,909</u>
Net cash provided (used) by operating activities	<u>468,328</u>
Cash flows from noncapital financing activities:	
Repayment of amounts due other funds	<u>(46,833)</u>
Net cash provided (used) by noncapital financing activities	<u>(46,833)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(1,347,152)
Capital contributions received	691,603
Principal payments on debt	(439,382)
Proceeds from loans	943,925
Interest paid on long-term debt	<u>(172,065)</u>
Net cash provided (used) by capital and related financing activities	<u>(323,071)</u>
Cash flows from investing activities:	
Interest received	<u>856</u>
Net cash provided (used) by investing activities	<u>856</u>
Net cash inflow (outflow) from all activities	99,280
Cash and cash equivalents at beginning of period	<u>286,510</u>
Cash and cash equivalents at end of period	<u>\$ 385,790</u>

See accompanying notes to basic financial statements.

CITY OF WEST LIBERTY, KENTUCKY
 STATEMENT OF CASH FLOWS (Continued)
 BUSINESS-TYPE ACTIVITY
 YEAR ENDED JUNE 30, 2015

	<u>Water, Sewer, Gas</u>
Reconciliation of utility operating income to net cash provided by operating activities:	
Utility operating income	\$ (235,584)
Depreciation	817,264
(Increase) decrease in:	
Accounts receivable	(24,329)
Unbilled revenue	(3,084)
Inventory	(14,106)
Other assets and deferred outflows	(27,972)
Increase (decrease) in:	
Accounts payable	(37,673)
Accrued liabilities and other liabilities	(6,188)
	<hr/>
Net cash provided (used) by operating activities	\$ 468,328
	<hr/> <hr/>
Schedule of cash:	
Beginning of period:	
Unrestricted cash and cash equivalents	\$ 147,284
Restricted cash and cash equivalents	139,226
	<hr/>
	\$ 286,510
	<hr/> <hr/>
End of period:	
Unrestricted cash and cash equivalents	\$ 214,340
Restricted cash and cash equivalents	171,450
	<hr/>
	\$ 385,790
	<hr/> <hr/>

See accompanying notes to basic financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Narrative Profile

The City of West Liberty, Kentucky (the City) was established in 1840. The City operates under Council-Mayor form of government and provides the following service as authorized by its charter: public safety, highway and street, public works, recreation, community development, and general administrative services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB). As permitted by generally accepted accounting principals, the City's Proprietary Funds has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations. The more significant accounting policies of the City are described below.

A. Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City of West Liberty's only such entity included in the financial statements, as a blended component unit, is the City of West Liberty Public Properties Corporation.

The City of West Liberty Public Properties Corporation (the Corporation) was established as a nonprofit corporation pursuant to a resolution of the City Council to act as an agency and instrumentality of the City. The purpose of the corporation was to finance the cost of construction of the City Hall building which is leased to the General Fund of the City. The Corporation financed the costs related to the project by issuance of \$448,000 first mortgage revenue bonds dated January 16, 1991 and demand notes totaling \$94,956 at the Commercial Bank of West Liberty. The City has agreed to lease the facilities from the Corporation with minimum annual rentals equal to the funding requirements of the bonds and notes. Therefore, no amounts are shown for rent relating to the lease of the City Hall building. The General Fund has the option each year to renew the lease.

B. Basis of Presentation

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not property included among program revenues are reported instead as general revenues.

Fund Financial Statements:

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following governmental funds:

General Fund –

The General Fund is the main operating fund of the City and always classified as a major fund. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Debt Service Fund –

The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid primarily from taxes levied by the City. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

Municipal Road Aid Fund –

The Municipal Road Aid Fund is used to account for the revenues received and expenditures paid for construction, reconstruction, and maintenance of city streets.

Tourism and Planning Commission Fund –

The Tourism and Planning Commission Fund is used to account for the restaurant tax and shelter income and the related expenditures. The Tourism and Planning Commission Fund is considered a major fund for government-wide reporting purposes.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CMRS Fund –

The CMRS Fund is used to account for wireless collections and the related expenditures paid for 911 dispatch.

Fire Tax Fund –

The Fire Tax Fund is used to account for fire tax collections and the related expenditures.

Police Incentive Fund –

The Police Incentive Fund is used to account for funds received from the Kentucky Law Enforcement Foundation Program and the related expenditures.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of operating income and changes in net assets, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The City has presented the following major proprietary funds:

Water, Sewer, and Gas Fund –

The Water, Sewer, and Gas Fund is used to account for the provision of water, sewer, and gas services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water, sewer, and gas system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water, sewer, and gas debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured, basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, charges for service, interest income and intergovernmental revenues. All other Governmental Fund Type revenues are recognized when received.

D. Budgetary Control

The City follows the procedures established pursuant to Section 91 A.030 of the Kentucky Revised Statutes in establishing the budgetary data reflected in the financial statements. Budgets for all funds are adopted on the same basis of accounting as used in the financial statements.

Budgeted amounts in the financial statements are as amended and adopted by ordinance of the City.

Kentucky Revised Statute 91A.030 prohibits and nullifies any expenditure in excess of budgeted amounts. Certain actual expenditures exceeded budgeted amounts.

E. Cash and Investments

Cash includes amounts in bank accounts. The only investments include certificates of deposit. The investments are reported at cost which reasonably estimates fair value.

F. Prepaid Items

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

G. Inventory of Supplies

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventory of the utility funds consists of materials and supplies.

H. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Bond Discounts

Bond discounts are being amortized over the life of the bonds using the effective interest method.

J. Capital Assets

Capital assets, which includes property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Assets capitalized, not including infrastructure assets, have an original cost of \$2,500 or more and over three years of useful life. Infrastructure assets capitalized have an original cost of \$25,000 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	20-50 Years
Water, Sewer, and Gas System	10-50 Years
Infrastructure	10-35 Years
Machinery and Equipment	3-10 Years
Improvements	15 Years

K. Compensated Absences

The City of West Liberty's policy allows full-time employees to earn vacation leave and sick leave. Employees earn ten (10) days of vacation after each year of employment. After ten years of employment, employees earn fifteen (15) days of vacation per year. Any accumulated vacation will be paid to an employee upon termination.

Employees earn one (1) day of sick leave for each month worked and there is no limit on the number of days that can accumulate. Accumulated sick leave will not be paid to an employee upon termination.

L. Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M. Interest Payable

In the Government-wide financial statements, interest payable on general long-term debt is recognized as the liability is incurred.

In the fund financial statements, governmental fund types recognize interest expenditures when due and payable.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Allowance for Uncollectible Accounts

The City's delinquent taxes and accounts receivable are considered fully collectible and therefore an allowance for uncollectible accounts is not applicable to those receivables.

O. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

P. Fund Equity

In the fund financial statements, governmental fund balance is presented in five possible categories:

Nonspendable – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.

Restricted – resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed – resources which are subject to limitations the City imposes upon itself at its highest level of decision making, and that remain binding unless removed in the same manner.

Assigned – resources neither restricted nor committed for which the City has a stated intended use as established by the City Council.

Unassigned – resources which cannot be properly classified in one of the other four categories.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. Likewise, fund balances that are committed or assigned would be used first for their approved purposes. Unassigned fund balances would be used as needed.

Q. Encumbrances

The City does not use a system of encumbrances in their accounting and reporting methods.

R. Unbilled Receivables

The City's Utility Department reads meters to measure customer consumption of sewer and water in the middle of the month. Estimates for unbilled receivable were based on consumption for the meter reading period immediately following the year end. This usage was prorated for the number of days within the fiscal year and multiplied by the appropriate rates.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Deferred Outflows/Inflows Of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the City has only one item that qualifies for reporting in this category, employer pension contributions subsequent to measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow or resources (revenue) until that time. The City has only one type of item that qualifies for reporting in this category, net difference between projected and actual investment earnings on pension plan investments.

NOTE 2. DEPOSITS AND INVESTMENTS

Under Kentucky Revised Statutes the City is allowed to invest in obligations of the U. S. Treasury and U. S. agencies, repurchase agreements, obligations of the Commonwealth of Kentucky and its agencies, insured savings and loans, or interest bearing deposits of insured national or state banks. The deposits in excess of insurance coverage must be fully collateralized.

The City invests surplus cash at local banks in the form of certificates of deposits, savings accounts, and money market accounts. This investment call subjects the City to custodial credit risk; however, the City considers this risk immaterial, and as such, the City does not have a formal investment policy to deal with such risk.

The City of West Liberty, Kentucky, categorizes deposits at local financial institutions to give an indication of the level of risk assumed by the City at fiscal year end. The categories are described as follows:

- Category 1 – Insured or collateralized with securities held by the City or by its agent in the City’s name.
- Category 2 – Collateralized with securities held by the pledging financial institution’s trust department or agent in the City’s name.
- Category 3 – Uncollateralized.

Deposits categorized by level of risk at June 30, 2015 are as follows:

<u>Account</u>	<u>Bank Balance</u>	<u>Category</u>			<u>Carrying Amount</u>
		<u>1</u>	<u>2</u>	<u>3</u>	
Cash	<u>\$822,899</u>	<u>\$284,291</u>	<u>\$538,608</u>	<u>\$ -</u>	<u>\$814,029</u>

The City’s deposits and investments are also subject to risks such as interest rate risk and concentration of credit risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a deposit or investment. Deposits and investments held for longer periods are subject to increased risk of adverse interest rate changes. The City has attempted to address this risk by maintaining its deposits in accounts that continually adjust the interest rate to the market. Concentration of credit risk is the risk of loss attributed to the magnitude of the City’s investment in a single issuer. The City has addressed this risk by maintaining its deposits at financial institutions that are insured by the FDIC and by requiring additional collateral to cover deposits in excess of that amount.

NOTE 3. PROPERTY TAXES

Property taxes for fiscal year 2014 were levied on \$254,642,027 the assessed valuation of property and bank deposits located in Morgan County as of the preceding January 1, the lien date. Delinquent taxes are considered fully collectible and therefore no allowance for uncollected taxes is provided. A reserve for uncollectible property taxes is recorded for the amount uncollected at year end. The due date and collection periods for property taxes are as follows:

<u>Description</u>	<u>Per K.R.S. 134.020</u>
Due date for payment of taxes	Upon Receipt
Discount of 2%	Receipt to October 31
Face value amount payment dates	November 1 to November 30
Tax balance plus 2% penalty	December 1 to December 31
Tax balance plus 10% penalty	January 1

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015, consisted of the following:

Governmental Activities

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2015</u>
Capital assets, not being depreciated:				
Land and land improvements	\$ 302,836	\$ -	\$ -	\$ 302,836
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>302,836</u>	<u>-</u>	<u>-</u>	<u>302,836</u>
Capital assets, being depreciated:				
Buildings and improvements	1,435,923	-	-	1,435,923
Improvements other than buildings	733,814	4,139	-	737,953
Infrastructure	844,769	62,984	-	907,753
Automobiles and trucks	555,017	80,695	-	635,712
Machinery and equipment	<u>1,571,922</u>	<u>81,498</u>	<u>-</u>	<u>1,653,420</u>
Total capital assets being depreciated	5,141,445	229,316	-	5,370,761
Less accumulated depreciation for:				
Buildings and improvements	(274,608)	(30,901)	-	(305,509)
Improvements other than buildings	(462,754)	(30,811)	-	(493,565)
Infrastructure	(426,524)	(78,692)	-	(505,216)
Automobiles and trucks	(401,163)	(27,721)	-	(428,884)
Machinery and equipment	<u>(1,084,595)</u>	<u>(116,675)</u>	<u>-</u>	<u>(1,201,270)</u>
Total accumulated depreciation	<u>(2,649,644)</u>	<u>(284,800)</u>	<u>-</u>	<u>(2,934,444)</u>
Total capital assets being depreciated, net	<u>2,491,801</u>	<u>(55,484)</u>	<u>-</u>	<u>2,436,317</u>
Governmental activities capital assets, net	<u>\$2,794,637</u>	<u>\$ (55,484)</u>	<u>\$ -</u>	<u>\$2,739,153</u>

NOTE 4. CAPITAL ASSETS (Continued)

Depreciation was charged to governmental functions as follows:

General government	\$ 24,195
Public safety	134,790
Tourism and planning	36,542
Streets	<u>89,273</u>
Total	<u>\$ 284,800</u>

Business-Type Activities

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2015</u>
Capital assets, not being depreciated:				
Land and land improvements	\$ 82,914	\$ -	\$ -	\$ 82,914
Construction in progress	<u>1,258,366</u>	<u>1,342,101</u>	<u>397,375</u>	<u>2,203,091</u>
Total capital assets, not being depreciated	<u>1,341,280</u>	<u>1,342,101</u>	<u>397,375</u>	<u>2,286,005</u>
Capital assets, being depreciated:				
Leasehold improvements	1,000	-	-	1,000
Machinery and equipment	943,683	-	-	943,683
Water plant and water system	10,850,932	397,376	-	11,248,308
Sewer plant and sewer system	12,883,025	-	-	12,883,025
Gas system	<u>1,028,010</u>	<u>13,000</u>	<u>-</u>	<u>1,041,010</u>
Total capital assets being depreciated	25,706,650	410,376	-	26,117,026
Less accumulated depreciation for:				
Leasehold improvements	(719)	(32)	-	(751)
Machinery and equipment	(770,079)	(28,019)	-	(798,098)
Water plant and water system	(4,632,699)	(348,421)	-	(4,981,120)
Sewer plant and sewer system	(5,112,836)	(417,509)	-	(5,530,345)
Gas system	<u>(68,123)</u>	<u>(23,284)</u>	<u>-</u>	<u>(91,407)</u>
Total accumulated depreciation	<u>(10,584,456)</u>	<u>(817,265)</u>	<u>-</u>	<u>(11,401,721)</u>
Total capital assets being depreciated, net	<u>15,122,194</u>	<u>(406,889)</u>	<u>-</u>	<u>14,715,305</u>
Total utilities capital assets, net	<u>\$16,463,474</u>	<u>\$ 935,212</u>	<u>\$ 397,375</u>	<u>\$17,001,310</u>

NOTE 5: LONG-TERM DEBT

Business-Type Activities

The Water and Sewer Proprietary Fund presently has six bond issues outstanding.

NOTE 5. LONG-TERM DEBT (Continued)

- 1) 1988 Series - \$579,000 Water and Sewer revenue bonds, maturing through November 1, 2023, with interest at 5.0%.
- 2) 1998 Series - \$449,000 Water and Sewer revenue bonds, maturing through November 1, 2039, with interest at 4.5%.
- 3) 2001 Series (A) - \$1,000,000 Water and Sewer revenue bonds, maturing through November 1, 2041, with interest at 3.25%.
- 4) 2001 Series (B) - \$280,000 Water and Sewer revenue bonds, maturing through November 1, 2041, with interest at 4.5%.
- 5) 2006 Series - \$801,000 Water and Sewer revenue bonds, maturing through November 1, 2045, with interest at 4.125%.
- 6) 2007 Series - \$400,000 Water and Sewer revenue bonds, maturing through November 1, 2045, with interest at 4.125%.
- 7) 2010 Series - \$740,000 Gas revenue bonds, maturing through February 1, 2040, with interest at variable rates.

Principal payments are due annually for water and sewer revenue bonds on November 1, and interest payments are due semi-annually on May 1, and November 1. Principal payments are due February 1 for gas revenue bonds and interest payments are due semi-annually on February 1, and August 1.

Total bond interest expense for the year ended June 30, 2015, amounted to \$146,923.

The Water, Sewer, and Gas Proprietary Fund notes payable at June 30, 2015 consisted of the following:

In 1997, the City borrowed \$329,764 from Kentucky Infrastructure Authority, payable in semi-annual installments of \$9,298 including interest of 1.2%. Final payment is due on June 1, 2017.

During fiscal year June 30, 2011, the City assumed \$180,550 of debt from Community Trust Bank on the purchase of Elam Utility Company, Inc. The loan bears interest at 7.50% and is payable in monthly installments of \$2,991 with final payment due on October 22, 2016.

On February 12, 2015, the City borrowed \$75,757 at 4.00% interest from Commercial Bank to payoff a short term working capital loan. The agreement provides for 24 monthly payments of \$3,289 to be made beginning March 12, 2015 with final payment due on February 12, 2017.

	<u>Amount Outstanding 6/30/2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount Outstanding 6/30/2015</u>	<u>Amounts Due Within One Year</u>
Bond payable – 1988 issue	\$ 355,000	\$ -	\$ (16,000)	\$ 339,000	\$ 17,000
Bond payable – 1998 issue	382,500	-	(7,500)	375,000	8,000
Bond payable – 2001 issue (A)	840,000	-	(19,000)	821,000	19,000
Bond payable – 2001 issue (B)	244,000	-	(4,500)	239,500	5,000
Bond payable – 2006 issue	742,000	-	(11,500)	730,500	12,000
Bond payable – 2007 issue	370,000	-	(6,000)	364,000	6,000

CITY OF WEST LIBERTY, KENTUCKY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

NOTE 5. LONG-TERM DEBT (Continued)

	Amount Outstanding 6/30/2014	Additions	Deductions	Amount Outstanding 6/30/2015	Amounts Due Within One Year
Bond payable – 2010 issue	695,000	-	(15,000)	680,000	15,000
Note payable – KIA	54,633	-	(17,993)	36,640	18,210
Note payable – Commercial Bank (w&s)	-	75,757	(12,090)	63,667	37,744
Note payable – Commercial Bank (gas)	18,047	-	(18,047)	-	-
Note payable – Community Trust Bank	77,467	-	(31,047)	46,420	34,641
	<u>3,778,647</u>	<u>75,757</u>	<u>(158,677)</u>	<u>3,695,727</u>	<u>172,595</u>
Unamortized bond discount	(9,495)	-	171	(9,324)	-
Long-Term Debt	<u>\$3,769,152</u>	<u>\$ 75,757</u>	<u>\$(158,506)</u>	<u>\$3,686,403</u>	<u>\$172,595</u>

Principal and interest payments to be made on all long-term debt at June 30, 2015, for each of the next five years and thereafter are as follows:

Year Ending 6/30	Bonds	Notes	Total Principal	Total Interest	Total
2016	\$ 82,000	\$ 90,595	\$ 172,595	\$ 148,077	\$ 320,672
2017	85,000	56,132	141,132	141,096	282,228
2018	93,500	-	93,500	136,873	230,373
2019	96,000	-	96,000	133,100	229,100
2020	99,000	-	99,000	129,206	228,206
2021-2025	555,500	-	555,500	581,939	1,137,439
2026-2030	652,000	-	652,000	454,483	1,106,483
2031-2035	649,000	-	649,000	324,310	973,310
2036-2040	791,000	-	791,000	179,070	970,070
2041-2045	388,500	-	388,500	45,001	433,501
2046	57,500	-	57,500	1,186	58,686
	<u>\$3,549,000</u>	<u>\$146,727</u>	<u>\$3,695,727</u>	<u>\$2,274,341</u>	<u>\$5,970,068</u>

Governmental Activities

The City presently has two bond issues outstanding.

- 1) Series A - \$300,000 Public Properties first mortgage revenue bonds maturing through January 16, 2020, with interest at 6.0%.
- 2) Series B - \$118,000 Public Properties first mortgage revenue bonds maturing through January 16, 2020, with interest at 6.0%.

Principal and interest payments are due annually for revenue bonds on January 1.

Total bond interest expense for the year ended June 30, 2015, amounted to \$9,900.

NOTE 5. LONG-TERM DEBT (Continued)

The City's notes payable at June 30, 2015 consisted of the following:

- 1) On June 11, 2012, the City borrowed \$350,089 at 4.9% interest from Commercial Bank for the construction of the new fire station. The loan was refinanced on February 26, 2013. The loan has an interest rate of 4.20% with a monthly payment of \$2,653 and matures February 26, 2028.

	<u>Amount Outstanding 6/30/2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount Outstanding 6/30/2015</u>	<u>Amounts Due Within One Year</u>
Bond payable – series A	\$123,000	\$ -	\$(18,000)	\$105,000	\$19,000
Bond payable – series B	42,000	-	(6,000)	36,000	6,500
Note payable – Fire Station	<u>329,032</u>	<u>-</u>	<u>(16,859)</u>	<u>312,173</u>	<u>18,979</u>
Long-Term Debt	<u>\$494,032</u>	<u>\$ -</u>	<u>\$(40,859)</u>	<u>\$453,173</u>	<u>\$44,479</u>

Principal and interest payments to be made on all long-term debt at June 30, 2015, for each of the next five years and thereafter are as follows:

<u>Year Ending 6/30</u>	<u>Bonds</u>	<u>Notes</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total</u>
2016	\$ 25,500	\$ 18,979	\$ 44,479	\$ 21,246	\$ 65,725
2017	27,000	19,901	46,901	18,884	65,785
2018	28,000	20,754	48,754	16,393	65,147
2019	29,500	21,642	51,142	13,824	64,966
2020	31,000	22,544	53,544	11,152	64,696
2021-2025	-	128,173	128,173	31,009	159,182
2026-2028	<u>-</u>	<u>80,180</u>	<u>80,180</u>	<u>4,717</u>	<u>84,897</u>
	<u>\$141,000</u>	<u>\$312,173</u>	<u>\$453,173</u>	<u>\$117,225</u>	<u>\$570,398</u>

Compliance with Bond Ordinances

The bond ordinances contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds and minimum revenue bond coverages. Funds held in the various reserves at June 30, 2015 required by the revenue bond ordinances are reported in the accompanying financial statements as restricted cash and CD's.

Construction Advances

On November 5, 2012, the City entered into a loan assistance agreement with the Kentucky Infrastructure Authority (KIA) to provide financing for water system improvement projects. The future loan to the City is \$1,145,643 of which \$811,543 was received through June 30, 2015. The loan contract carries a 1.0% interest rate. Debt service requirements to maturity have not been presented for this obligation because it has not yet been determined by the lending party. A schedule of payments will be determined upon the completion of the funding of the loan.

NOTE 5: LONG-TERM DEBT (Continued)

On November 5, 2012, the City entered into a loan assistance agreement with the Kentucky Infrastructure Authority (KIA) to provide financing for the construction costs of the West Liberty Route 7 sewer improvements project and the Liberty Road sewer extension project. The future loan to the City is \$1,830,120 of which \$781,010 was received through June 30, 2015. The loan contract carries a 1.0% interest rate. Debt service requirements to maturity have not been presented for this obligation because it has not yet been determined by the lending party. A schedule of payments will be determined upon the completion of the funding of the loan.

NOTE 6 – SHORT TERM NOTES PAYABLE

On June 15, 2015, the City refinanced Revenue Bond Anticipation Note, Series 2014 into General Bond Anticipation Note Series 2015 for tornado disaster cleanup in the amount of 524,566 at a 3.62% interest rate. The original financing was \$1 million. The note matures on June 15, 2016.

The summary of the notes transactions for the fiscal year ended June 30, 2015, is as follows:

	<u>Beginning Balance 6/30/2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance 6/30/15</u>
General Bond Anticipation Note, Series 2014	\$ 858,935	\$ -	\$ (858,935)	\$ -
General Bond Anticipation Note, Series 2015	-	524,556	-	524,556
General Bond Anticipation Note, Series 2014	199,463	-	(199,463)	-
Working Capital Loan, Commercial Bank	<u>81,413</u>	<u>-</u>	<u>(81,413)</u>	<u>-</u>
Short Term Debt	<u>\$1,139,811</u>	<u>\$ 524,556</u>	<u>\$(1,139,811)</u>	<u>\$ 524,556</u>

NOTE 7 – INTERFUND TRANSFERS AND RECEIVABLES

The following is a schedule of interfund transfers:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Fire Tax Fund	Operating	\$ 53,757
	Road Aid	Operating	21,361
	CMRS Fund	Reimbursement	75,849
	Debt Service Fund	Operating	22,644
Debt Service Fund	General Fund	Debt Service	48,000
	Fire Tax Fund	Debt Service	31,836
Road Aid Fund	General Fund	Reimbursement	<u>36,150</u>
Subtotal – Fund Financial Statements			289,597
Less: Fund Eliminations			<u>(289,597)</u>
Total Transfers – Government-wide Statement of Activities			<u>\$ -</u>

The following is a schedule of interfund receivables:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
General Fund	Water, Gas Sewer	\$ 84,523
Debt Service Fund	General Fund	161,979
	Water, Gas, Sewer	89,026

NOTE 8 – RESTRICTIONS ON CASH

Sinking Reserve Funds for Bond Retirement

"Bond Sinking Funds" and "Debt Service Reserve Funds" are being maintained as required in various bond documents. Deposits into Bond Sinking Funds are made monthly in order to accumulate funds for payment of bond principal and interest. A Debt Service Reserve Fund is required for the purpose of having monies available in order to prevent a default in the payment of the principal or interest.

Proprietary Funds Bond Sinking Funds in the amount of \$71,944 is being held by the Commercial Bank of West Liberty in an interest bearing account.

Proprietary Funds Debt Service Reserve Fund in the amount of \$47,501 is being held in an interest bearing account at the Commercial Bank of West Liberty.

General Fund Bond Sinking Fund in the amount of \$34,407 is being held in an interest bearing account by the Commercial Bank of West Liberty. These funds are being maintained in the Debt Service Fund.

General Fund Debt Service Reserve Fund in the amount of \$17,204 is being held in an interest bearing savings account at the Commercial Bank of West Liberty, these funds are being maintained in the Debt Service Fund.

Reserve for Depreciation

"Depreciation Funds" are being maintained as required in various bond documents. These Proprietary Funds are required to be deposited into separate accounts for the purpose of maintaining the water and sewer systems. Certificates of Deposit have also been purchased for water and sewer depreciation reserves. The total amounts deposited in these accounts for Water Depreciation, for Waste Water Depreciation, and Gas Depreciation is \$52,005.

NOTE 9 – RISK MANAGEMENT

The City 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. The City pays annual premiums to the Kentucky League of Cities Insurance Agency for its general liability coverage, public officials' liability, auto liability, workers' compensation, and property coverage. The City's workers' compensation coverage is retrospectively rated, whereby premiums are accrued based on the ultimate cost of the experience of the City. Kentucky League of Cities Insurance Agency pays claims as they arise.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Litigation

The City is subject to legal actions in various stages of litigation, the outcome of which is not determinable at this time. Administration officials and legal council do not anticipate that there will be any material effect on the financial statements as a result of the cases presently in process.

NOTE 11 – FUND DEFICIT

The City's General Fund had a deficit fund balance of \$466,917 at June 30, 2015. The deficit is a result of recovery expenses related to the March 2012 tornado. Additional revenues from FEMA is expected to reduce the deficit in fiscal year 2015-2016.

NOTE 12 – SUBSEQUENT EVENT

Management has evaluated and has not recognized any subsequent events through August 27, 2015, the date the financial statements were available to be issued.

NOTE 13 – DEFINED PENSION

Summary of Significant Accounting Policies

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 Employee's 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 the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan Description

Employees of the City of West Liberty, Kentucky are provided with pensions through a cost-sharing multiple-employer defined benefit plan administered by the County Employee's Retirement System. Section 61.645 of the Kentucky Revised Statutes grants to CERS Board of Trustees and the Kentucky Legislature the authority to review administration, benefit terms, investments, and funding of the plan. CERS issues a publicly available financial report that can be obtained at kyret.ky.gov.

Benefits Provided

The following is a description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

1. Retirement Benefit

CERS is designed to provide three types of benefits: a monthly retirement benefit for life based on the employee's salary and service (the pension benefit), health insurance benefits after retirement, and disability/death benefits.

Monthly retirement benefits are based on a formula established by statute which is (final compensation x benefit factor x years of service credit). Participants hired before 8/1/04 have their monthly benefit calculated at the average of highest five years salary which must contain at least 48 months of service and includes lump-sum payments for compensatory time times 2.2% benefit factor times years of service credit. Participants hired after 8/1/04 but before 9/1/08 have a reduced benefit factor of 2.0%.

NOTE 13 – DEFINED PENSION (Continued)

Participants hired after 9/1/08 have their monthly benefit calculated at the average of the five complete fiscal years immediately preceding retirement which must contain 60 months of service and does not include lump-sum payments for compensatory time. The benefit factor is 1.10% for 10 years or less of service, 1.30% for more than 10 years but no more than 20 years, 1.50% for greater than 20 years but no more than 26 years, 1.75% for greater than 26 years but no more than 30 years, and 2.00% for greater than 30 years.

At retirement, a retiree may choose to take a reduced monthly benefit in order to provide a monthly benefit to a beneficiary upon their death, either for a period certain or for the life of the beneficiary. The system also provides for a statutory 1.5% annual increase to monthly benefits after retirement, often referred to as the cost of living adjustment (COLA).

2. Health Insurance

CERS also provides access to group rates on medical insurance for retired members, their spouse, and dependents. Coverage for retirees not eligible for Medicare is provided through the Kentucky Employees Health Plan, the same health plan provided to state and school board employees. Coverage for Medicare eligible retirees is provided through a plan administered by or contracted through the retirement systems which then coordinates with Medicare for delivery of health benefits.

As provided by state statute, CERS also subsidizes medical coverage for the retiree. In general, employees participating prior to 7/1/03 receive a percentage of the premium paid based upon service credit, while employees who begin participating after that date receive a set dollar amount for each year of service credit.

3. Disability and Death Benefits

Like most defined benefit plans, CERS provides benefits for those employees who become disabled or who die prior to retirement. Participants have to have a minimum of 5 years of service to apply for disability benefits and approval determined by systems under criteria established by state statute. CERS also provides death before retirement and special death in the line of duty benefits. After retirement, the benefits left to the retiree's beneficiary vary based upon the payment option selected at retirement. In addition, CERS provides a \$5,000 lump sum death benefit for members who retire with at least 4 years of service.

Contributions

Per State Statutes, contribution requirements of the active employees are established and may be amended by the CERS Board. Employees hired before 9/1/08 are required to contribute 5.00 percent of their annual pay and employees hired after 9/1/08 are required to contribute 6.00 percent of their annual pay. The City's contractually required contribution rate for the year ended June 30, 2015, was 17.67 percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$195,654 for the year ended June 30, 2015.

NOTE 13 – DEFINED PENSION (Continued)

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

At June 30, 2015, the City reported a liability of \$1,570,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014, the City’s proportion was 0.048 percent, which was an increase of 0.001 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$126,000. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	175,000
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	<u>195,654</u>	<u>-</u>
Total	<u>\$ 195,654</u>	<u>\$ 175,000</u>

\$195,654 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (35,000)
2017	(35,000)
2018	(35,000)
2019	(35,000)
2020	(35,000)
Thereafter	-

NOTE 13 – DEFINED PENSION (Continued)

Actuarial Methods and Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2014 are as follows:

Valuation Date	June 30, 2014
Experience Study	July 1, 2005 – June 30, 2008
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.5%
Salary Increase	4.5%, average, including inflation
Investment Rate of Return	7.75%, net of pension plan investment expense, including inflation

The rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	30%	8.45%
International Equity	22	8.85
Emerging Market Equity	5	10.50
Private Equity	7	11.25
Real Estate	5	7.00
Core US Fixed Income	10	5.25
High Yield US Fixed Income	5	7.25

NOTE 13 – DEFINED PENSION (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Non US Fixed Income	5	5.50
Commodities	5	7.75
TIPS	5	5.00
Cash	1	3.25
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions from participating employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Employer’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 using the discount rate of 7.75%, 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 one percentage-point lower (6.75%) or one percentage-point higher (8.75%) than the current rate:

	<u>1.0% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1.0% Increase (8.75%)</u>
City’s proportionate share of the net pension liability	\$2,066,000	\$1,570,000	\$1,132,000

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued KRS 2014 Comprehensive Annual Financial Report at kyret.ky.gov.

Payable to the Pension Plan

At June 30, 2015, the City reported a payable of \$19,488 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT

The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, for the employees’ pension plans. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The Statement also requires enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope.

The implementation of GASB Statement No. 68 had the following effect:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net position, June 30, 2014	\$ 2,116,626	\$12,098,495
Recognition of net pension liabilities, deferred pension inflows and outflows	<u>(794,929)</u>	<u>(824,071)</u>
Restated net position, June 30, 2014	<u>\$ 1,321,697</u>	<u>\$11,274,424</u>

AUDITOR'S REPORTS



WELLS & COMPANY, P.S.C.

Certified Public Accountants

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

The Honorable Mark Walter, Mayor
Members of the City Council
City of West 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 West Liberty, Kentucky, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of West Liberty, Kentucky's basic financial statements and have issued our report thereon dated August 27, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of West 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 West Liberty, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of West Liberty, Kentucky's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2015-001 to be a material weakness.

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. We consider the deficiency described in the accompany schedule of findings and questioned costs as 2015-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of West 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 results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of West Liberty, Kentucky's Response to Findings

The City of West Liberty, Kentucky's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of West Liberty, Kentucky's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Nells & Company, PSC

Certified Public Accountants
Paintsville, Kentucky
August 27, 2015



WELLS & COMPANY, P.S.C.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

The Honorable Mark Walter, Mayor
Members of the City Council
City of West Liberty, Kentucky

Report on Compliance for Each Major Federal Program

We have audited the City of West Liberty, Kentucky's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of West Liberty, Kentucky's major federal programs for the year ended June 30, 2015. The City of West Liberty, Kentucky's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of West Liberty, Kentucky's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of West Liberty, Kentucky's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of West Liberty, Kentucky's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of West Liberty, Kentucky, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the City of West Liberty, Kentucky, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of West Liberty, Kentucky's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of West Liberty, Kentucky's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Wells & Company, PSC

Certified Public Accountants
Paintsville, Kentucky
August 27, 2015

**CITY OF WEST LIBERTY, KENTUCKY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2015**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued *unmodified*:

Internal control over financial reporting:

- Material weakness(es) identified? X yes ___ no
- Significant deficiency(ies) identified? X yes ___ none reported

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___ yes X no
- Significant deficiency(ies) identified? ___ yes X none reported

Type of auditor's report issued on compliance for major programs *unmodified*:

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? ___ yes X no

Identification of major federal programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number(s)</u>
Community Development Block Grant/State's Program	14.228

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? ___ yes X no

SECTION II – FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

2015 – 001 Segregation of Duties

Condition: Presently, the City has an absence of appropriate segregation of duties consistent with appropriate internal control objectives.

Criteria: The City should have appropriate segregation of duties to provide reasonable assurance that the safeguarding of assets and financial records be maximized.

Cause of Condition: Due to its small size and budget restrictions the City has limited options for establishing an adequate segregation of duties.

Recommendation: Mayor and City Council should continue their strong oversight.

Management Comment: Management of the City concurs with the finding and will continue strong oversight.

SIGNIFICANT DEFICIENCY

2015 - 002 Financial Reporting

Condition: There is a lack of adequate controls in financial accounting and reporting to properly prepare financial statements and disclosures according to generally accepted accounting principles.

Criteria: The Statement on Auditing Standards cites a significant deficiency if an entity is unable to prepare its own financial statements in accordance with Generally Accepted Accounting Principles (GAAP) including the disclosure notes.

Cause of Condition: The City's limited budget prevents the hiring of an individual with the accounting skills and knowledge to properly prepare financial statements.

Recommendation: The management and those charged with governance should make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management Comment: Management of the City concurs with the finding.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

**CITY OF WEST LIBERTY, KENTUCKY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2015**

There were no findings and recommendations for the year ended June 30, 2014.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WEST LIBERTY, KENTUCKY
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Property taxes	\$ 175,000	\$ 175,000	\$ 197,848	\$ 22,848
Taxes on insurance premiums	390,000	390,000	320,760	(69,240)
Occupational taxes and licenses	350,000	350,000	365,621	15,621
E911	72,000	72,000	67,133	(4,867)
Unloading license	9,000	9,000	3,500	(5,500)
Law enforcement fees	8,000	8,000	8,423	423
Telecom tax	10,000	10,000	12,234	2,234
Interest	-	-	684	684
Rent	22,000	22,000	21,155	(845)
Garbage fees	215,500	215,500	215,364	(136)
Fines and forfeits	-	-	1,406	1,406
Administrative	285,000	285,000	161,598	(123,402)
Contributions	-	-	912	912
Grants	-	-	404,345	404,345
Other receipts	15,350	15,350	20,784	5,434
	<u>1,551,850</u>	<u>1,551,850</u>	<u>1,801,767</u>	<u>249,917</u>
Total Revenues				
Expenditures:				
General government:				
Health and life insurance	65,000	65,000	53,261	11,739
Insurance	50,000	50,000	56,631	(6,631)
Interest	-	-	22,729	(22,729)
Garbage fees	204,725	204,725	204,299	426
Dues and subscriptions	5,000	5,000	5,151	(151)
Materials and supplies	3,000	3,000	7,320	(4,320)
Janitorial supplies	500	500	450	50
Mayor and city council fees	12,000	12,000	9,150	2,850
Other expenses	7,000	7,000	15,298	(8,298)
Office expenses	7,500	7,500	17,295	(9,795)
Professional fees	12,000	12,000	39,908	(27,908)
Postage	2,000	2,000	1,395	605
Repairs and maintenance	3,000	3,000	5,781	(2,781)
Retirement	28,000	28,000	25,565	2,435
Salaries and wages	150,000	150,000	137,493	12,507
Payroll taxes	15,000	15,000	11,327	3,673
Telephone and utilities	16,000	16,000	24,496	(8,496)
Travel and training	4,000	4,000	7,416	(3,416)
Capital outlays	-	-	18,267	(18,267)
	<u>584,725</u>	<u>584,725</u>	<u>663,232</u>	<u>(78,507)</u>
Total General Government				

CITY OF WEST LIBERTY, KENTUCKY
 BUDGETARY COMPARISON SCHEDULE (Continued)
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Police:				
Automobile	16,000	16,000	16,151	(151)
Health and life insurance	43,500	43,500	42,193	1,307
Insurance	48,000	48,000	25,354	22,646
Dues and subscriptions	1,500	1,500	524	976
Janitorial supplies	500	500	154	346
Materials and supplies	5,000	5,000	10,568	(5,568)
Other expenses	1,000	1,000	3,203	(2,203)
Office expenses	3,500	3,500	3,886	(386)
Professional fees	5,000	5,000	6,120	(1,120)
Repairs and maintenance	10,000	10,000	6,906	3,094
Retirement	42,000	42,000	36,190	5,810
Salaries and wages	225,000	225,000	188,055	36,945
Payroll tax	15,000	15,000	16,182	(1,182)
Telephone and utilities	14,000	14,000	16,460	(2,460)
Travel and training	2,500	2,500	3,202	(702)
Uniform allowance	2,500	2,500	5,692	(3,192)
Capital outlays	-	-	18,267	(18,267)
Total Police	<u>435,000</u>	<u>435,000</u>	<u>399,107</u>	<u>35,893</u>
Fire:				
Automobile	6,500	6,500	1,483	5,017
Insurance	8,000	8,000	17,008	(9,008)
Materials and supplies	15,000	15,000	3,476	11,524
Other expenses	3,500	3,500	2,583	917
Repairs and maintenance	10,000	10,000	2,179	7,821
Telephone and utilities	5,000	5,000	10,523	(5,523)
Travel and training	500	500	76	424
Capital outlays	63,000	63,000	49,895	13,105
Total Fire	<u>111,500</u>	<u>111,500</u>	<u>87,223</u>	<u>24,277</u>
Dispatch:				
Automobile	2,000	2,000	1,298	702
Health and life insurance	49,000	49,000	44,490	4,510
Insurance	5,700	5,700	4,503	1,197
Dues and subscriptions	2,000	2,000	6,536	(4,536)
Janitorial supplies	1,000	1,000	154	846
Materials and supplies	7,500	7,500	18,608	(11,108)
Other expenses	2,500	2,500	881	1,619
Office expenses	5,000	5,000	1,798	3,202
Professional fees	7,500	7,500	7,260	240
Repairs and maintenance	20,000	20,000	3,973	16,027

CITY OF WEST LIBERTY, KENTUCKY
 BUDGETARY COMPARISON SCHEDULE (Continued)
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Retirement	39,000	39,000	34,383	4,617
Salaries and wages	210,000	210,000	195,753	14,247
Payroll tax	17,000	17,000	15,285	1,715
Telephone and utilities	14,000	14,000	8,556	5,444
Travel and training	4,500	4,500	6,876	(2,376)
Uniform allowance	3,200	3,200	1,987	1,213
Capital outlays	-	-	39,614	(39,614)
Total Dispatch	<u>389,900</u>	<u>389,900</u>	<u>391,955</u>	<u>(2,055)</u>
Street:				
Automobile	4,000	4,000	6,890	(2,890)
Insurance	2,100	2,100	6,616	(4,516)
Other expenses	27,900	27,900	1,132	26,768
Materials and supplies	5,500	5,500	18,628	(13,128)
Repairs and maintenance	2,500	2,500	10,459	(7,959)
Utilities and telephone	23,000	23,000	26,929	(3,929)
Capital outlays	-	-	-	-
Total Street	<u>65,000</u>	<u>65,000</u>	<u>70,654</u>	<u>(5,654)</u>
Total Expenditures	<u>1,586,125</u>	<u>1,586,125</u>	<u>1,612,171</u>	<u>(26,046)</u>
Other Financing Sources/(Uses):				
Operating transfers in	-	-	173,611	173,611
Operating transfers out	-	-	(84,150)	(84,150)
Proceeds from insurance	-	-	24,576	24,576
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>114,037</u>	<u>114,037</u>
Revenues Over/(Under) Expenditures and Other Financing Sources/(Uses)	<u>\$ (34,275)</u>	<u>\$ (34,275)</u>	303,633	<u>\$ 337,908</u>
Fund Balance at Beginning of Year			(770,550)	
Fund Balance at End of Year			<u>\$ (466,917)</u>	

CITY OF WEST LIBERTY, KENTUCKY
 BUDGETARY COMPARISON SCHEDULE
 TOURISM AND PLANNING COMMISSION FUND
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Restaurant tax	\$ 135,000	\$ 135,000	\$ 166,726	\$ 31,726
Motel tax	7,500	7,500	7,322	(178)
Shelter income	2,000	2,000	1,750	(250)
Interest income	50	50	52	2
Other receipts	500,000	500,000	4,139	(495,861)
Total Revenues	<u>644,550</u>	<u>644,550</u>	<u>179,989</u>	<u>(464,561)</u>
Expenditures:				
Administrative	7,500	7,500	6,361	1,139
Donations	65,000	65,000	56,748	8,252
Dues and subscriptions	-	-	-	-
Materials and supplies	-	-	9,029	(9,029)
Other expenses	10,050	10,050	15,549	(5,499)
Office expenses	-	-	152	(152)
Salaries and wages	12,000	12,000	9,790	2,210
Repairs and maintenance	-	-	5,139	(5,139)
Capital outlays	600,000	600,000	4,139	595,861
Total Expenditures	<u>694,550</u>	<u>694,550</u>	<u>106,907</u>	<u>587,643</u>
Other Financing Sources/(Uses):				
Operating transfers out	-	-	-	-
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues Over/(Under) Expenditures and Other Financing Sources/(Uses)	<u>\$ (50,000)</u>	<u>\$ (50,000)</u>	73,082	<u>\$ 123,082</u>
Fund Balance at Beginning of Year			<u>63,194</u>	
Fund Balance at End of Year			<u>\$ 136,276</u>	

CITY OF WEST LIBERTY, KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY (CERS)
JUNE 30, 2015

	<u>6/30/2015</u>
City's proportion of the net pension liability (asset)	0.048393%
City's proportionate share of the net pension liability (asset)	\$ 1,570,000
City's covered-employee payroll	\$ 1,107,267
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	141.79%
Plan fiduciary net position as a percentage of the total pension liability	66.80%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF WEST LIBERTY, KENTUCKY
SCHEDULE OF CITY CONTRIBUTIONS (CERS)
JUNE 30, 2015

	<u>6/30/2015</u>
Contractually required contribution	\$ 195,654
Contributions in relation to the contractually required contribution	<u>195,654</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered-employee payroll	\$ 1,107,267
Contributions as a percentage of covered-employee payroll	17.67%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**CITY OF WEST LIBERTY, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CERS)
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE A – CHANGES OF BENEFIT TERMS

There were no changes of benefit terms for the year ended June 30, 2015.

NOTE B – CHANGES OF ASSUMPTIONS

There were no changes of benefit assumptions for the year ended June 30, 2015.

SUPPLEMENTARY AND OTHER INFORMATION

CITY OF WEST LIBERTY, KENTUCKY
 COMBINING BALANCE SHEET
 NON-MAJOR FUNDS
 JUNE 30, 2015

	<u>Special Revenue Funds</u>					<u>Total Non-Major Governmental Funds</u>
	<u>Debt Service Fund</u>	<u>Fire Tax Fund</u>	<u>Police Incentive Fund</u>	<u>Municipal Road Aid Fund</u>	<u>CMRS Fund</u>	
ASSETS						
Cash and cash equivalents	\$ 51,611	\$ 28,943	\$ -	\$ 13,780	\$13,719	\$ 108,053
Certificate of deposit	-	100,000	-	-	-	100,000
Due from Water, Sewer, Gas	89,026	-	-	-	-	89,026
Due from General Fund	161,979	-	-	-	-	161,979
Receivables	-	44	1,520	-	-	1,564
Total Assets	<u>\$302,616</u>	<u>\$128,987</u>	<u>\$ 1,520</u>	<u>\$ 13,780</u>	<u>\$13,719</u>	<u>\$ 460,622</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ 7,790	\$ -	\$ 336	\$ 8,193	\$ 16,319
Other accrued liabilities	-	-	1,520	-	-	1,520
Total Liabilities	<u>-</u>	<u>7,790</u>	<u>1,520</u>	<u>336</u>	<u>8,193</u>	<u>17,839</u>
Fund Balances:						
Restricted for:						
Debt service	302,616	-	-	-	-	302,616
Public safety	-	-	-	-	5,526	5,526
Streets	-	-	-	13,444	-	13,444
Assigned to:						
Public safety	-	121,197	-	-	-	121,197
Total Fund Balances	<u>302,616</u>	<u>121,197</u>	<u>-</u>	<u>13,444</u>	<u>5,526</u>	<u>442,783</u>
Total Liabilities and Fund Balances	<u>\$302,616</u>	<u>\$128,987</u>	<u>\$ 1,520</u>	<u>\$ 13,780</u>	<u>\$13,719</u>	<u>\$ 460,622</u>

CITY OF WEST LIBERTY, KENTUCKY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NON-MAJOR FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Special Revenue Funds					Total Non-Major Governmental Funds
	Debt Service Fund	Fire Tax Fund	Police Incentive Fund	Municipal Road Aid Fund	CMRS Fund	
Revenues:						
Taxes	\$ -	\$ 23,814	\$ -	\$ 16,955	\$ -	\$ 40,769
Wireless collections	-	-	-	-	97,392	97,392
Intergovernmental revenues	-	39,750	20,680	111,421	-	171,851
Investment income	128	757	-	191	4	1,080
Total revenues	128	64,321	20,680	128,567	97,396	311,092
Expenditures:						
Public safety	-	22,988	20,680	-	25,882	69,550
Streets	-	-	-	63,217	-	63,217
Capital outlays	-	-	-	99,134	-	99,134
Debt service:						
Principal retirement	40,859	-	-	-	-	40,859
Interest	24,877	-	-	-	-	24,877
Total expenditures	65,736	22,988	20,680	162,351	25,882	297,637
Excess (deficiency) of revenues over expenditures	(65,608)	41,333	-	(33,784)	71,514	13,455
Other financing sources (uses):						
Operating transfers in	79,836	-	-	36,150	-	115,986
Operating transfers out	(22,644)	(85,593)	-	(21,361)	(75,849)	(205,447)
Proceeds from insurance	-	9,708	-	-	-	9,708
Total other financing sources (uses)	57,192	(75,885)	-	14,789	(75,849)	(79,753)
Net change in fund balances	(8,416)	(34,552)	-	(18,995)	(4,335)	(66,298)
Fund balances - beginning	311,032	155,749	-	32,439	9,861	509,081
Fund balances - ending	\$302,616	\$121,197	\$ -	\$ 13,444	\$ 5,526	\$ 442,783

CITY OF WEST LIBERTY, KENTUCKY
 SCHEDULE OF OPERATING EXPENSES
 BUSINESS-TYPE ACTIVITY
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>SEWER</u>	<u>WATER</u>	<u>GAS</u>	<u>TOTAL</u>
Administrative	\$ 39,269	\$ 39,269	\$ 76,699	\$ 155,237
Automobile	7,047	9,316	4,387	20,750
Bad Debt	2,134	4,268	908	7,310
Chemicals	51,898	119,769	-	171,667
Depreciation	421,727	371,653	23,884	817,264
Dues and Subscriptions	1,645	2,570	825	5,040
Health and Life Insurance	51,613	57,311	14,785	123,709
Insurance	51,699	41,545	8,273	101,517
Materials and Supplies	33,073	62,400	2,822	98,295
Miscellaneous	2,464	1,405	439	4,308
Office Expenses	1,450	1,373	1,430	4,253
Postage	2,077	1,756	1,994	5,827
Professional Fees	15,136	5,521	4,655	25,312
Repairs and Maintenance	57,866	83,191	6,308	147,365
Retirement	26,649	30,051	6,300	63,000
Salaries and Wages	180,741	277,532	55,738	514,011
Payroll Taxes	17,408	21,433	4,523	43,364
Telephone and Utilities	128,863	148,074	403	277,340
Testing	9,907	6,622	-	16,529
Travel and Training	2,701	3,849	4,477	11,027
Uniform Allowance	2,485	787	856	4,128
TOTAL OPERATING EXPENSES	<u>\$ 1,107,852</u>	<u>\$ 1,289,695</u>	<u>\$ 219,706</u>	<u>\$2,617,253</u>

CITY OF WEST LIBERTY, KENTUCKY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2015

FEDERAL GRANTOR/PASS - THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-through program from Kentucky Infrastructure Authority Capitalization Grants for Clean Water State Revolving Funds	66.458	A11-11	\$ 272,032
<u>U.S. DEPARTMENT OF THE DEFENSE</u>			
Pass-through program from Department of the Army - U.S. Army Engineer, Louisville District Southern and Eastern Kentucky Environmental Infrastructure Section 531	12.127	N/A	26,316
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-through program from Kentucky Department for Local Government Community Development Block Grant/State's Program	14.228	12-088	354,354
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-through program from Kentucky Division of Emergency Management Hazard Mitigation Grant	97.039	HMPG DR-4057-008	49,991
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 702,693

See accompanying notes to schedule of expenditures of federal awards.

**CITY OF WEST LIBERTY, KENTUCKY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

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NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the City of West Liberty, Kentucky under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City of West Liberty, Kentucky, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of West Liberty, Kentucky.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.