

CITY OF WEST LIBERTY, KENTUCKY

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

June 30, 2017



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, 2017, and the related notes to the financial statements, which collectively comprise the City of West Liberty, Kentucky'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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 36-39 and the County Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 40 and 41, 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 supplementary and other information 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 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 28, 2017 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 28, 2017

CITY OF WEST LIBERTY, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 288,471	\$ 368,719	\$ 657,190
Certificates of deposit	43,886	-	43,886
Taxes receivable	9,912	-	9,912
Accounts receivable, net	20,337	202,002	222,339
Grants receivable	149,721	14,334	164,055
Other receivables	2,868	-	2,868
Internal balances	85,023	(85,023)	-
Unbilled revenues	-	104,732	104,732
Inventory	-	94,224	94,224
Capital assets:			
Land and construction-in-progress	302,836	82,914	385,750
Other capital assets, net of accumulated depreciation	2,917,884	15,755,913	18,673,797
Total Assets	<u>3,820,938</u>	<u>16,537,815</u>	<u>20,358,753</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>282,074</u>	<u>285,074</u>	<u>567,148</u>
LIABILITIES			
Accounts payable	26,831	91,965	118,796
Accrued payroll	11,148	11,125	22,273
Accrued payroll taxes	8,234	8,105	16,339
Accrued vacation	26,940	28,650	55,590
Accrued interest	2,655	30,547	33,202
Other accrued liabilities	15,275	18,690	33,965
Long-term liabilities:			
Due within one year			
Current portion of long-term debt	89,667	179,174	268,841
Due in more than one year			
Net pension liability	1,116,961	1,162,551	2,279,512
Noncurrent portion of long-term debt	910,753	4,900,174	5,810,927
Total Liabilities	<u>2,208,464</u>	<u>6,430,981</u>	<u>8,639,445</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>22,349</u>	<u>23,260</u>	<u>45,609</u>
NET POSITION			
Net investment in capital assets	2,744,388	10,759,479	13,503,867
Restricted for:			
Depreciation	-	128,378	128,378
Fire service	67,883	-	67,883
Highways and streets	1,297	-	1,297
Tourism	145,950	-	145,950
911 dispatch	6,475	-	6,475
Debt service	40,451	72,817	113,268
Unrestricted	<u>(1,134,245)</u>	<u>(592,026)</u>	<u>(1,726,271)</u>
Total Net Position	<u>\$ 1,872,199</u>	<u>\$ 10,368,648</u>	<u>\$ 12,240,847</u>

See accompanying notes to basic financial statements.

CITY OF WEST LIBERTY, KENTUCKY
 STATEMENT OF ACTIVITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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	\$ 689,778	\$ 237,943	\$ -	\$ 33,980	\$ (417,855)	\$ -	\$ (417,855)
Public safety	1,119,374	189,742	15,500	-	(914,132)	-	(914,132)
Streets	199,386	-	-	-	(199,386)	-	(199,386)
Tourism and planning	198,786	-	-	7,713	(191,073)	-	(191,073)
Interest on long-term debt	40,287	-	-	-	(40,287)	-	(40,287)
Total governmental activities	2,247,611	427,685	15,500	41,693	(1,762,733)	-	(1,762,733)
Business-type activities:							
Water, Sewer, Gas	3,326,029	2,578,879	-	134,534	-	(612,616)	(612,616)
Total business-type activities	3,326,029	2,578,879	-	134,534	-	(612,616)	(612,616)
Total primary government	\$ 5,573,640	\$ 3,006,564	\$ 15,500	\$ 176,227	(1,762,733)	(612,616)	(2,375,349)
General revenues:							
Property taxes					188,369	-	188,369
Fire taxes					23,735	-	23,735
Insurance premium taxes					368,078	-	368,078
Occupational taxes and licenses					397,712	-	397,712
Motor vehicle taxes					15,624	-	15,624
Restaurant taxes					193,990	-	193,990
Other taxes					19,610	-	19,610
Licenses and permits					2,200	-	2,200
Administrative					166,348	-	166,348
Intergovernmental revenue					125,446	-	125,446
Interest income					2,694	889	3,583
Rental income					21,922	-	21,922
Gain on sale of capital assets					-	-	-
Insurance proceeds					-	-	-
Miscellaneous					16,364	-	16,364
Total general revenues and transfers					1,542,092	889	1,542,981
Change in net position					(220,641)	(611,727)	(832,368)
Net position - beginning					2,092,840	10,980,375	13,073,215
Net position - ending					\$ 1,872,199	\$ 10,368,648	\$ 12,240,847

See accompanying notes to basic financial statements.

CITY OF WEST LIBERTY, KENTUCKY
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2017

	<u>General Fund</u>	<u>Tourism and Planning</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 68,727	\$ 145,950	\$ 73,794	\$ 288,471
Certificate of deposit	-	-	43,886	43,886
Due from Water, Sewer, Gas	84,523	-	500	85,023
Receivables:				
Property taxes	177	-	-	177
Grants	149,721	-	-	149,721
Other	20,831	-	2,374	23,205
Total Assets	<u>\$ 323,979</u>	<u>\$ 145,950</u>	<u>\$ 120,554</u>	<u>\$ 590,483</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 24,757	\$ -	\$ 2,074	\$ 26,831
Accrued payroll	11,148	-	-	11,148
Accrued payroll taxes	8,234	-	-	8,234
Accrued vacation	26,940	-	-	26,940
Other accrued liabilities	12,901	-	2,374	15,275
Total Liabilities	<u>83,980</u>	<u>-</u>	<u>4,448</u>	<u>88,428</u>
Fund Balances:				
Restricted for:				
Debt service	-	-	40,451	40,451
Public safety	-	-	6,475	6,475
Streets	-	-	1,297	1,297
Tourism	-	145,950	-	145,950
Assigned to:				
Public safety	-	-	67,883	67,883
Unassigned:				
General fund	239,999	-	-	239,999
Total Fund Balances	<u>239,999</u>	<u>145,950</u>	<u>116,106</u>	<u>502,055</u>
Total Liabilities and Fund Balances	<u>\$ 323,979</u>	<u>\$ 145,950</u>	<u>\$ 120,554</u>	<u>\$ 590,483</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, 2017

Fund Balances - Total Governmental Funds	\$ 502,055
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	6,680,401
Less: accumulated depreciation	(3,459,681)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(1,000,420)
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.	(2,655)
Pension contributions after measurement date are reported as a deferred outflow of resources.	113,022
Net pension liability is not due and payable in the current period and, therefore, is not reported in governmental funds.	(1,116,961)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore are not reported in the governmental funds, as follows:	
Deferred pension outflows of resources	169,052
Deferred pension inflows of resources	(22,349)
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Delinquent property taxes	<u>9,735</u>
Net Position of Governmental Activities	<u><u>\$ 1,872,199</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, 2017

	General Fund	Tourism and Planning	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
Property	\$ 188,706	\$ -	\$ -	\$ 188,706
Insurance premium	368,078	-	-	368,078
Occupational taxes and licenses	397,712	-	-	397,712
Motor vehicle	-	-	15,624	15,624
Telecom	12,233	-	-	12,233
Fire	-	-	23,735	23,735
Restaurant	-	193,990	-	193,990
Motel	-	7,377	-	7,377
E-911	69,022	-	-	69,022
Shelter income	-	2,040	-	2,040
Wireless collections	-	-	120,720	120,720
Administrative	166,348	-	-	166,348
Licenses and permits	2,200	-	-	2,200
Intergovernmental revenues	43,367	7,713	131,559	182,639
Charges for garbage services	237,943	-	-	237,943
Rental income	21,922	-	-	21,922
Fines and forfeits	800	-	-	800
Interest income	805	65	1,824	2,694
Contributions	3,794	-	-	3,794
Miscellaneous revenues	9,690	40	-	9,730
Total revenues	1,522,620	211,225	293,462	2,027,307
Expenditures:				
Current:				
General government	617,803	-	-	617,803
Public safety	874,232	-	91,538	965,770
Streets	45,789	-	68,771	114,560
Tourism and planning	-	163,205	-	163,205
Debt service:				
Principal retirement	-	-	78,067	78,067
Interest	-	-	41,097	41,097
Capital outlay	95,102	24,502	173,278	292,882
Total expenditures	1,632,926	187,707	452,751	2,273,384
Excess (deficiency) of revenues over expenditures	(110,306)	23,518	(159,289)	(246,077)
Other financing sources (uses):				
Operating transfers in	158,368	-	167,214	325,582
Operating transfers out	(135,378)	-	(190,204)	(325,582)
Proceeds from borrowing	82,872	-	-	82,872
Proceeds from insurance	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	105,862	-	(22,990)	82,872
Net change in fund balances	(4,444)	23,518	(182,279)	(163,205)
Fund balances - beginning	244,443	122,432	298,385	665,260
Fund balances - ending	\$ 239,999	\$ 145,950	\$ 116,106	\$ 502,055

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, 2017

Net Change in Fund Balances - Total Governmental Funds	\$(163,205)
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	292,882
Depreciation expense	(288,847)
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	(337)
Changes in pension expense are reported only in the statement of activities.	(57,139)
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.	810
Proceeds of long-term debt are recorded as an other financing source for governmental funds but it is not recorded in the statement of activities. Proceeds of long-term debt are liabilities.	(82,872)
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>78,067</u>
Change in Net Position of Governmental Activities	<u>\$(220,641)</u>

See accompanying notes to basic financial statements.

CITY OF WEST LIBERTY, KENTUCKY
 STATEMENT OF NET POSITION
 BUSINESS-TYPE ACTIVITY
 JUNE 30, 2017

	<u>Water, Sewer, Gas</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 167,524
Accounts receivable (net of allowance for doubtful accounts, \$41,278)	202,002
Grants receivable	14,334
Unbilled receivables	104,732
Inventory	<u>94,224</u>
Total current assets	<u>582,816</u>
Non-current assets:	
Restricted assets:	
Cash and cash equivalents	<u>201,195</u>
Total restricted assets	<u>201,195</u>
Utility Plant:	
Plant in service	28,786,274
Less accumulated depreciation	<u>(12,947,447)</u>
	15,838,827
Construction work in progress	<u>-</u>
Net utility plant	<u>15,838,827</u>
Total assets	<u>16,622,838</u>
DEFERRED OUTFLOWS	
Deferred outflows related to pensions	<u>285,074</u>

See accompanying notes to basic financial statements.

CITY OF WEST LIBERTY, KENTUCKY
STATEMENT OF NET POSITION (Continued)
BUSINESS-TYPE ACTIVITY
JUNE 30, 2017

	<u>Water, Sewer, Gas</u>
LIABILITIES	
Current liabilities:	
Accounts payable	91,965
Accrued payroll	11,125
Accrued payroll taxes	8,105
Accrued vacation	28,650
Accrued interest payable	30,547
Due to general fund	84,523
Due to debt service fund	500
Other accrued liabilities	18,690
Current portion of long-term liabilities	<u>179,174</u>
Total current liabilities	<u>453,279</u>
Long-term liabilities:	
Net pension liability	1,162,551
Long-term debt	5,088,300
Unamortized discount	(8,952)
	<u>6,241,899</u>
Less current portion	<u>(179,174)</u>
Total long-term liabilities	<u>6,062,725</u>
Total liabilities	<u>6,516,004</u>
DEFERRED INFLOWS	
Deferred inflows related to pensions	<u>23,260</u>
NET POSITION:	
Net investment in capital assets	10,759,479
Restricted for:	
Debt service	72,817
Depreciation	128,378
Unrestricted	<u>(592,026)</u>
Total net position	<u>\$ 10,368,648</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, 2017

	<u>Water, Sewer, Gas</u>
Operating revenues:	
Sewer revenues	\$ 728,579
Water revenues	1,175,904
Gas revenues	623,832
Other operating revenues	<u>50,564</u>
Total operating revenues	2,578,879
Cost of sales - gas purchases	<u>329,663</u>
Net operating revenues	<u>2,249,216</u>
Operating expenses:	
Sewer	1,127,712
Water	1,443,985
Gas	<u>266,809</u>
Total operating expenses	<u>2,838,506</u>
Utility operating income (loss)	<u>(589,290)</u>
Non-operating revenues (expenses):	
Interest income	889
Interest expense	(157,860)
Gain on sale of capital assets	<u>-</u>
Total non-operating revenues (expenses)	<u>(156,971)</u>
Net income (loss) before contributions from (to)	(746,261)
Contributions in aid of construction	<u>134,534</u>
Change in net position	(611,727)
Net position, beginning of year	<u>10,980,375</u>
Net position, end of year	<u><u>\$ 10,368,648</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, 2017

	<u>Water, Sewer, Gas</u>
Cash flows from operating activities:	
Cash inflows:	
Payments received from customers	\$ 2,605,414
Total cash provided	<u>2,605,414</u>
Cash outflows:	
Payments for salaries and benefits	802,927
Payments to suppliers for goods and services	1,493,582
Total cash used	<u>2,296,509</u>
Net cash provided (used) by operating activities	<u>308,905</u>
Cash flows from noncapital financing activities:	
Repayment of amounts due other funds	-
Net cash provided (used) by noncapital financing activities	<u>-</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(74,838)
Capital contributions received	134,534
Principal payments on debt	(205,687)
Proceeds from loans	-
Proceeds from sale of capital assets	-
Interest paid on long-term debt	(158,432)
Net cash provided (used) by capital and related financing activities	<u>(304,423)</u>
Cash flows from investing activities:	
Interest received	889
Net cash provided (used) by investing activities	<u>889</u>
Net cash inflow (outflow) from all activities	5,371
Cash and cash equivalents at beginning of period	<u>363,348</u>
Cash and cash equivalents at end of period	<u><u>\$ 368,719</u></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, 2017

	<u>Water, Sewer, Gas</u>
Reconciliation of utility operating income to net cash provided by operating activities:	
Utility operating income	\$ (589,290)
Depreciation	804,504
(Increase) decrease in:	
Accounts receivable	38,994
Unbilled revenue	(12,459)
Inventory	27,618
Deferred outflows of resources	(67,202)
Increase (decrease) in:	
Accounts payable	(29,084)
Accrued liabilities and other liabilities	2,952
Net pension liability	121,906
Deferred inflows of resources	10,966
	<hr/>
Net cash provided (used) by operating activities	\$ 308,905 <hr/>
Schedule of cash:	
Beginning of period:	
Unrestricted cash and cash equivalents	\$ 189,011
Restricted cash and cash equivalents	174,337
	<hr/>
	\$ 363,348 <hr/>
End of period:	
Unrestricted cash and cash equivalents	\$ 167,524
Restricted cash and cash equivalents	201,195
	<hr/>
	\$ 368,719 <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. Accounts Receivable

Accounts receivable is stated net of an allowance for doubtful accounts. The allowance is based upon historical trends and the periodic aging of accounts receivable.

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 deferred outflows of resources that relate to pension plan reporting, see note 11.

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 deferred inflows of resources that relate to pension plan reporting, see note 11.

T. 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.

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, 2017 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>\$736,012</u>	<u>\$269,911</u>	<u>\$466,101</u>	<u>\$ -</u>	<u>\$701,076</u>

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

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 2016 were levied on \$253,289,215 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, 2017, consisted of the following:

Governmental Activities

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2017</u>
Capital assets, not being depreciated:				
Land and land improvements	\$ 302,836	\$ -	\$ -	\$ 302,836
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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	1,335,201	-	-	1,335,201
Infrastructure	968,364	111,188	-	1,079,552
Automobiles and trucks	665,182	82,872	-	748,054
Machinery and equipment	<u>1,680,013</u>	<u>98,822</u>	<u>-</u>	<u>1,778,835</u>
Total capital assets being depreciated	<u>6,084,683</u>	<u>292,882</u>	<u>-</u>	<u>6,377,565</u>

NOTE 4. CAPITAL ASSETS (Continued)

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2017</u>
Less accumulated depreciation for:				
Buildings and improvements	(336,314)	(30,710)	-	(367,024)
Improvements other than buildings	(538,119)	(59,300)	-	(597,419)
Infrastructure	(581,987)	(76,981)	-	(658,968)
Automobiles and trucks	(419,290)	(50,030)	-	(469,320)
Machinery and equipment	<u>(1,295,124)</u>	<u>(71,826)</u>	-	<u>(1,366,950)</u>
Total accumulated depreciation	<u>(3,170,834)</u>	<u>(288,847)</u>	<u>-</u>	<u>(3,459,681)</u>
Total capital assets being depreciated, net	<u>2,913,849</u>	<u>4,035</u>	<u>-</u>	<u>2,917,884</u>
Governmental activities capital assets, net	<u>\$3,216,685</u>	<u>\$ 4,035</u>	<u>\$ -</u>	<u>\$3,220,720</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 57,120
Public safety	111,320
Tourism and planning	35,581
Streets	<u>84,826</u>
Total	<u>\$ 288,847</u>

Business-Type Activities

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2017</u>
Capital assets, not being depreciated:				
Land and land improvements	\$ 82,914	\$ -	\$ -	\$ 82,914
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, not being depreciated	<u>82,914</u>	<u>-</u>	<u>-</u>	<u>82,914</u>
Capital assets, being depreciated:				
Leasehold improvements	1,000	-	-	1,000
Machinery and equipment	940,358	3,860	-	944,218
Water plant and water system	12,294,094	-	-	12,294,094
Sewer plant and sewer system	14,313,462	49,067	-	14,362,529
Gas system	<u>1,076,283</u>	<u>21,911</u>	<u>-</u>	<u>1,098,194</u>
Total capital assets being depreciated	<u>28,625,197</u>	<u>74,838</u>	<u>-</u>	<u>28,700,035</u>
Less accumulated depreciation for:				
Leasehold improvements	(782)	(31)	-	(813)
Machinery and equipment	(819,592)	(24,828)	-	(844,420)
Water plant and water system	<u>(5,358,613)</u>	<u>(401,767)</u>	<u>-</u>	<u>(5,760,380)</u>

NOTE 4. CAPITAL ASSETS (Continued)

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2017</u>
Sewer plant and sewer system	(5,846,456)	(354,538)	-	(6,200,994)
Gas system	(114,175)	(23,340)	-	(137,515)
Total accumulated depreciation	<u>(12,139,618)</u>	<u>(804,504)</u>	<u>-</u>	<u>(12,944,122)</u>
Total capital assets being depreciated, net	<u>16,485,579</u>	<u>(729,666)</u>	<u>-</u>	<u>15,755,913</u>
Total utilities capital assets, net	<u>\$16,568,493</u>	<u>\$ (729,666)</u>	<u>\$ -</u>	<u>\$15,838,827</u>

NOTE 5: LONG-TERM DEBT

Business –Type Activities

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

- 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, 2017, amounted to \$140,354.

The Water, Sewer, and Gas Proprietary Fund notes payable at June 30, 2017 consisted of the following:

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 water system improvements project (F11-04). The total loan assistance to the City is \$928,369. The loan is payable in semi-annual installments of \$25,665 including interest of 1.0%. Final payment is due June 1, 2035.

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 (A11-11). The total loan assistance to the City is \$925,873. The loan is payable in semi-annual installments of \$25,596 including interest of 1.0%. Final payment is due December 1, 2035.

	Amount Outstanding 6/30/2016	Additions	Deductions	Amount Outstanding 6/30/2017	Amounts Due Within One Year
Bond payable – 1988 issue	\$ 322,000	\$ -	\$ (18,000)	\$ 304,000	\$ 19,000
Bond payable – 1998 issue	367,000	-	(8,000)	359,000	9,000
Bond payable – 2001 issue (A)	802,000	-	(20,000)	782,000	21,000
Bond payable – 2001 issue (B)	234,500	-	(5,000)	229,500	5,000
Bond payable – 2006 issue	718,500	-	(12,500)	706,000	13,000
Bond payable – 2007 issue	358,000	-	(6,500)	351,500	6,500
Bond payable – 2010 issue	665,000	-	(15,000)	650,000	20,000
Note payable – KIA (F11-04)	886,217	-	(42,574)	843,643	43,001
Note payable – KIA (A11-11)	904,906	-	(42,249)	862,657	42,673
Note payable – Commercial Bank (w&s)	25,989	-	(25,989)	-	-
Note payable – Community Trust Bank	9,875	-	(9,875)	-	-
	<u>5,293,987</u>	<u>-</u>	<u>(205,687)</u>	<u>5,088,300</u>	<u>179,174</u>
Unamortized bond discount	(9,143)	-	191	(8,952)	-
Long-Term Debt	<u>\$5,284,844</u>	<u>\$ -</u>	<u>\$(205,496)</u>	<u>\$5,079,348</u>	<u>\$179,174</u>

Principal and interest payments to be made on all long-term debt at June 30, 2017, for each of the next five years and thereafter are as follows:

Year Ending 6/30	Bonds	Notes	Total Principal	Total Interest	Total
2018	\$ 93,500	\$ 85,674	\$ 179,174	\$ 153,722	\$ 332,896
2019	96,000	86,533	182,533	149,090	331,623
2020	99,000	87,400	186,400	144,329	330,729
2021	103,000	88,276	191,276	139,413	330,689
2022	106,000	89,161	195,161	134,340	329,501
2023-2027	605,500	459,394	1,064,894	587,609	1,652,503
2028-2032	637,000	482,887	1,119,887	430,917	1,550,804
2033-2037	699,500	326,975	1,026,475	275,837	1,302,312
2038-2042	715,000	-	715,000	115,617	830,617
2043-2046	227,500	-	227,500	19,006	246,506
	<u>\$3,382,000</u>	<u>\$1,706,300</u>	<u>\$5,088,300</u>	<u>\$2,149,880</u>	<u>\$7,238,180</u>

NOTE 5. LONG-TERM DEBT (Continued)

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, 2017, amounted to \$6,930.

The City's notes payable at June 30, 2016 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.
- 2) On June 15, 2017, the City refinanced Revenue Bond Anticipation Note, Series 2015 into General Bond Anticipation Note Series 2017 for tornado disaster cleanup in the amount of \$524,088 at a 3.62% interest rate. The original financing was \$1 million. The note matures on June 15, 2019.
- 3) On February 9, 2016, the City borrowed \$70,525 at 4.80% interest from Magnolia Bank for the purchase of two Ford Explorer police cruisers. The agreement provides for 48 monthly payments of \$1,621 to be made beginning March 20, 2016 with final payment due on February 20, 2020.
- 4) On January 23, 2017, the City borrowed \$82,872 at 4.10% interest from Magnolia Bank for the purchase of two Ford Explorer police cruisers. The agreement provides for 36 monthly payments of \$2,440 to be made beginning January 23, 2017 with final payment due on December 20, 2019.

	<u>Amount Outstanding 6/30/2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount Outstanding 6/30/2017</u>	<u>Amounts Due Within One Year</u>
Bond payable – series A	\$ 86,000	\$ -	\$(20,000)	\$ 66,000	\$ 21,000
Bond payable – series B	29,500	-	(7,000)	22,500	7,000
General bond anticipation note, series 2017	524,556	-	(468)	524,088	-
Note payable – police cruisers	65,246	-	(16,670)	48,576	17,491
Note payable – police cruisers	-	82,872	(13,375)	69,497	26,956
Note payable – fire station	<u>290,313</u>	<u>-</u>	<u>(20,554)</u>	<u>269,759</u>	<u>17,220</u>
Long-Term Debt	<u>\$995,615</u>	<u>\$ 82,872</u>	<u>\$(78,067)</u>	<u>\$1,000,420</u>	<u>\$ 89,667</u>

NOTE 5. LONG-TERM DEBT (Continued)

Principal and interest payments to be made on all long-term debt at June 30, 2017, for each of the next five years and thereafter are as follows:

<u>Year Ending</u> <u>6/30</u>	<u>Bonds</u>	<u>Notes</u>	<u>Total</u> <u>Principal</u>	<u>Total</u> <u>Interest</u>	<u>Total</u>
2018	\$ 28,000	\$ 61,667	\$ 89,667	\$ 39,645	\$ 129,312
2019	29,500	592,154	621,654	35,100	656,754
2020	31,000	49,746	80,746	11,555	92,301
2021	-	23,534	23,534	8,302	31,836
2022	-	24,542	24,542	7,295	31,837
2023-2027	-	139,384	139,384	19,797	159,181
2028	-	20,893	20,893	332	21,225
	<u>\$ 88,500</u>	<u>\$911,920</u>	<u>\$1,000,420</u>	<u>\$122,026</u>	<u>\$1,122,446</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, 2017 required by the revenue bond ordinances are reported in the accompanying financial statements as restricted cash and CD's.

NOTE 6 – 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	CMRS Fund	Reimbursement	\$ 86,368
	Debt Service Fund	Operating	72,000
Debt Service Fund	General Fund	Debt Service	135,378
	Fire Tax Fund	Debt Service	<u>31,836</u>
	Subtotal – Fund Financial Statements		325,582
	Less: Fund Eliminations		<u>(325,582)</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	Water, Gas, Sewer	500

NOTE 7 – 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 \$18,018 is being held by the Bank of New York in an interest bearing account.

Proprietary Funds Debt Service Reserve Fund in the amount of \$39,048 is being held in an interest bearing account at the Commercial Bank of West Liberty.

General Fund Bond Sinking Fund in the amount of \$38,367 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 \$1,584 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 \$117,271.

NOTE 8 – 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. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

NOTE 9 – 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 10 – SUBSEQUENT EVENT

Management has evaluated and has not recognized any subsequent events through August 28, 2017, the date the financial statements were available to be issued.

NOTE 11 – DEFINED PENSION

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. The plan, created under Kentucky Revised Statute (KRS) 78.520, provides for retirement, disability, and death benefits to plan members. CERS issues a publicly available financial report that can be obtained at kyret.ky.gov.

Benefits Provided

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

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

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years’ service and hire date multiplied by the average of the highest five years’ earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years’ service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent’s beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent’s monthly final rate of pay and any dependent child will receive 10% of the decedent’s monthly final rate of pay up to 40% for all dependent children. Five years’ service is required for nonservice-related disability benefits.

NOTE 11 – DEFINED PENSION (Continued)

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, 2017, was 18.68 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 \$222,143 for the year ended June 30, 2017.

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

At June 30, 2017, the City reported a liability of \$2,279,512 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the City’s proportion was 0.046 percent, which was a decrease of 0.001 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of \$344,954. At June 30, 2017, 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	\$ 9,952	\$ -
Changes of assumptions	120,756	-
Net difference between projected and actual earnings on pension plan investments	214,297	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	45,609
City contributions subsequent to the measurement date	<u>222,143</u>	<u>-</u>
Total	<u>\$ 567,148</u>	<u>\$ 45,609</u>

NOTE 11 – DEFINED PENSION (Continued)

\$222,143 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, 2018. 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:	
2018	\$ 115,243
2019	72,828
2020	70,598
2021	40,727
2022	-
Thereafter	-

Actuarial Methods and Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2016 are as follows:

Valuation Date	June 30, 2015
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	27 years
Asset Valuation Method	5-year smoothed market
Inflation	3.25%
Salary Increase	4.0%, average, including inflation
Investment Rate of Return	7.50%, net of pension plan investment expense, including inflation

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

Projected future benefits for all current plan members were projected through 2117.

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 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be

NOTE 11 – DEFINED PENSION (Continued)

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>
Combined Equity	44%	5.40%
Real Return (Diversified Inflation Strategies)	10%	3.50%
Absolute Return (Diversified Hedge Funds)	10%	4.25%
Private Equity	10%	8.50%
Real Estate	5%	4.50%
Combined Fixed Income	19%	1.50%
Cash	<u>2%</u>	(0.25)%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 27 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate determination does not use a municipal bond rate.

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 7.50%, 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 (6.50%) or one percentage-point higher (8.50%) than the current rate:

	<u>1.0% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1.0% Increase (8.50%)</u>
City's proportionate share of the net pension liability	\$2,840,611	\$2,279,512	\$1,798,493

NOTE 11 – DEFINED PENSION (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued KRS 2016 Comprehensive Annual Financial Report at kyret.ky.gov.

Payable to the Pension Plan

At June 30, 2017, the City reported a payable of \$26,045 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

AUDITOR'S REPORTS

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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 Commission
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, 2017, 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 28, 2017, which included an explanatory paragraph regarding the omission of required Management Discussion and Analysis.

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 2017-001 and 2017-002 below, 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 2017-001 to be a material weakness.

2017-001 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.

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 2017-002 to be a significant deficiency.

2017-002 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 to properly prepare financial statements with disclosures.

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.

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 above. 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.

Hells & Company, PSC

Certified Public Accountants
Paintsville, Kentucky
August 28, 2017

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WEST LIBERTY, KENTUCKY
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Property taxes	\$ 195,000	\$ 195,000	\$ 188,706	\$ (6,294)
Taxes on insurance premiums	385,000	385,000	368,078	(16,922)
Occupational taxes and licenses	365,000	365,000	397,712	32,712
E911	67,000	67,000	69,022	2,022
Unloading license	5,500	5,500	2,200	(3,300)
Law enforcement fees	3,500	3,500	9,387	5,887
Telecom tax	12,000	12,000	12,233	233
Interest	-	-	805	805
Rent	23,000	23,000	21,922	(1,078)
Garbage fees	210,000	210,000	237,943	27,943
Fines and forfeits	-	-	800	800
Administrative	245,000	245,000	166,348	(78,652)
Contributions	-	-	3,794	3,794
Grants	-	-	33,980	33,980
Other receipts	8,000	8,000	9,690	1,690
Total Revenues	1,519,000	1,519,000	1,522,620	3,620
Expenditures:				
General government:				
Health and life insurance	50,000	50,000	49,727	273
Insurance	53,000	53,000	49,087	3,913
Garbage fees	199,500	199,500	222,379	(22,879)
Dues and subscriptions	20,000	20,000	6,927	13,073
Materials and supplies	3,500	3,500	1,045	2,455
Janitorial supplies	500	500	254	246
Mayor and city council fees	12,000	12,000	8,301	3,699
Other expenses	6,000	6,000	13,658	(7,658)
Office expenses	12,000	12,000	16,083	(4,083)
Professional fees	15,000	15,000	13,333	1,667
Postage	1,500	1,500	1,963	(463)
Repairs and maintenance	4,000	4,000	9,988	(5,988)
Retirement	24,000	24,000	29,859	(5,859)
Salaries and wages	150,000	150,000	154,733	(4,733)
Payroll taxes	15,000	15,000	13,742	1,258
Telephone and utilities	20,000	20,000	21,220	(1,220)
Travel and training	2,600	2,600	5,504	(2,904)
Capital outlays	-	-	12,230	(12,230)
Total General Government	588,600	588,600	630,033	(41,433)

CITY OF WEST LIBERTY, KENTUCKY
 BUDGETARY COMPARISON SCHEDULE (Continued)
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Police:				
Automobile	15,000	15,000	18,235	(3,235)
Health and life insurance	45,500	45,500	50,732	(5,232)
Insurance	32,000	32,000	32,324	(324)
Dues and subscriptions	1,200	1,200	3,703	(2,503)
Janitorial supplies	300	300	214	86
Materials and supplies	10,000	10,000	15,595	(5,595)
Other expenses	-	-	1,760	(1,760)
Office expenses	3,500	3,500	6,534	(3,034)
Professional fees	5,000	5,000	4,821	179
Repairs and maintenance	18,000	18,000	10,007	7,993
Retirement	38,000	38,000	42,468	(4,468)
Salaries and wages	248,000	248,000	202,578	45,422
Payroll tax	20,000	20,000	18,787	1,213
Telephone and utilities	15,800	15,800	19,729	(3,929)
Travel and training	18,000	18,000	3,364	14,636
Uniform allowance	2,400	2,400	1,036	1,364
Capital outlays	-	-	82,872	(82,872)
Total Police	<u>472,700</u>	<u>472,700</u>	<u>514,759</u>	<u>(42,059)</u>
Fire:				
Automobile	2,000	2,000	2,209	(209)
Insurance	8,000	8,000	13,077	(5,077)
Materials and supplies	10,650	10,650	5,896	4,754
Other expenses	1,600	1,600	3,127	(1,527)
Repairs and maintenance	12,000	12,000	2,258	9,742
Telephone and utilities	5,000	5,000	7,792	(2,792)
Travel and training	500	500	-	500
Capital outlays	47,000	47,000	-	47,000
Total Fire	<u>86,750</u>	<u>86,750</u>	<u>34,359</u>	<u>52,391</u>
Dispatch:				
Automobile	2,000	2,000	337	1,663
Health and life insurance	49,000	49,000	55,130	(6,130)
Insurance	12,500	12,500	13,614	(1,114)
Dues and subscriptions	500	500	2,380	(1,880)
Janitorial supplies	500	500	192	308
Other expenses	-	-	397	(397)
Office expenses	2,500	2,500	1,364	1,136
Professional fees	16,000	16,000	6,628	9,372
Repairs and maintenance	20,000	20,000	34,968	(14,968)

CITY OF WEST LIBERTY, KENTUCKY
 BUDGETARY COMPARISON SCHEDULE (Continued)
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Retirement	30,000	30,000	40,695	(10,695)
Salaries and wages	215,200	215,200	219,762	(4,562)
Payroll tax	17,340	17,340	18,231	(891)
Telephone and utilities	9,000	9,000	11,637	(2,637)
Travel and training	2,500	2,500	1,188	1,312
Uniform allowance	2,800	2,800	1,463	1,337
Total Dispatch	<u>379,840</u>	<u>379,840</u>	<u>407,986</u>	<u>(28,146)</u>
Street:				
Automobile	5,000	5,000	268	4,732
Insurance	9,550	9,550	3,932	5,618
Other expenses	-	-	260	(260)
Materials and supplies	3,700	3,700	3,270	430
Repairs and maintenance	9,000	9,000	673	8,327
Utilities and telephone	37,000	37,000	37,386	(386)
Total Street	<u>64,250</u>	<u>64,250</u>	<u>45,789</u>	<u>18,461</u>
Total Expenditures	<u>1,592,140</u>	<u>1,592,140</u>	<u>1,632,926</u>	<u>(40,786)</u>
Other Financing Sources/(Uses):				
Operating transfers in	-	-	158,368	158,368
Operating transfers out	-	-	(135,378)	(135,378)
Proceeds from borrowing	-	-	82,872	82,872
Proceeds from sale of capital assets	-	-	-	-
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>105,862</u>	<u>105,862</u>
Revenues Over/(Under) Expenditures and Other Financing Sources/(Uses)	<u>\$ (73,140)</u>	<u>\$ (73,140)</u>	(4,444)	<u>\$ 68,696</u>
Fund Balance at Beginning of Year, Restated			<u>244,443</u>	
Fund Balance at End of Year			<u>\$ 239,999</u>	

CITY OF WEST LIBERTY, KENTUCKY
 BUDGETARY COMPARISON SCHEDULE
 TOURISM AND PLANNING COMMISSION FUND
 FOR THE YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Restaurant tax	\$ 161,000	\$ 161,000	\$ 193,990	\$ 32,990
Motel tax	7,000	7,000	7,377	377
Shelter income	2,000	2,000	2,040	40
Interest income	50	50	65	15
Other receipts	-	-	7,753	7,753
Total Revenues	<u>170,050</u>	<u>170,050</u>	<u>211,225</u>	<u>41,175</u>
Expenditures:				
Administrative	9,000	9,000	11,128	(2,128)
Donations	80,000	80,000	86,142	(6,142)
Materials and supplies	15,000	15,000	17,934	(2,934)
Other expenses	34,500	34,500	28,026	6,474
Office expenses	-	-	218	(218)
Salaries and wages	25,000	25,000	17,726	7,274
Repairs and maintenance	30,000	30,000	2,031	27,969
Capital outlays	36,550	36,550	24,502	12,048
Total Expenditures	<u>230,050</u>	<u>230,050</u>	<u>187,707</u>	<u>42,343</u>
Other Financing Sources/(Uses):				
Proceeds from insurance	-	-	-	-
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues Over/(Under) Expenditures and Other Financing Sources/(Uses)	<u>\$ (60,000)</u>	<u>\$ (60,000)</u>	23,518	<u>\$ 83,518</u>
Fund Balance at Beginning of Year			<u>122,432</u>	
Fund Balance at End of Year			<u>\$ 145,950</u>	

CITY OF WEST LIBERTY, KENTUCKY
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
 THE NET PENSION LIABILITY (CERS)
 JUNE 30, 2017

	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>
City's proportion of the net pension liability (asset)	0.048393%	0.047458%	0.046297%
City's proportionate share of the net pension liability (asset)	\$ 1,570,000	\$ 2,040,481	\$ 2,279,512
City's covered-employee payroll	\$ 1,107,267	\$ 1,104,432	\$ 1,189,202
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	141.79%	184.75%	191.68%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	59.97%	55.50%

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, 2017

	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>
Contractually required contribution	\$ 195,654	\$ 188,416	\$ 222,143
Contributions in relation to the contractually required contribution	<u>195,654</u>	<u>188,416</u>	<u>222,143</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,107,267	\$ 1,104,432	\$ 1,189,202
Contributions as a percentage of covered-employee payroll	17.67%	17.06%	18.68%

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

NOTE A – CHANGES OF BENEFIT TERMS

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

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

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

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

NOTE B – CHANGES OF ASSUMPTIONS

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

2015

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females).
For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates are determined on an annual basis beginning with the fiscal years ended 2018, determined as of July 1, 2016. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	27 years
Asset valuation method	5-year smoothed market
Inflation	3.25 percent
Salary increase	4.00, average, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

SUPPLEMENTARY AND OTHER INFORMATION

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CITY OF WEST LIBERTY, KENTUCKY
 COMBINING BALANCE SHEET
 NON-MAJOR FUNDS
 JUNE 30, 2017

	<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	\$ 39,951	\$ 23,997	\$ -	\$ 2,660	\$ 7,186	\$ 73,794
Certificate of deposit	-	43,886	-	-	-	43,886
Due from Water, Sewer, Gas	500	-	-	-	-	500
Receivables	-	-	2,374	-	-	2,374
Total Assets	<u>\$ 40,451</u>	<u>\$ 67,883</u>	<u>\$ 2,374</u>	<u>\$ 2,660</u>	<u>\$ 7,186</u>	<u>\$ 120,554</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ 1,363	\$ 711	\$ 2,074
Other accrued liabilities	-	-	2,374	-	-	2,374
Total Liabilities	<u>-</u>	<u>-</u>	<u>2,374</u>	<u>1,363</u>	<u>711</u>	<u>4,448</u>
Fund Balances:						
Restricted for:						
Debt service	40,451	-	-	-	-	40,451
Public safety	-	-	-	-	6,475	6,475
Streets	-	-	-	1,297	-	1,297
Assigned to:						
Public safety	-	67,883	-	-	-	67,883
Total Fund Balances	<u>40,451</u>	<u>67,883</u>	<u>-</u>	<u>1,297</u>	<u>6,475</u>	<u>116,106</u>
Total Liabilities and Fund Balances	<u>\$ 40,451</u>	<u>\$ 67,883</u>	<u>\$ 2,374</u>	<u>\$ 2,660</u>	<u>\$ 7,186</u>	<u>\$ 120,554</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, 2017

	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	\$ -	\$ 23,735	\$ -	\$ 15,624	\$ -	\$ 39,359
Wireless collections	-	-	-	-	120,720	120,720
Intergovernmental revenues	-	15,500	28,483	87,576	-	131,559
Investment income	416	765	-	629	14	1,824
Total revenues	416	40,000	28,483	103,829	120,734	293,462
Expenditures:						
Public safety	-	20,005	28,483	-	43,050	91,538
Streets	-	-	-	68,771	-	68,771
Capital outlays	-	62,090	-	111,188	-	173,278
Debt service:						
Principal retirement	78,067	-	-	-	-	78,067
Interest	41,097	-	-	-	-	41,097
Total expenditures	119,164	82,095	28,483	179,959	43,050	452,751
Excess (deficiency) of revenues over expenditures	(118,748)	(42,095)	-	(76,130)	77,684	(159,289)
Other financing sources (uses):						
Operating transfers in	167,214	-	-	-	-	167,214
Operating transfers out	(72,000)	(31,836)	-	-	(86,368)	(190,204)
Total other financing sources (uses)	95,214	(31,836)	-	-	(86,368)	(22,990)
Net change in fund balances	(23,534)	(73,931)	-	(76,130)	(8,684)	(182,279)
Fund balances - beginning, restated	63,985	141,814	-	77,427	15,159	298,385
Fund balances - ending	\$ 40,451	\$ 67,883	\$ -	\$ 1,297	\$ 6,475	\$ 116,106

CITY OF WEST LIBERTY, KENTUCKY
 SCHEDULE OF OPERATING EXPENSES
 BUSINESS-TYPE ACTIVITY
 FOR THE YEAR ENDED JUNE 30, 2017

	<u>SEWER</u>	<u>WATER</u>	<u>GAS</u>	<u>TOTAL</u>
Administrative	\$ 47,194	\$ 47,194	\$ 60,832	\$ 155,220
Automobile	13,838	19,569	15,756	49,163
Chemicals	55,092	109,552	-	164,644
Depreciation	357,228	422,338	24,938	804,504
Dues and Subscriptions	2,095	3,260	1,626	6,981
Health and Life Insurance	45,468	57,785	15,344	118,597
Insurance	48,457	48,240	9,596	106,293
Materials and Supplies	22,929	59,480	19,331	101,740
Miscellaneous	1,078	421	964	2,463
Office Expenses	1,394	1,154	903	3,451
Postage	1,255	2,344	2,116	5,715
Professional Fees	47,856	51,074	4,332	103,262
Repairs and Maintenance	43,007	78,462	6,096	127,565
Retirement	68,589	87,623	18,580	174,792
Salaries and Wages	168,302	290,399	71,170	529,871
Payroll Taxes	18,177	23,776	5,727	47,680
Telephone and Utilities	164,777	130,551	999	296,327
Testing	11,141	7,273	-	18,414
Travel and Training	6,688	1,275	7,702	15,665
Uniform Allowance	3,147	2,215	797	6,159
TOTAL OPERATING EXPENSES	<u>\$ 1,127,712</u>	<u>\$ 1,443,985</u>	<u>\$ 266,809</u>	<u>\$ 2,838,506</u>