

CITY OF WEST LIBERTY, KENTUCKY

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

June 30, 2018



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, 2018, 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, 2018, 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

Implementation of GASB Statement No. 75

As described in Note 13, the City implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. Accordingly, beginning net position of the

governmental activities and the business-type activities were restated. Our opinion is not modified with respect to this matter.

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 40-43 and the County Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 44 and 45, respectively, and the County Employees' Retirement System's Schedules of the Proportionate Share of the Net OPEB Liability and Contributions, on pages 47 and 48, 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 combining and individual nonmajor fund financial statements and schedule of operating expenses for business-type activities are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedule of operating expenses for business-type activities 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 combining and individual nonmajor fund financial statements and schedule of operating expenses for business-type activities 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, 2018 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 the effectiveness of the City of West Liberty's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of West Liberty, Kentucky's internal control over financial reporting and compliance.

Wells & Company, PSC

Certified Public Accountants

Paintsville, Kentucky

August 27, 2018

CITY OF WEST LIBERTY, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 262,630	\$ 290,939	\$ 553,569
Certificates of deposit	44,124	-	44,124
Taxes receivable	9,625	-	9,625
Accounts receivable, net	-	231,546	231,546
Grants receivable	-	104,910	104,910
Other receivables	2,432	-	2,432
Internal balances	500	(500)	-
Unbilled revenues	-	109,610	109,610
Inventory	-	91,901	91,901
Capital assets:			
Land and construction-in-progress	302,836	106,476	409,312
Other capital assets, net of accumulated depreciation	2,709,337	15,551,038	18,260,375
Total Assets	3,331,484	16,485,920	19,817,404
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	389,297	397,555	786,852
Deferred outflows related to OPEB	130,803	136,142	266,945
Total deferred outflows of resources	520,100	533,697	1,053,797
LIABILITIES			
Accounts payable	16,909	137,830	154,739
Accrued payroll	12,445	12,597	25,042
Accrued payroll taxes	7,950	7,043	14,993
Accrued vacation	29,899	28,318	58,217
Accrued interest	1,815	29,714	31,529
Other accrued liabilities	17,308	20,622	37,930
Short-term note payable	-	46,053	46,053
Long-term liabilities:			
Due within one year			
Current portion of long-term debt	106,788	182,532	289,320
Due in more than one year			
Net pension liability	1,378,476	1,434,741	2,813,217
Net OPEB liability	473,443	492,768	966,211
Noncurrent portion of long-term debt	316,341	4,717,844	5,034,185
Total Liabilities	2,361,374	7,110,062	9,471,436
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	46,309	48,200	94,509
Deferred inflows related to OPEB	24,789	25,800	50,589
Total deferred inflows of resources	71,098	74,000	145,098
NET POSITION			
Net investment in capital assets	2,589,044	10,757,138	13,346,182
Restricted for:			
Depreciation	-	75,956	75,956
Fire service	59,279	-	59,279
Highways and streets	8,499	-	8,499
Tourism	147,335	-	147,335
911 dispatch	13,931	-	13,931
Debt service	48,315	46,626	94,941
Unrestricted	(1,447,291)	(1,044,165)	(2,491,456)
Total Net Position	\$ 1,419,112	\$ 9,835,555	\$ 11,254,667

See accompanying notes to basic financial statements.

CITY OF WEST LIBERTY, KENTUCKY
 STATEMENT OF ACTIVITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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	\$ 615,792	\$ 65,412	\$ 10,000	\$ -	\$ (540,380)	\$ -	\$ (540,380)
Public safety	1,211,303	221,895	11,000	-	(978,408)	-	(978,408)
Streets	195,974	-	-	-	(195,974)	-	(195,974)
Tourism and planning	237,672	-	-	-	(237,672)	-	(237,672)
Interest on long-term debt	34,615	-	-	-	(34,615)	-	(34,615)
Total governmental activities	2,295,356	287,307	21,000	-	(1,987,049)	-	(1,987,049)
Business-type activities:							
Water, Sewer, Gas	3,402,732	2,917,859	-	351,864	-	(133,009)	(133,009)
Total business-type activities	3,402,732	2,917,859	-	351,864	-	(133,009)	(133,009)
Total primary government	\$ 5,698,088	\$ 3,205,166	\$ 21,000	\$ 351,864	(1,987,049)	(133,009)	(2,120,058)
General revenues:							
Property taxes					193,814	-	193,814
Fire taxes					24,963	-	24,963
Insurance premium taxes					362,655	-	362,655
Occupational taxes and licenses					392,887	-	392,887
Motor vehicle taxes					20,004	-	20,004
Restaurant taxes					207,124	-	207,124
Other taxes					20,125	-	20,125
Licenses and permits					1,800	-	1,800
Administrative					156,537	-	156,537
Intergovernmental revenue					120,383	-	120,383
Interest income					2,534	762	3,296
Rental income					20,036	-	20,036
Miscellaneous					23,111	-	23,111
Transfers:					14,334	(14,334)	-
Total general revenues and transfers					1,560,307	(13,572)	1,546,735
Change in net position					(426,742)	(146,581)	(573,323)
Net position - beginning, restated					1,845,854	9,982,136	11,827,990
Net position - ending					\$ 1,419,112	\$ 9,835,555	\$ 11,254,667

See accompanying notes to basic financial statements.

CITY OF WEST LIBERTY, KENTUCKY
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2018

	<u>General Fund</u>	<u>Tourism and Planning</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 57,103	\$ 147,416	\$ 58,111	\$ 262,630
Certificate of deposit	-	-	44,124	44,124
Due from Water, Sewer, Gas	-	-	500	500
Due from General Fund	-	-	29,000	29,000
Receivables:				
Other	445	-	1,987	2,432
Total Assets	<u>\$ 57,548</u>	<u>\$ 147,416</u>	<u>\$ 133,722</u>	<u>\$ 338,686</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 15,117	\$ 81	\$ 1,711	\$ 16,909
Accrued payroll	12,445	-	-	12,445
Accrued payroll taxes	7,950	-	-	7,950
Accrued vacation	29,899	-	-	29,899
Due to debt service fund	29,000	-	-	29,000
Other accrued liabilities	15,321	-	1,987	17,308
Total Liabilities	<u>109,732</u>	<u>81</u>	<u>3,698</u>	<u>113,511</u>
Fund Balances:				
Restricted for:				
Debt service	-	-	48,315	48,315
Public safety	-	-	13,931	13,931
Streets	-	-	8,499	8,499
Tourism	-	147,335	-	147,335
Assigned to:				
Public safety	-	-	59,279	59,279
Unassigned:				
General fund	(52,184)	-	-	(52,184)
Total Fund Balances(Deficit)	<u>(52,184)</u>	<u>147,335</u>	<u>130,024</u>	<u>225,175</u>
Total Liabilities and Fund Balances	<u>\$ 57,548</u>	<u>\$ 147,416</u>	<u>\$ 133,722</u>	<u>\$ 338,686</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, 2018

Fund Balances - Total Governmental Funds	\$ 225,175
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	6,777,119
Less: accumulated depreciation	(3,764,946)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(423,129)
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.	(1,815)
Pension & OPEB contributions after measurement date are reported as a deferred outflow of resources.	117,126
Net pension & net OPEB liability is not due and payable in the current period and, therefore, is not reported in governmental funds.	(1,851,919)
Pension & OPEB 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 & OPEB outflows of resources	402,974
Deferred pension & OPEB inflows of resources	(71,098)
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Delinquent property taxes	<u>9,625</u>
Net Position of Governmental Activities	<u>\$ 1,419,112</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, 2018

	General Fund	Tourism and Planning	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
Property	\$ 193,924	\$ -	\$ -	\$ 193,924
Insurance premium	362,655	-	-	362,655
Occupational taxes and licenses	392,887	-	-	392,887
Motor vehicle	-	-	20,004	20,004
Telecom	12,242	-	-	12,242
Fire	-	-	24,963	24,963
Restaurant	-	207,124	-	207,124
Motel	-	7,883	-	7,883
E-911	59,171	-	-	59,171
Shelter income	-	2,050	-	2,050
Wireless collections	-	-	162,724	162,724
Administrative	156,537	-	-	156,537
Licenses and permits	1,800	-	-	1,800
Intergovernmental revenues	15,216	-	126,167	141,383
Charges for garbage services	65,412	-	-	65,412
Rental income	20,036	-	-	20,036
Fines and forfeits	1,267	-	-	1,267
Interest income	800	60	834	1,694
Contributions	1,300	-	-	1,300
Miscellaneous revenues	18,144	350	-	18,494
Total revenues	1,301,391	217,467	334,692	1,853,550
Expenditures:				
Current:				
General government	510,993	-	-	510,993
Public safety	890,017	-	69,502	959,519
Streets	55,207	-	54,859	110,066
Tourism and planning	-	200,572	-	200,572
Debt service:				
Principal retirement	-	-	616,187	616,187
Interest	-	-	34,615	34,615
Capital outlay	38,896	15,510	42,312	96,718
Total expenditures	1,495,113	216,082	817,475	2,528,670
Excess (deficiency) of revenues over expenditures	(193,722)	1,385	(482,783)	(675,120)
Other financing sources (uses):				
Operating transfers in	151,288	-	665,492	816,780
Operating transfers out	(633,655)	-	(168,791)	(802,446)
Proceeds from borrowing	38,896	-	-	38,896
Total other financing sources (uses)	(443,471)	-	496,701	53,230
Net change in fund balances	(637,193)	1,385	13,918	(621,890)
Fund balances - beginning, restated	585,009	145,950	116,106	847,065
Fund balances(deficit) - ending	\$ (52,184)	\$ 147,335	\$ 130,024	\$ 225,175

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, 2018

Net Change in Fund Balances - Total Governmental Funds	\$(621,890)
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	96,718
Depreciation expense	(305,265)
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	(110)
Changes in pension & OPEB expense are reported only in the statement of activities.	(174,326)
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.	
	840
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.	
	(38,896)
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>616,187</u>
Change in Net Position of Governmental Activities	<u><u>\$(426,742)</u></u>

See accompanying notes to basic financial statements.

CITY OF WEST LIBERTY, KENTUCKY
 STATEMENT OF NET POSITION
 BUSINESS-TYPE ACTIVITY
 JUNE 30, 2018

	<u>Water, Sewer, Gas</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 168,357
Accounts receivable (net of allowance for doubtful accounts, \$50,893)	231,546
Grants receivable	104,910
Unbilled receivables	109,610
Inventory	<u>91,901</u>
Total current assets	<u>706,324</u>
Non-current assets:	
Restricted assets:	
Cash and cash equivalents	<u>122,582</u>
Total restricted assets	<u>122,582</u>
Utility Plant:	
Plant in service	29,245,938
Less accumulated depreciation	<u>(13,611,986)</u>
	15,633,952
Construction work in progress	<u>23,562</u>
Net utility plant	<u>15,657,514</u>
Total assets	<u>16,486,420</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	397,555
Deferred outflows related to OPEB	<u>136,142</u>
Total outflows of resources	<u>533,697</u>

See accompanying notes to basic financial statements.

CITY OF WEST LIBERTY, KENTUCKY
 STATEMENT OF NET POSITION (Continued)
 BUSINESS-TYPE ACTIVITY
 JUNE 30, 2018

	<u>Water, Sewer, Gas</u>
LIABILITIES	
Current liabilities:	
Accounts payable	137,830
Accrued payroll	12,597
Accrued payroll taxes	7,043
Accrued vacation	28,318
Accrued interest payable	29,714
Due to debt service fund	500
Other accrued liabilities	20,622
Short-term loan payable	46,053
Current portion of long-term liabilities	<u>182,532</u>
Total current liabilities	<u>465,209</u>
Long-term liabilities:	
Net pension liability	1,434,741
Net OPEB liability	492,768
Long-term debt	4,909,126
Unamortized discount	<u>(8,750)</u>
	6,827,885
Less current portion	<u>(182,532)</u>
Total long-term liabilities	<u>6,645,353</u>
Total liabilities	<u>7,110,562</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow related to pensions	48,200
Deferred inflows related to OPEB	<u>25,800</u>
Total deferred inflows of resources	<u>74,000</u>
NET POSITION:	
Net investment in capital assets	10,757,138
Restricted for:	
Debt service	46,626
Depreciation	75,956
Unrestricted	<u>(1,044,165)</u>
Total net position	<u>\$ 9,835,555</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, 2018

	<u>Water, Sewer, Gas</u>
Operating revenues:	
Sewer revenues	\$ 850,424
Water revenues	1,258,065
Gas revenues	734,707
Other operating revenues	74,663
	<hr/>
Total operating revenues	2,917,859
Cost of sales - gas purchases	438,467
	<hr/>
Net operating revenues	2,479,392
	<hr/>
Operating expenses:	
Sewer	1,090,967
Water	1,417,883
Gas	300,635
	<hr/>
Total operating expenses	2,809,485
	<hr/>
Utility operating income (loss)	(330,093)
	<hr/>
Non-operating revenues (expenses):	
Interest income	762
Interest expense	(154,780)
Transfer to General Fund	(14,334)
	<hr/>
Total non-operating revenues (expenses)	(168,352)
	<hr/>
Net income (loss) before contributions from (to)	(498,445)
Contributions in aid of construction	351,864
	<hr/>
Change in net position	(146,581)
	<hr/>
Net position, beginning of year, restated	9,982,136
	<hr/>
Net position, end of year	<u>\$ 9,835,555</u>

See accompanying notes to basic financial statements.

CITY OF WEST LIBERTY, KENTUCKY
 STATEMENT OF CASH FLOWS
 BUSINESS-TYPE ACTIVITY
 YEAR ENDED JUNE 30, 2018

	<u>Water, Sewer, Gas</u>
Cash flows from operating activities:	
Cash inflows:	
Payments received from customers	\$ 2,883,437
Total cash provided	<u>2,883,437</u>
Cash outflows:	
Payments for salaries and benefits	854,149
Payments to suppliers for goods and services	<u>1,572,313</u>
Total cash used	<u>2,426,462</u>
Net cash provided (used) by operating activities	<u>456,975</u>
Cash flows from noncapital financing activities:	
Repayment of amounts due other funds	<u>(84,523)</u>
Net cash provided (used) by noncapital financing activities	<u>(84,523)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(409,416)
Capital contributions received	246,954
Principal payments on debt	(197,481)
Proceeds from loans	64,360
Proceeds from sale of capital assets	-
Interest paid on long-term debt	<u>(155,411)</u>
Net cash provided (used) by capital and related financing activities	<u>(450,994)</u>
Cash flows from investing activities:	
Interest received	<u>762</u>
Net cash provided (used) by investing activities	<u>762</u>
Net cash inflow (outflow) from all activities	(77,780)
Cash and cash equivalents at beginning of period	<u>368,719</u>
Cash and cash equivalents at end of period	<u>\$ 290,939</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, 2018

	<u>Water, Sewer, Gas</u>
Reconciliation of utility operating income to net cash provided by operating activities:	
Utility operating income	\$ (330,093)
Depreciation	667,864
(Increase) decrease in:	
Accounts receivable	(29,544)
Unbilled revenue	(4,878)
Inventory	2,323
Deferred outflows of resources	(344,507)
Increase (decrease) in:	
Accounts payable	(31,270)
Accrued liabilities and other liabilities	2,010
Net pension & net OPEB liability	378,446
Deferred inflows of resources	146,624
	<hr/>
Net cash provided (used) by operating activities	\$ 456,975
	<hr/>
Schedule of cash:	
Beginning of period:	
Unrestricted cash and cash equivalents	\$ 167,524
Restricted cash and cash equivalents	201,195
	<hr/>
	\$ 368,719
	<hr/>
End of period:	
Unrestricted cash and cash equivalents	\$ 168,357
Restricted cash and cash equivalents	122,582
	<hr/>
	\$ 290,939
	<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 deferred outflows of resources that relate to pension plan and OPEB reporting, see notes 11 and 12.

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 deferred inflows of resources that relate to pension plan and OPEB reporting, see notes 11 and 12.

T. Pensions & OPEB

For purposes of measuring the net pension and net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB 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, 2018 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>\$607,177</u>	<u>\$269,791</u>	<u>\$337,386</u>	<u>\$ -</u>	<u>\$597,693</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 2017 were levied on \$269,349,499 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, 2018, consisted of the following:

Governmental Activities

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2018</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	1,335,201	5,560	-	1,340,761
Infrastructure	1,079,552	42,312	-	1,121,864
Automobiles and trucks	748,054	38,896	-	786,950
Machinery and equipment	<u>1,778,835</u>	<u>9,950</u>	<u>-</u>	<u>1,788,785</u>
Total capital assets being depreciated	6,377,565	96,718	-	6,474,283

NOTE 4. CAPITAL ASSETS (Continued)

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2018</u>
Less accumulated depreciation for:				
Buildings and improvements	(367,024)	(30,710)	-	(397,734)
Improvements other than buildings	(597,419)	(58,600)	-	(656,019)
Infrastructure	(658,968)	(78,063)	-	(737,031)
Automobiles and trucks	(469,320)	(61,606)	-	(530,926)
Machinery and equipment	<u>(1,366,950)</u>	<u>(76,286)</u>	-	<u>(1,443,236)</u>
Total accumulated depreciation	<u>(3,459,681)</u>	<u>(305,265)</u>	-	<u>(3,764,946)</u>
Total capital assets being depreciated, net	<u>2,917,884</u>	<u>(208,547)</u>	-	<u>2,709,337</u>
Governmental activities capital assets, net	<u>\$3,220,720</u>	<u>\$(208,547)</u>	<u>\$ -</u>	<u>\$3,012,173</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 57,731
Public safety	124,526
Tourism and planning	37,100
Streets	<u>85,908</u>
Total	<u>\$ 305,265</u>

Business-Type Activities

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2018</u>
Capital assets, not being depreciated:				
Land and land improvements	\$ 82,914	\$ -	\$ -	\$ 82,914
Construction in progress	<u>-</u>	<u>23,562</u>	<u>-</u>	<u>23,562</u>
Total capital assets, not being depreciated	<u>82,914</u>	<u>23,562</u>	<u>-</u>	<u>106,476</u>
Capital assets, being depreciated:				
Leasehold improvements	1,000	-	-	1,000
Machinery and equipment	944,218	29,918	-	974,136
Water plant and water system	12,294,094	349,478	-	12,643,572
Sewer plant and sewer system	14,362,529	83,593	-	14,446,122
Gas system	<u>1,098,194</u>	<u>-</u>	<u>-</u>	<u>1,098,194</u>
Total capital assets being depreciated	<u>28,700,035</u>	<u>462,989</u>	<u>-</u>	<u>29,163,024</u>
Less accumulated depreciation for:				
Leasehold improvements	(813)	(32)	-	(845)
Machinery and equipment	(844,420)	(28,205)	-	(872,625)
Water plant and water system	<u>(5,760,380)</u>	<u>(292,698)</u>	<u>-</u>	<u>(6,053,078)</u>

NOTE 4. CAPITAL ASSETS (Continued)

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2018</u>
Sewer plant and sewer system	(6,200,994)	(323,370)	-	(6,524,364)
Gas system	<u>(137,515)</u>	<u>(23,559)</u>	<u>-</u>	<u>(161,074)</u>
Total accumulated depreciation	<u>(12,944,122)</u>	<u>(667,864)</u>	<u>-</u>	<u>(13,611,986)</u>
Total capital assets being depreciated, net	<u>15,755,913</u>	<u>(204,875)</u>	<u>-</u>	<u>15,551,038</u>
Total utilities capital assets, net	<u>\$15,838,827</u>	<u>\$ (181,313)</u>	<u>\$ -</u>	<u>\$15,657,514</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, 2018, amounted to \$136,362.

The Water, Sewer, and Gas Proprietary Fund notes payable at June 30, 2018 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 was \$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 was \$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 <u>6/30/2017</u>	Additions	Deductions	Amount Outstanding <u>6/30/2018</u>	Amounts Due Within <u>One Year</u>
Bond payable – 1988 issue	\$ 304,000	\$ -	\$ (19,000)	\$ 285,000	\$ 20,000
Bond payable – 1998 issue	359,000	-	(9,000)	350,000	9,000
Bond payable – 2001 issue (A)	782,000	-	(21,000)	761,000	21,000
Bond payable – 2001 issue (B)	229,500	-	(5,000)	224,500	5,500
Bond payable – 2006 issue	706,000	-	(13,000)	693,000	13,500
Bond payable – 2007 issue	351,500	-	(6,500)	345,000	7,000
Bond payable – 2010 issue	650,000	-	(20,000)	630,000	20,000
Note payable – KIA (F11-04)	843,643	-	(43,001)	800,641	43,432
Note payable – KIA (A11-11)	<u>862,657</u>	<u>-</u>	<u>(42,672)</u>	<u>819,985</u>	<u>43,100</u>
	5,088,300	-	(179,173)	4,909,126	182,532
Unamortized bond discount	<u>(8,952)</u>	<u>-</u>	<u>202</u>	<u>(8,750)</u>	<u>-</u>
Long-Term Debt	<u>\$5,079,348</u>	<u>\$ -</u>	<u>\$(178,971)</u>	<u>\$4,900,376</u>	<u>\$182,532</u>

Principal and interest payments to be made on all long-term debt at June 30, 2018, for each of the next five years and thereafter are as follows:

Year Ending <u>6/30</u>	<u>Bonds</u>	<u>Notes</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total</u>
2019	\$ 96,000	\$ 86,532	\$ 182,532	\$ 149,090	\$ 331,622
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	109,500	90,055	199,555	129,067	328,622
2024-2028	631,500	463,999	1,095,499	557,349	1,652,848
2029-2033	629,500	487,729	1,117,229	400,196	1,517,425
2034-2038	730,000	227,474	957,474	243,893	1,201,367
2039-2043	611,000	-	611,000	87,734	698,734
2044-2046	<u>173,000</u>	<u>-</u>	<u>173,000</u>	<u>10,746</u>	<u>183,746</u>
	<u>\$3,288,500</u>	<u>\$1,620,626</u>	<u>\$4,909,126</u>	<u>\$1,996,157</u>	<u>\$6,905,283</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, 2018, amounted to \$5,310.

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 April 30, 2018, the City borrowed \$38,896 at 4.40% interest from Magnolia Bank for the purchase of a Ford Explorer police cruiser. The agreement provides for 48 monthly payments of \$887 to be made beginning June 20, 2018 with final payment due on May 20, 2022.
- 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 6/30/2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount Outstanding 6/30/2018</u>	<u>Amounts Due Within One Year</u>
Bond payable – series A	\$ 66,000	\$ -	\$ (21,000)	\$ 45,000	\$ 22,000
Bond payable – series B	22,500	-	(7,000)	15,500	7,500
General bond anticipation note, series 2017	524,088	-	(524,088)	-	-
Note payable – police cruisers	48,576	-	(17,491)	31,085	18,352
Note payable – police cruisers	69,497	-	(26,957)	42,540	28,072
Note payable – police cruiser	-	38,896	(650)	38,246	9,147
Note payable – fire station	<u>269,759</u>	<u>-</u>	<u>(19,001)</u>	<u>250,758</u>	<u>21,717</u>
Long-Term Debt	<u>\$1,000,420</u>	<u>\$ 38,896</u>	<u>\$(616,187)</u>	<u>\$ 423,129</u>	<u>\$106,788</u>

NOTE 5. LONG-TERM DEBT (Continued)

Principal and interest payments to be made on all long-term debt at June 30, 2018, 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>
2019	\$ 29,500	\$ 77,288	\$ 106,788	\$ 13,926	\$ 120,714
2020	31,000	59,382	90,382	10,709	101,091
2021	-	33,604	33,604	8,882	42,486
2022	-	34,177	34,177	7,422	41,599
2023	-	25,681	25,681	6,155	31,836
2024-2028	-	132,497	132,497	13,419	145,916
	<u>\$ 60,500</u>	<u>\$362,629</u>	<u>\$ 423,129</u>	<u>\$ 60,513</u>	<u>\$ 483,642</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, 2018 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	\$ 124,633
	Water, Gas, Sewer	Reimbursement	14,334
	Debt Service Fund	Operating	7,000
	Road Aid Fund	Reimbursement	5,322
Debt Service Fund	General Fund	Debt Service	633,655
	Fire Tax Fund	Debt Service	31,836
Subtotal – Fund Financial Statements			816,780
Less: Fund Eliminations			(816,780)
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>
Debt Service Fund	General Fund	\$ 29,000
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 \$19,791 is being held by the Bank of New York in an interest bearing account.

Proprietary Funds Debt Service Reserve Fund in the amount of \$26,835 is being held in an interest bearing account at the Commercial Bank of West Liberty.

General Fund Bond Sinking Fund in the amount of \$18,230 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 \$585 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 \$75,956.

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 27, 2018, 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, 2018, was 14.48 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 \$174,696 for the year ended June 30, 2018.

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

At June 30, 2018, the City reported a liability of \$2,813,217 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, the City’s proportion was 0.048 percent, which was an increase of 0.002 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized pension expense of \$478,697. At June 30, 2018, 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	\$ 3,489	\$ 71,411
Changes of assumptions	519,115	-
Net difference between projected and actual earnings on pension plan investments	34,796	-
Changes in proportion and differences between City contributions and proportionate share of contributions	54,756	23,098
City contributions subsequent to the measurement date	<u>174,696</u>	<u>-</u>
Total	<u>\$ 786,852</u>	<u>\$ 94,509</u>

NOTE 11 – DEFINED PENSION (Continued)

\$174,696 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, 2019. 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:	
2019	\$ 219,124
2020	229,322
2021	105,324
2022	(36,123)
2023	-
Thereafter	-

Actuarial Methods and Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2017 are as follows:

Valuation Date	June 30, 2015
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	28 years, closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increase	4.0%, average
Investment Rate of Return	7.50%

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.

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

NOTE 11 – DEFINED PENSION (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	17.50%	5.97%
International Equity	17.50%	7.85%
Global Bonds	4.00%	2.63%
Global Credit	2.00%	3.63%
High Yield	7.00%	5.75%
Emerging Market Debt	5.00%	5.50%
Private Credit	10.00%	8.75%
Real Estate	5.00%	7.63%
Absolute Return	10.00%	5.63%
Real Return	10.00%	6.13%
Privacy Equity	10.00%	8.25%
Cash	<u>2.00%</u>	<u>1.88%</u>
Total	100.00%	5.56%

Discount Rate

The projection of cash flows used to determine the discount rate of 6.25% for CERS Non-hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. 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 6.25%, 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 (5.25%) or one percentage-point higher (7.25%) than the current rate:

	<u>1.0% Decrease (5.25%)</u>	<u>Current Discount Rate (6.25%)</u>	<u>1.0% Increase (7.25%)</u>
City's proportionate share of the net pension liability	\$3,548,074	\$2,813,217	\$2,198,514

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 2017 Comprehensive Annual Financial Report at kyret.ky.gov.

Payable to the Pension Plan

At June 30, 2018, the City reported a payable of \$17,252 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

NOTE 12 – OPEB PLAN

General Information about the OPEB plan

Plan Description and Benefits Provided

The City of West Liberty, Kentucky participates in the County Employees Retirement System (CERS) Insurance Fund, a multiple-employer defined benefit Other Post-Employment Benefits (OPEB) plan for members that cover all regular full-time members employed by the City. The plan provides for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

Contributions

The City’s contractually required contribution rate for the year ended June 30, 2018, was 4.70 percent of covered payroll. Contributions to the OPEB plan from the City were \$56,704 for the year ended June 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the City reported a liability of \$966,211 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City’s proportion of the net OPEB liability was based on the City’s share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2017, the City’s proportion was 0.048 percent, which was an increase of 0.002 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized OPEB expense of \$110,103. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,684
Changes of assumptions	210,241	-

NOTE 12 – OPEB PLAN (Continued)

Net difference between projected and actual earnings		
On OPEB plan investments	-	45,663
Changes in proportion and differences between City contributions and proportionate share of contributions	-	2,242
City contributions subsequent to the measurement date	<u>56,704</u>	<u>-</u>
Total	<u>\$ 266,945</u>	<u>\$ 50,589</u>

\$56,704 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year ended June 30:

2019	\$27,470
2020	27,470
2021	27,470
2022	27,470
2023	38,885
Thereafter	10,887

Actuarial Methods and Assumptions

A summary of the actuarial methods and assumptions used in determining the total OPEB liability as of June 30, 2017 are as follows:

Inflation	2.30%
Payroll Growth Rate	2.0% for CERS non-hazardous
Salary Increase	3.05%, average
Investment Rate of Return	6.25%
Healthcare Trend Rates	Initial trend starting at 7.25% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Pre - 65	Initial trend starting at 5.10% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.
Post - 65	

NOTE 12 – OPEB PLAN (Continued)

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	17.50%	5.97%
International Equity	17.50%	7.85%
Global Bonds	4.00%	2.63%
Global Credit	2.00%	3.63%
High Yield	7.00%	5.75%
Emerging Market Debt	5.00%	5.50%
Private Credit	10.00%	8.75%
Real Estate	5.00%	7.63%
Absolute Return	10.00%	5.63%
Real Return	10.00%	6.13%
Privacy Equity	10.00%	8.25%
Cash	<u>2.00%</u>	<u>1.88%</u>
Total	100.00%	6.56%

Sensitivity of the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend

	<u>1.0% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1.0% Increase</u>
City's proportionate share of the net OPEB liability	\$741,133	\$966,211	\$1,258,798

NOTE 12 – OPEB PLAN (Continued)

Discount Rate

The projection of cash flows used to determine the discount rate of 5.84% for CERS Non-hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.56%, as reported in Fidelity Index's "20 – Year Municipal GO AA Index" as of June 30, 2017. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the Net OPEB Liability using the discount rate of 5.84%, as well as what the City's proportionate share of the Net OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower (4.84%) or one percentage-point higher (6.84%) than the current rate:

	<u>1.0% Decrease (4.84%)</u>	<u>Current Discount Rate (5.84%)</u>	<u>1.0% Increase (6.84%)</u>
City's proportionate share of the net OPEB liability	\$1,229,449	\$966,211	\$747,155

OPEB Plan Fiduciary Net Position

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

Payable to the OPEB Plan

At June 30, 2018, the City reported a payable of \$11,746 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2018.

NOTE 13 – RESTATEMENTS

For the year ended June 30, 2018, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures for other postemployment benefits (OPEB). This Statement identifies the methods and assumptions that should be used to project benefit payments, and discount projected benefit payments to their actuarial present value. The Statement also requires enhanced note disclosures and schedules of required supplementary information that will be presented by the OPEB plan that are within its scope.

NOTE 13 – RESTATEMENTS (Continued)

The City recorded a restatement of \$345,010 for an under-accrual of grant receivables related to the 2012 tornado cleanup.

The implementation of GASB Statement No. 75 and the prior period adjustment for grant receivables had the following effect:

	<u>Government – Wide Statements</u>		<u>Fund Financial Statements</u>
	<u>Governmental Activities</u>	<u>Business – Type Activities</u>	<u>General Fund</u>
Net position/fund balance June 30, 2017	\$1,872,199	\$10,368,648	\$239,999
Restatement for grant receivable	345,010	-	345,010
Recognition of net OPEB liabilities	<u>(371,355)</u>	<u>(386,512)</u>	<u>-</u>
Restated net position/fund balance, June 30, 2017	<u>\$1,845,854</u>	<u>\$ 9,982,136</u>	<u>\$585,009</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 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, 2018, 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, 2018, 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 2018-001 and 2018-002 below, we did identify 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 2018-001 to be a material weakness.

2018-001 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 2018-002 to be a significant deficiency.

2018-002 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in 2018-003 below.

2018-003 Failure to Meet Debt Covenant Reserve Requirements

Condition: At June 30, 2018, the City's water and sewer fund depreciation reserve, operation & maintenance reserve, and the debt service reserve were all underfunded causing the City to not be in compliance with debt covenants.

Criteria: Per debt covenants, the City is required to maintain minimum balances in reserves.

Cause of Condition: The balances in reserves have been used to operate the water and sewer fund. The City has not been able to generate sufficient revenue to cover operating expenses and replenish the reserves.

Recommendation: We recommend the City to utilize all remedies available to replenish the debt covenant reserves.

Management Comment: The City will work on meeting it's obligations.

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.

Wells & Company, PSC

Certified Public Accountants
Paintsville, Kentucky
August 27, 2018

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WEST LIBERTY, KENTUCKY
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Property taxes	\$ 190,000	\$ 190,000	\$ 193,924	\$ 3,924
Taxes on insurance premiums	350,000	350,000	362,655	12,655
Occupational taxes and licenses	365,000	365,000	392,887	27,887
E911	67,000	67,000	59,171	(7,829)
Unloading license	1,300	1,300	1,800	500
Law enforcement fees	6,500	6,500	5,216	(1,284)
Telecom tax	12,000	12,000	12,242	242
Interest	-	-	800	800
Rent	20,000	20,000	20,036	36
Garbage fees	204,250	204,250	65,412	(138,838)
Fines and forfeits	-	-	1,267	1,267
Administrative	300,000	300,000	156,537	(143,463)
Contributions	-	-	1,300	1,300
Grants	-	519,888	10,000	(509,888)
Other receipts	2,500	2,500	18,144	15,644
	<u>1,518,550</u>	<u>2,038,438</u>	<u>1,301,391</u>	<u>(737,047)</u>
Total Revenues				
Expenditures:				
General government:				
Health and life insurance	55,200	55,200	58,366	(3,166)
Insurance	53,000	53,000	36,734	16,266
Garbage fees	204,250	204,250	99,152	105,098
Dues and subscriptions	20,000	20,000	11,678	8,322
Materials and supplies	5,500	5,500	5,049	451
Janitorial supplies	250	250	462	(212)
Mayor and city council fees	12,000	12,000	8,712	3,288
Other expenses	4,500	4,500	9,500	(5,000)
Office expenses	14,000	14,000	10,595	3,405
Professional fees	10,000	10,000	20,938	(10,938)
Postage	1,600	1,600	1,282	318
Repairs and maintenance	2,500	2,500	17,878	(15,378)
Retirement	28,000	28,000	32,201	(4,201)
Salaries and wages	167,000	167,000	164,242	2,758
Payroll taxes	14,000	14,000	13,748	252
Telephone and utilities	17,500	17,500	19,149	(1,649)
Travel and training	3,600	3,600	1,307	2,293
Capital outlays	-	-	-	-
	<u>612,900</u>	<u>612,900</u>	<u>510,993</u>	<u>101,907</u>
Total General Government				

CITY OF WEST LIBERTY, KENTUCKY
 BUDGETARY COMPARISON SCHEDULE (Continued)
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Police:				
Automobile	18,000	18,000	13,594	4,406
Health and life insurance	54,000	54,000	47,103	6,897
Insurance	32,000	32,000	43,215	(11,215)
Dues and subscriptions	2,500	2,500	2,420	80
Janitorial supplies	250	250	104	146
Materials and supplies	10,000	10,000	2,709	7,291
Other expenses	-	-	1,806	(1,806)
Office expenses	3,500	3,500	3,834	(334)
Professional fees	5,000	5,000	4,785	215
Repairs and maintenance	10,000	10,000	14,198	(4,198)
Retirement	38,000	38,000	43,918	(5,918)
Salaries and wages	242,000	242,000	210,298	31,702
Payroll tax	20,000	20,000	18,740	1,260
Telephone and utilities	19,000	19,000	19,993	(993)
Travel and training	5,000	5,000	7,616	(2,616)
Uniform allowance	2,400	2,400	4,151	(1,751)
Capital outlays	-	-	38,896	(38,896)
Total Police	<u>461,650</u>	<u>461,650</u>	<u>477,380</u>	<u>(15,730)</u>
Fire:				
Automobile	2,000	2,000	1,575	425
Insurance	5,000	5,000	16,353	(11,353)
Materials and supplies	11,650	11,650	10,423	1,227
Other expenses	1,600	1,600	4,666	(3,066)
Repairs and maintenance	12,000	12,000	4,886	7,114
Telephone and utilities	5,000	5,000	9,350	(4,350)
Travel and training	750	750	2,400	(1,650)
Capital outlays	-	-	-	-
Total Fire	<u>38,000</u>	<u>38,000</u>	<u>49,653</u>	<u>(11,653)</u>
Dispatch:				
Automobile	1,000	1,000	933	67
Health and life insurance	58,595	58,595	52,798	5,797
Insurance	13,550	13,550	8,001	5,549
Dues and subscriptions	800	800	2,936	(2,136)
Janitorial supplies	250	250	104	146
Other expenses	-	-	509	(509)
Office expenses	1,500	1,500	2,472	(972)
Professional fees	16,000	16,000	16,802	(802)
Repairs and maintenance	20,000	20,000	16,322	3,678

CITY OF WEST LIBERTY, KENTUCKY
 BUDGETARY COMPARISON SCHEDULE (Continued)
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Retirement	37,000	37,000	41,006	(4,006)
Salaries and wages	221,133	221,133	226,492	(5,359)
Payroll tax	17,500	17,500	17,841	(341)
Telephone and utilities	10,000	10,000	11,969	(1,969)
Travel and training	1,500	1,500	2,091	(591)
Uniform allowance	2,800	2,800	1,604	1,196
Total Dispatch	<u>401,628</u>	<u>401,628</u>	<u>401,880</u>	<u>(252)</u>
Street:				
Automobile	5,000	5,000	1,308	3,692
Insurance	4,500	4,500	8,858	(4,358)
Other expenses	-	-	153	(153)
Materials and supplies	7,500	7,500	5,585	1,915
Repairs and maintenance	9,000	9,000	1,620	7,380
Utilities and telephone	42,000	42,000	37,683	4,317
Total Street	<u>68,000</u>	<u>68,000</u>	<u>55,207</u>	<u>12,793</u>
Total Expenditures	<u>1,582,178</u>	<u>1,582,178</u>	<u>1,495,113</u>	<u>87,065</u>
Other Financing Sources/(Uses):				
Operating transfers in	113,010	113,010	151,288	38,278
Operating transfers out	(113,700)	(113,700)	(633,655)	(519,955)
Proceeds from borrowing	-	-	38,896	38,896
Proceeds from sale of capital assets	-	-	-	-
Total Other Financing Uses	<u>(690)</u>	<u>(690)</u>	<u>(443,471)</u>	<u>(442,781)</u>
Revenues Over/(Under) Expenditures and Other Financing Sources/(Uses)	<u>\$ (64,318)</u>	<u>\$ (64,318)</u>	<u>(637,193)</u>	<u>\$ (572,875)</u>
Fund Balance at Beginning of Year, Restated			<u>585,009</u>	
Fund Balance(Deficit) at End of Year			<u>\$ (52,184)</u>	

CITY OF WEST LIBERTY, KENTUCKY
 BUDGETARY COMPARISON SCHEDULE
 TOURISM AND PLANNING COMMISSION FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Restaurant tax	\$ 180,000	\$ 161,000	\$ 207,124	\$ 46,124
Motel tax	8,500	7,000	7,883	883
Shelter income	2,000	2,000	2,050	50
Interest income	55	50	60	10
Other receipts	-	-	350	350
Total Revenues	<u>190,555</u>	<u>170,050</u>	<u>217,467</u>	<u>47,417</u>
Expenditures:				
Administrative	12,000	9,000	12,120	(3,120)
Donations	100,000	80,000	121,650	(41,650)
Materials and supplies	35,000	15,000	14,757	243
Other expenses	39,500	34,500	32,366	2,134
Office expenses	-	-	36	(36)
Salaries and wages	30,000	25,000	17,332	7,668
Repairs and maintenance	20,000	30,000	2,311	27,689
Capital outlays	44,055	36,550	15,510	21,040
Total Expenditures	<u>280,555</u>	<u>230,050</u>	<u>216,082</u>	<u>13,968</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>\$ (90,000)</u>	<u>\$ (60,000)</u>	1,385	<u>\$ 61,385</u>
Fund Balance at Beginning of Year			<u>145,950</u>	
Fund Balance at End of Year			<u>\$ 147,335</u>	

**CITY OF WEST LIBERTY, KENTUCKY
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
 THE NET PENSION LIABILITY (CERS)
 JUNE 30, 2018**

	<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%
	<u>6/30/2018</u>		
City's proportion of the net pension liability (asset)	0.048062%		
City's proportionate share of the net pension liability (asset)	\$ 2,813,217		
City's covered-employee payroll	\$ 1,206,464		
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	233.18%		
Plan fiduciary net position as a percentage of the total pension liability	53.30%		

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 PENSION CONTRIBUTIONS (CERS)
 JUNE 30, 2018

	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>
Contractually required contribution	\$ 141,177	\$ 137,170	\$ 165,894
Contributions in relation to the contractually required contribution	<u>141,177</u>	<u>137,170</u>	<u>165,894</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	12.75%	12.42%	13.95%

	<u>6/30/2018</u>
Contractually required contribution	\$ 174,696
Contributions in relation to the contractually required contribution	<u>174,696</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered-employee payroll	\$ 1,206,464
Contributions as a percentage of covered-employee payroll	14.48%

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 PENSION SUPPLEMENTARY INFORMATION (CERS)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE A – CHANGES OF BENEFIT TERMS

There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for CERS.

NOTE B – CHANGES OF ASSUMPTIONS

Subsequent to the actuarial valuation date, but prior to the measurement date, the KRS Board of Trustees adopted updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2017. Specifically, the Total Pension Liability as of June 30, 2017 was determined using a 2.30% price inflation assumption for the non-hazardous and hazardous systems, and the assumed rate of return is 6.25% for the non-hazardous system and hazardous system.

Actuarial Methods and Assumptions used to determine the Actuarial Determined Contribution for the Fiscal Year 2017

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2017:

Valuation Date	June 30, 2015
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of pay
Remaining Amortization Period	28 years, closed
Payroll Growth Rate	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increase	4.0%, average
Investment Rate of Return	7.50% for CERS non-hazardous, and hazardous, and KERS hazardous, 6.75 for KERS non-hazardous

CITY OF WEST LIBERTY, KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY (CERS)
JUNE 30, 2018

	<u>6/30/2018</u>
City's proportion of the net OPEB liability (asset)	0.048062%
City's proportionate share of the net OPEB liability (asset)	\$ 966,211
City's covered-employee payroll	\$ 1,206,464
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	80.09%
Plan fiduciary net position as a percentage of the total OPEB liability	52.40%

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 OPEB CONTRIBUTIONS (CERS)
JUNE 30, 2018

	<u>6/30/2018</u>
Contractually required contribution	\$ 56,704
Contributions in relation to the contractually required contribution	<u>56,704</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered-employee payroll	\$ 1,206,464
Contributions as a percentage of covered-employee payroll	4.70%

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 OPEB SUPPLEMENTARY INFORMATION (CERS)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE A – CHANGES OF BENEFIT TERMS

There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for CERS.

NOTE B – CHANGES OF ASSUMPTIONS

Subsequent to the actuarial valuation date, but prior to the measurement date, the KRS Board of Trustees adopted updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2017. Specifically, the Total OPEB Liability as of June 30, 2017 was determined using a 2.30% price inflation assumption and an assumed rate of return is 6.25%.

Actuarial Methods and Assumptions used to determine the Actuarial Determined Contribution for the Fiscal Year 2017

The following actuarial methods and assumptions, for actuarially determined contributions effective for fiscal year ending June 30, 2017:

Valuation Date	June 30, 2015
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of pay
Remaining Amortization Period	28 years, closed
Payroll Growth Rate	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increase	4.0%, average
Investment Rate of Return	7.50%
Healthcare Trend Rates	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.
Pre - 65	
Post - 65	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.

SUPPLEMENTARY AND OTHER INFORMATION

CITY OF WEST LIBERTY, KENTUCKY
 COMBINING BALANCE SHEET
 NON-MAJOR FUNDS
 JUNE 30, 2018

	Special Revenue Funds					Total Non-Major Governmental Funds
	Debt Service Fund	Fire Tax Fund	Police Incentive Fund	Municipal Road Aid Fund	CMRS Fund	
ASSETS						
Cash and cash equivalents	\$ 18,815	\$ 15,155	\$ -	\$ 8,499	\$15,642	\$ 58,111
Certificate of deposit	-	44,124	-	-	-	44,124
Due from Water, Sewer, Gas	500	-	-	-	-	500
Due from General Fund	29,000	-	-	-	-	29,000
Receivables	-	-	1,987	-	-	1,987
Total Assets	\$ 48,315	\$ 59,279	\$ 1,987	\$ 8,499	\$15,642	\$ 133,722
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 1,711	\$ 1,711
Other accrued liabilities	-	-	1,987	-	-	1,987
Total Liabilities	-	-	1,987	-	1,711	3,698
Fund Balances:						
Restricted for:						
Debt service	48,315	-	-	-	-	48,315
Public safety	-	-	-	-	13,931	13,931
Streets	-	-	-	8,499	-	8,499
Assigned to:						
Public safety	-	59,279	-	-	-	59,279
Total Fund Balances	48,315	59,279	-	8,499	13,931	130,024
Total Liabilities and Fund Balances	\$ 48,315	\$ 59,279	\$ 1,987	\$ 8,499	\$15,642	\$ 133,722

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, 2018

	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	\$ -	\$ 24,963	\$ -	\$ 20,004	\$ -	\$ 44,967
Wireless collections	-	-	-	-	162,724	162,724
Intergovernmental revenues	-	11,000	25,682	89,485	-	126,167
Investment income	174	443	-	206	11	834
Total revenues	174	36,406	25,682	109,695	162,735	334,692
Expenditures:						
Public safety	-	13,174	25,682	-	30,646	69,502
Streets	-	-	-	54,859	-	54,859
Capital outlays	-	-	-	42,312	-	42,312
Debt service:						
Principal retirement	616,187	-	-	-	-	616,187
Interest	34,615	-	-	-	-	34,615
Total expenditures	650,802	13,174	25,682	97,171	30,646	817,475
Excess (deficiency) of revenues over expenditures	(650,628)	23,232	-	12,524	132,089	(482,783)
Other financing sources (uses):						
Operating transfers in	665,492	-	-	-	-	665,492
Operating transfers out	(7,000)	(31,836)	-	(5,322)	(124,633)	(168,791)
Total other financing sources (uses)	658,492	(31,836)	-	(5,322)	(124,633)	496,701
Net change in fund balances	7,864	(8,604)	-	7,202	7,456	13,918
Fund balances - beginning, restated	40,451	67,883	-	1,297	6,475	116,106
Fund balances - ending	\$ 48,315	\$ 59,279	\$ -	\$ 8,499	\$ 13,931	\$ 130,024

**CITY OF WEST LIBERTY, KENTUCKY
SCHEDULE OF OPERATING EXPENSES
BUSINESS-TYPE ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>SEWER</u>	<u>WATER</u>	<u>GAS</u>	<u>TOTAL</u>
Administrative	\$ 31,894	\$ 31,894	\$ 80,629	\$ 144,417
Automobile	13,427	16,158	11,443	41,028
Chemicals	40,380	127,518	-	167,898
Depreciation	326,446	313,269	28,149	667,864
Dues and Subscriptions	2,151	4,905	1,509	8,565
Health and Life Insurance	48,669	69,294	16,003	133,966
Insurance	49,807	53,977	10,819	114,603
Materials and Supplies	21,342	45,612	17,093	84,047
Miscellaneous	802	797	1,213	2,812
Office Expenses	2,118	2,172	2,662	6,952
Postage	1,530	1,740	2,849	6,119
Professional Fees	27,425	27,923	4,363	59,711
Repairs and Maintenance	60,237	69,470	5,387	135,094
Retirement	113,866	149,564	31,407	294,837
Salaries and Wages	177,557	303,633	78,296	559,486
Payroll Taxes	17,966	24,062	6,099	48,127
Telephone and Utilities	139,137	158,036	1,298	298,471
Testing	10,988	14,130	-	25,118
Travel and Training	2,413	853	370	3,636
Uniform Allowance	2,812	2,876	1,046	6,734
TOTAL OPERATING EXPENSES	<u>\$ 1,090,967</u>	<u>\$ 1,417,883</u>	<u>\$ 300,635</u>	<u>\$2,809,485</u>