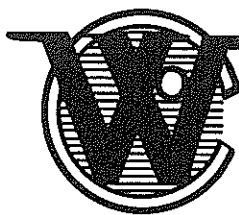


CITY OF WEST LIBERTY, KENTUCKY

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

June 30, 2021



WELLS & COMPANY, P.S.C.

Certified Public Accountants

865 South Mayo Trail, Suite 7
Paintsville, Kentucky 41240-1215

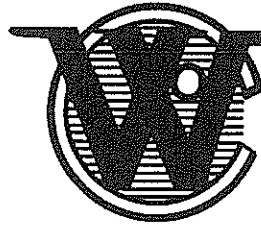
(606) 789-3588

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITOR'S REPORT	1
AUDITED FINANCIAL STATEMENTS	
Statement Of Net Position	3
Statement Of Activities	4
Balance Sheet – Governmental Funds	5
Reconciliation Of The Balance Sheet Of Governmental Funds To The Statement Of Net Position	6
Statement Of Revenues, Expenditures, And Changes In Fund Balances – Governmental Funds	7
Reconciliation Of The Statement Of Revenues, Expenditures, And Changes In Fund Balances Of Governmental Funds To The Statement Of Activities	8
Statement Of Net Position – Business - Type Activity	9
Statement Of Revenues, Expenses And Changes In Fund Net Position – Business - Type Activity	11
Statement Of Cash Flows – Business - Type Activity	12-13
Notes To Financial Statements	14-35
AUDITOR'S REPORTS	
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 <i>Government Auditing Standards</i>	36-38
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund	39-41
Budgetary Comparison Schedule – Tourism And Planning Commission Fund	42
Schedule Of The City's Proportionate Share Of The Net Position Liability (CERS)	43
Schedule Of City Pension Contributions (CERS)	44
Notes To Required Supplementary Information (CERS)	45
Schedule Of The City's Proportionate Share Of The Net OPEB Liability (CERS)	46
Schedule Of City OPEB Contributions (CERS)	47
Notes To Required Supplementary Information (CERS)	48

SUPPLEMENTARY AND OTHER INFORMATION

Combining Balance Sheet – Non-Major Funds.....	49
Combining Statement Of Revenues, Expenditures, And Changes In Fund Balances – Non-Major Funds	50
Schedule Of Operating Expenses – Business - Type Activity.....	51



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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, 2021, 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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information,

although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 39-42 and the County Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 43 and 44, respectively, and the County Employees' Retirement System's Schedules of the Proportionate Share of the Net OPEB Liability and Contributions, on pages 46 and 47, 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 23, 2021 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of 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 23, 2021

CITY OF WEST LIBERTY, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2021

3

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,422,737	\$ 506,689	\$ 1,929,426
Certificates of deposit	169,742	-	169,742
Taxes receivable	8,167	-	8,167
Accounts receivable, net	-	230,420	230,420
Grants receivable	2,516	-	2,516
Other receivables	443	-	443
Unbilled revenues	-	108,044	108,044
Inventory	-	90,064	90,064
Prepaid expenses	13,261	-	13,261
Capital assets:			
Land and construction-in-progress	302,836	95,914	398,750
Other capital assets, net of accumulated depreciation	2,501,221	13,975,564	16,476,785
Total Assets	4,420,923	15,006,695	19,427,618
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	296,183	324,744	620,927
Deferred outflows related to OPEB	247,620	271,499	519,119
Total deferred outflows of resources	543,803	596,243	1,140,046
LIABILITIES			
Accounts payable	15,491	102,286	117,777
Accrued payroll	20,260	20,928	41,188
Accrued payroll taxes	10,594	10,810	21,404
Accrued vacation	32,300	30,493	62,793
Accrued interest	-	29,365	29,365
Other accrued liabilities	16,538	22,881	39,419
Long-term liabilities:			
Due within one year			
Current portion of long-term debt	63,041	236,790	299,831
Due in more than one year			
Net pension liability	1,791,885	1,964,687	3,756,572
Net OPEB liability	563,961	618,347	1,182,308
Noncurrent portion of long-term debt	192,807	4,243,635	4,436,442
Total Liabilities	2,706,877	7,280,222	9,987,099
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	1,273	1,396	2,669
Deferred inflows related to OPEB	100,283	109,952	210,235
Total deferred inflows of resources	101,556	111,348	212,904
NET POSITION			
Net investment in capital assets	2,548,209	9,591,053	12,139,262
Restricted for:			
Depreciation	-	87,080	87,080
Fire service	47,493	-	47,493
Highways and streets	18,620	-	18,620
Tourism	298,822	-	298,822
911 dispatch	64,737	-	64,737
Debt service	127,472	106,889	234,361
Unrestricted	(949,060)	(1,573,654)	(2,522,714)
Total Net Position	\$ 2,156,293	\$ 8,211,368	\$ 10,367,661

See accompanying notes to basic financial statements.

CITY OF WEST LIBERTY, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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	\$ 574,355	\$ -	\$ -	\$ -	\$ (574,355)	\$ -	\$ (574,355)
Public safety	1,281,957	199,904	347,339		(734,714)	-	(734,714)
Streets	262,252	-	-	41,739	(220,513)	-	(220,513)
Tourism and planning	155,163	-	-	-	(155,163)	-	(155,163)
Interest on long-term debt	10,425	-	-	-	(10,425)	-	(10,425)
Total governmental activities	<u>2,284,152</u>	<u>199,904</u>	<u>347,339</u>	<u>41,739</u>	<u>(1,695,170)</u>	<u>-</u>	<u>(1,695,170)</u>
Business-type activities:							
Water, Sewer, Gas	3,986,274	3,087,380	-	25,303	-	(873,591)	(873,591)
Total business-type activities	<u>3,986,274</u>	<u>3,087,380</u>	<u>-</u>	<u>25,303</u>	<u>-</u>	<u>(873,591)</u>	<u>(873,591)</u>
Total primary government	\$ 6,270,426	\$ 3,287,284	\$ 347,339	\$ 67,042	(1,695,170)	(873,591)	(2,568,761)
General revenues:							
Property taxes					208,412	-	208,412
Fire taxes					27,429	-	27,429
Insurance premium taxes					423,799	-	423,799
Occupational taxes and licenses					815,731	-	815,731
Motor vehicle taxes					20,538	-	20,538
Restaurant taxes					250,936	-	250,936
Other taxes					20,536	-	20,536
Licenses and permits					1,400	-	1,400
Administrative					268,576	-	268,576
Intergovernmental revenue					114,022	-	114,022
Interest income					7,182	1,237	8,419
Rental income					22,189	-	22,189
Miscellaneous					18,836	-	18,836
Transfers:					(110,289)	110,289	-
Total general revenues and transfers					<u>2,089,297</u>	<u>111,526</u>	<u>2,200,823</u>
Change in net position					394,127	(762,065)	(367,938)
Net position - beginning of year					<u>1,762,166</u>	<u>8,973,433</u>	<u>10,735,599</u>
Net position - end of year					\$ 2,156,293	\$ 8,211,368	\$ 10,367,661

See accompanying notes to basic financial statements.

CITY OF WEST LIBERTY, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

5

	General Fund	Tourism and Planning	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 923,361	\$ 298,822	\$ 200,554	\$ 1,422,737
Certificate of deposit	125,000	-	44,742	169,742
Receivables:				
Grant	-	-	2,516	2,516
Other	443	-	-	443
Prepaid expenses	-	-	13,261	13,261
Total Assets	<u>\$ 1,048,804</u>	<u>\$ 298,822</u>	<u>\$ 261,073</u>	<u>\$ 1,608,699</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 15,256	\$ -	\$ 235	\$ 15,491
Accrued payroll	20,260	-	-	20,260
Accrued payroll taxes	10,594	-	-	10,594
Accrued vacation	32,300	-	-	32,300
Other accrued liabilities	14,022	-	2,516	16,538
Total Liabilities	<u>92,432</u>	<u>-</u>	<u>2,751</u>	<u>95,183</u>
Fund Balances:				
Restricted for:				
Debt service	-	-	127,472	127,472
Public safety	-	-	64,737	64,737
Streets	-	-	18,620	18,620
Tourism	-	298,822	-	298,822
Assigned to:				
Public safety	-	-	47,493	47,493
Unassigned:				
General fund	956,372	-	-	956,372
Total Fund Balances	<u>956,372</u>	<u>298,822</u>	<u>258,322</u>	<u>1,513,516</u>
Total Liabilities and Fund Balances	<u>\$ 1,048,804</u>	<u>\$ 298,822</u>	<u>\$ 261,073</u>	<u>\$ 1,608,699</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, 2021

6

Fund Balances - Total Governmental Funds **\$ 1,513,516**

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	7,456,282
Less: accumulated depreciation	(4,652,225)

Long-term liabilities are not due and payable in the current period
and therefore are not reported in the funds. (255,848)

Pension & OPEB contributions after measurement date are reported as a
deferred outflow of resources. 149,346

Net pension & net OPEB liability is not due and payable in the current period and,
therefore, is not reported in governmental funds. (2,355,846)

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	394,457
Deferred pension & OPEB inflows of resources	(101,556)

Other long-term assets are not available to pay for current-period
expenditures and therefore are deferred in the funds:

Delinquent property taxes	<u>8,167</u>
---------------------------	--------------

Net Position of Governmental Activities **\$ 2,156,293**

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, 2021

7

	General Fund	Tourism and Planning	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
Property	\$ 208,521	\$ -	\$ -	\$ 208,521
Insurance premium	423,799	-	-	423,799
Occupational taxes and licenses	815,731	-	-	815,731
Motor vehicle	-	-	20,538	20,538
Telecom	12,717	-	-	12,717
Fire	-	-	27,429	27,429
Restaurant	-	250,936	-	250,936
Motel	-	7,819	-	7,819
E-911	54,509	-	-	54,509
Shelter income	-	710	-	710
Wireless collections	-	-	145,395	145,395
Administrative	268,576	-	-	268,576
Licenses and permits	1,400	-	-	1,400
Intergovernmental revenues	4,335	-	120,687	125,022
Rental income	21,479	-	-	21,479
Fines and forfeits	490	-	-	490
Interest income	5,643	156	1,383	7,182
Contributions	1,867	-	-	1,867
Grants	336,339	-	41,739	378,078
Miscellaneous revenues	16,479	-	-	16,479
Total revenues	<u>2,171,885</u>	<u>259,621</u>	<u>357,171</u>	<u>2,788,677</u>
Expenditures:				
Current:				
General government	479,334	-	-	479,334
Public safety	940,449	-	106,783	1,047,232
Streets	72,948	-	96,169	169,117
Tourism and planning	-	117,298	-	117,298
Debt service:				
Principal retirement	-	-	51,611	51,611
Interest	-	-	10,425	10,425
Capital outlay	<u>83,621</u>	<u>16,655</u>	<u>79,307</u>	<u>179,583</u>
Total expenditures	<u>1,576,352</u>	<u>133,953</u>	<u>344,295</u>	<u>2,054,600</u>
Excess (deficiency) of revenues over expenditures	595,533	125,668	12,876	734,077
Other financing sources (uses):				
Operating transfers in	119,745	-	110,036	229,781
Operating transfers out	(184,713)	(20,573)	(134,784)	(340,070)
Proceeds from borrowing	35,946	-	-	35,946
Total other financing sources (uses)	<u>(29,022)</u>	<u>(20,573)</u>	<u>(24,748)</u>	<u>(74,343)</u>
Net change in fund balances	566,511	105,095	(11,872)	659,734
Fund balances(deficit) - beginning of year	<u>389,861</u>	<u>193,727</u>	<u>270,194</u>	<u>853,782</u>
Fund balances - end of year	<u>\$ 956,372</u>	<u>\$ 298,822</u>	<u>\$ 258,322</u>	<u>\$ 1,513,516</u>

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, 2021

8

Net Change in Fund Balances - Total Governmental Funds \$ 659,734

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	179,583
Depreciation expense	(320,157)

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	(109)
---------------------------------------	-------

Changes in pension & OPEB expense are reported only in the statement of activities.	(140,589)
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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.	(35,946)
--	----------

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>51,611</u>
---------------	---------------

Change in Net Position of Governmental Activities	<u>\$ 394,127</u>
---	-------------------

See accompanying notes to basic financial statements.

CITY OF WEST LIBERTY, KENTUCKY
STATEMENT OF NET POSITION
BUSINESS-TYPE ACTIVITY
JUNE 30, 2021

9

	<u>Water, Sewer, Gas</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 312,720
Accounts receivable (net of allowance for doubtful accounts, \$74,421)	230,420
Unbilled receivables	108,044
Inventory	<u>90,064</u>
Total current assets	<u>741,248</u>
Non-current assets:	
Restricted assets:	
Cash and cash equivalents	<u>193,969</u>
Total restricted assets	<u>193,969</u>
Utility Plant:	
Plant in service	29,722,610
Less accumulated depreciation	<u>(15,651,132)</u>
	14,071,478
Construction work in progress	<u>-</u>
Net utility plant	<u>14,071,478</u>
Total assets	<u>15,006,695</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	324,744
Deferred outflows related to OPEB	<u>271,499</u>
Total deferred outflows of resources	<u>596,243</u>

See accompanying notes to basic financial statements.

CITY OF WEST LIBERTY, KENTUCKY
 STATEMENT OF NET POSITION (Continued)
 BUSINESS-TYPE ACTIVITY
 JUNE 30, 2021

10

	<u>Water, Sewer, Gas</u>
LIABILITIES	
Current liabilities:	
Accounts payable	102,286
Accrued payroll	20,928
Accrued payroll taxes	10,810
Accrued vacation	30,493
Accrued interest payable	29,365
Other accrued liabilities	22,881
Current portion of long-term liabilities	<u>236,790</u>
Total current liabilities	<u>453,553</u>
Long-term liabilities:	
Net pension liability	1,964,687
Net OPEB liability	618,347
Long-term debt	<u>4,480,425</u>
	7,063,459
Less current portion	<u>(236,790)</u>
Total long-term liabilities	<u>6,826,669</u>
Total liabilities	<u>7,280,222</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow related to pensions	1,396
Deferred inflows related to OPEB	<u>109,952</u>
Total deferred inflows of resources	<u>111,348</u>
NET POSITION:	
Net investment in capital assets	9,591,053
Restricted for:	
Debt service	106,889
Depreciation	87,080
Unrestricted	<u>(1,573,654)</u>
Total net position	<u><u>\$ 8,211,368</u></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, 2021

11

	<u>Water, Sewer, Gas</u>
Operating revenues:	
Sewer revenues	\$ 923,160
Water revenues	1,208,553
Gas revenues	904,369
Other operating revenues	<u>51,298</u>
Total operating revenues	3,087,380
Cost of sales - gas purchases	<u>603,474</u>
Net operating revenues	<u>2,483,906</u>
Operating expenses:	
Sewer	1,308,954
Water	1,583,376
Gas	<u>375,730</u>
Total operating expenses	<u>3,268,060</u>
Utility operating income (loss)	<u>(784,154)</u>
Non-operating revenues (expenses):	
Interest income	1,237
Interest expense	<u>(114,740)</u>
Total non-operating revenues (expenses)	<u>(113,503)</u>
Net income (loss) before contributions from (to)	(897,657)
Contributions in aid of construction	25,303
Transfers from General Fund	<u>110,289</u>
Total contributions and transfers	135,592
Change in net position	(762,065)
Net position, beginning of year	<u>8,973,433</u>
Net position, end of year	<u>\$ 8,211,368</u>

See accompanying notes to basic financial statements.

CITY OF WEST LIBERTY, KENTUCKY
STATEMENT OF CASH FLOWS
BUSINESS-TYPE ACTIVITY
YEAR ENDED JUNE 30, 2021

12

	<u>Water, Sewer, Gas</u>
Cash flows from operating activities:	
Cash inflows:	
Payments received from customers	\$ 3,116,083
Total cash provided	<u>3,116,083</u>
Cash outflows:	
Payments for salaries and benefits	1,035,955
Payments to suppliers for goods and services	<u>1,773,976</u>
Total cash used	<u>2,809,931</u>
Net cash provided (used) by operating activities	<u>306,152</u>
Cash flows from noncapital financing activities:	
Transfers from General Fund	<u>110,289</u>
Net cash provided (used) by noncapital financing activities	<u>110,289</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(250,357)
Capital contributions received	25,303
Proceeds from issuance of debt	590,000
Proceeds from loan	27,431
Principal payments on debt	(796,670)
Interest paid on long-term debt	<u>(120,412)</u>
Net cash provided (used) by capital and related financing activities	<u>(524,705)</u>
Cash flows from investing activities:	
Interest received	<u>1,237</u>
Net cash provided (used) by investing activities	<u>1,237</u>
Net cash inflow (outflow) from all activities	(107,027)
Cash and cash equivalents at beginning of period	<u>613,716</u>
Cash and cash equivalents at end of period	<u>\$ 506,689</u>

See accompanying notes to basic financial statements.

STATEMENT OF CASH FLOWS (Continued)
BUSINESS-TYPE ACTIVITY
YEAR ENDED JUNE 30, 2021

13

	<u>Water, Sewer, Gas</u>
net cash provided by operating activities:	
Utility operating income	\$ (784,154)
Depreciation	709,077
(Increase) decrease in:	
Accounts receivable	26,131
Unbilled revenue	2,572
Inventory	(3,136)
Deferred outflows of resources	(51,611)
Increase (decrease) in:	
Accounts payable	53,698
Accrued liabilities and other liabilities	5,430
Net pension & net OPEB liability	424,950
Deferred inflows of resources	(76,805)
	<u>306,152</u>
Net cash provided (used) by operating activities	<u>\$ 306,152</u>
Schedule of cash:	
Beginning of period:	
Unrestricted cash and cash equivalents	\$ 359,800
Restricted cash and cash equivalents	253,916
	<u>\$ 613,716</u>
End of period:	
Unrestricted cash and cash equivalents	\$ 312,720
Restricted cash and cash equivalents	193,969
	<u>\$ 506,689</u>

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. As of June 30, 2021, the bonds and notes have been fully paid. 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 properly 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, if applicable, 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, 2021 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>\$2,100,316</u>	<u>\$339,887</u>	<u>\$1,760,429</u>	<u>\$ -</u>	<u>\$2,099,168</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 2020 were levied on \$298,414,864 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, 2021, consisted of the following:

Governmental Activities

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2021</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	1,359,211	-	-	1,359,211
Infrastructure	1,332,052	84,760	-	1,416,812
Automobiles and trucks	788,847	44,993	-	833,840
Machinery and equipment	<u>2,057,830</u>	<u>49,830</u>	<u>-</u>	<u>2,107,660</u>
Total capital assets being depreciated	<u>6,973,863</u>	<u>179,583</u>	<u>-</u>	<u>7,153,446</u>

CITY OF WEST LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

22

NOTE 4. CAPITAL ASSETS (Continued)

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021
Less accumulated depreciation for:				
Buildings and improvements	(458,925)	(29,843)	-	(488,768)
Improvements other than buildings	(772,810)	(58,685)	-	(831,495)
Infrastructure	(893,908)	(87,215)	-	(981,123)
Automobiles and trucks	(603,812)	(58,001)	-	(661,813)
Machinery and equipment	(1,602,613)	(86,413)	-	(1,689,026)
Total accumulated depreciation	(4,332,068)	(320,157)	-	(4,652,225)
Total capital assets being depreciated, net	2,641,795	(140,574)	-	2,501,221
Governmental activities capital assets, net	\$2,944,631	\$ (140,574)	\$ -	\$2,804,057

Depreciation was charged to governmental functions as follows:

General government	\$ 57,484
Public safety	131,673
Tourism and planning	37,865
Streets	93,135
Total	\$ 320,157

Business-Type Activities

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021
Capital assets, not being depreciated:				
Land and land improvements	\$ 95,914	\$ -	\$ -	\$ 95,914
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	95,914	-	-	95,914
Capital assets, being depreciated:				
Leasehold improvements	1,000	-	-	1,000
Machinery and equipment	1,076,719	69,513	-	1,146,232
Water plant and water system	12,643,572	-	-	12,643,572
Sewer plant and sewer system	14,556,854	180,844	-	14,737,698
Gas system	1,098,194	-	-	1,098,194
Total capital assets being depreciated	29,376,339	250,357	-	29,626,696
Less accumulated depreciation for:				
Leasehold improvements	(907)	(31)	-	(938)
Machinery and equipment	(894,361)	(45,869)	-	(940,230)
Water plant and water system	(6,651,215)	(293,765)	-	(6,944,980)

**CITY OF WEST LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

23

NOTE 4. CAPITAL ASSETS (Continued)

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2021</u>
Sewer plant and sewer system	(7,187,379)	(345,852)	-	(7,533,231)
Gas system	(208,193)	(23,560)	-	(231,753)
Total accumulated depreciation	(14,942,055)	(709,077)	-	(15,651,132)
Total capital assets being depreciated, net	14,434,284	(458,720)	-	13,975,564
Total utilities capital assets, net	\$14,530,198	\$ (458,720)	\$ -	\$14,071,478

NOTE 5: LONG-TERM DEBT

Business –Type Activities:

The Water, Sewer, and Gas Proprietary Fund presently has three revenue bond issues outstanding. The City issues revenue bonds for the acquisition and construction of major capital facilities.

- 1) 2001 Series (A) - \$1,000,000 Water and Sewer revenue bonds, maturing through November 1, 2041, with interest at 3.25%.
- 2) 2019 Series (C) - \$1,875,000 Water and Sewer revenue bond, maturing through February 1, 2044, with interest at variable rates.
- 3) 2020 Series (D) - \$590,000 Gas revenue bonds, maturing through February 1, 2040, with interest at variable rates.

Principal payments are due annually for 2001 Series (A) bond on November 1, and interest payments are due semi-annually on May 1, and November 1. Principal payments are due annually for 2020 Series (D) and 2019 Series (C) bonds on February 1 and interest payments are due semi-annually on February 1, and August 1.

Total bond interest expense for the year ended June 30, 2021, amounted to \$99,061.

The Water, Sewer, and Gas Proprietary Fund notes payable at June 30, 2021 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.

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.

NOTE 5. LONG-TERM DEBT (Continued)

On November 6, 2019, the City entered into a lease agreement for \$1,875,000 with the Kentucky Bond Corporation in conjunction with the Series 2019C bond issue for the refunding of called Series 1988, 1998, 2001B, 2006, and 2007 water and sewer revenue bonds. The term of the lease is 25 years with monthly payments of principal and interest made into a sinking fund with the Bank of New York. Principal payments from the sinking fund are due February 1 and interest payments from the sinking fund are due semi-annually on February 1, and August 1.

On July 30, 2020, the City entered into a lease agreement for \$590,000 with the Kentucky Bond Corporation in conjunction with the Series 2020D bond issue for the refunding of called Series 2010, gas revenue bond. The term of the lease is 20 years with monthly payments of principal and interest made into a sinking fund with the Bank of New York. Principal payments from the sinking fund are due February 1 and interest payments from the sinking fund are due semi-annually on February 1, and August 1.

On April 30, 2020, the City borrowed \$39,050 at 3.30% interest from Magnolia Bank for the purchase of an excavator. The agreement provides for 48 monthly payments of \$869 to be made beginning May 29, 2020 with final payment due on April 29, 2024.

On December 16, 2020, the City borrowed \$27,431 at 3.00% interest from Magnolia Bank for the purchase of a F-250 pickup. The agreement provides for 36 monthly payments of \$798 to be made beginning January 20, 2021 with final payment due on January 20, 2023.

Changes in long-term obligations for the year ended June 30, 2021, are as follows:

<u>Business – type Activities</u>	<u>Balance</u> <u>6/30/2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2021</u>	<u>Due Within</u> <u>One Year</u>
Bond payable – 2001 issue (A)	\$ 718,000	\$ -	\$ (23,000)	\$ 695,000	\$ 24,000
Bond payable – 2010 issue	590,000	-	(590,000)	-	-
Bond payable – 2019 issue (C)	1,875,000	-	(80,000)	1,795,000	80,000
Bond payable – 2020 issue (D)	-	590,000	(10,000)	580,000	25,000
Less: Unamortized bond discount	(8,313)	-	8,313	-	-
Note payable – KIA (F11-04)	713,341	-	(44,308)	669,033	44,752
Note payable – KIA (A11-11)	733,353	-	(43,969)	689,384	44,409
Note payable - excavator	38,283	-	(9,313)	28,970	9,623
Note payable – water dept pickup	-	27,431	(4,393)	23,038	9,006
Net pension liability	1,741,666	223,021	-	1,964,687	-
Net OPEB liability	416,418	201,929	-	618,347	-
Total business-type activities	<u>\$6,817,748</u>	<u>\$1,042,381</u>	<u>\$(796,670)</u>	<u>\$7,063,459</u>	<u>\$236,790</u>

The City has pledged future water, sewer, and gas revenues, net of specified operating expenses, to repay these revenue bonds.

CITY OF WEST LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

25

NOTE 5. LONG-TERM DEBT (Continued)

Principal and interest payments to be made on all long-term debt at June 30, 2021, 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>
2022	\$ 129,000	\$ 107,790	\$ 236,790	\$ 100,601	\$ 337,391
2023	134,000	109,281	243,281	95,831	339,112
2024	135,000	105,110	240,110	90,921	331,031
2025	146,000	91,870	237,870	86,358	324,228
2026	147,000	92,791	239,791	81,726	321,517
2027-2031	708,000	478,094	1,186,094	337,514	1,523,608
2032-2036	703,000	425,489	1,128,489	221,401	1,349,890
2037-2041	743,000	-	743,000	102,879	845,879
2042-2044	<u>225,000</u>	<u>-</u>	<u>225,000</u>	<u>13,294</u>	<u>238,294</u>
	<u>\$3,070,000</u>	<u>\$1,410,425</u>	<u>\$4,480,425</u>	<u>\$1,130,525</u>	<u>\$5,610,950</u>

Governmental Activities:

The City's notes payable at June 30, 2021 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 March 25, 2020, the City borrowed \$50,982 at 3.44% interest from Magnolia Bank for the purchase of a Ford Explorer police cruiser. The agreement provides for 36 monthly payments of \$1492 to be made beginning April 20, 2020 with final payment due on March 20, 2023.
- 4) On February 26, 2021, the City borrowed \$35,946 at 3.00% interest from Magnolia Bank for the purchase of a F-250 pickup. The agreement provides for 36 monthly payments of \$1,047 to be made beginning April 20, 2021 with final payment due on March 20, 2024.

Changes in long-term obligations for the year ended June 30, 2021, are as follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>6/30/2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2021</u>	<u>Due Within</u> <u>One Year</u>
Note payable – police cruisers	\$ 19,539	\$ -	\$ (9,989)	\$ 9,550	\$ 9,550
Note payable – police cruisers	45,554	-	(15,191)	30,363	17,127
Note payable – street pickup	-	35,946	(2,816)	33,130	11,737
Note payable – fire station	206,420	-	(23,615)	182,805	24,627
Net pension liability	1,714,020	77,865	-	1,791,885	-

CITY OF WEST LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

26

NOTE 5. LONG-TERM DEBT (Continued)

Net OPEB liability	<u>409,809</u>	<u>154,152</u>	<u>-</u>	<u>563,961</u>	<u>-</u>
Total governmental activities	<u>\$2,395,342</u>	<u>\$ 267,963</u>	<u>\$ (51,611)</u>	<u>\$2,611,694</u>	<u>\$ 63,041</u>

Repayment of principal and interest maturities is principally made from various taxes collected. Also, for governmental activities, the pension obligations and other post-employment benefit obligations are generally liquidated by the general fund.

Principal and interest payments to be made on all long-term debt at June 30, 2021, 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>
2022	\$ -	\$ 63,041	\$ 63,041	\$ 9,019	\$ 72,060
2023	-	51,006	51,006	6,815	57,821
2024	-	36,071	36,071	5,185	41,256
2025	-	27,927	27,927	3,910	31,837
2026	-	29,122	29,122	2,714	31,836
2027-2028	-	<u>48,681</u>	<u>48,681</u>	<u>1,726</u>	<u>50,407</u>
	<u>\$ -</u>	<u>\$ 255,848</u>	<u>\$ 255,848</u>	<u>\$ 29,369</u>	<u>\$ 285,217</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, 2021 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	\$ 108,254
	Tourism Fund	Reimbursement	11,491
Water & Sewer Fund	General Fund	Operating	101,207
	Tourism Fund	Reimbursement	9,082
Debt Service Fund	General Fund	Debt Service	83,506
	Fire Tax Fund	Debt Service	<u>26,530</u>
Subtotal – Fund Financial Statements			340,070
Less: Fund Eliminations			<u>(340,070)</u>
Total Transfers – Government-wide Statement of Activities			<u>\$ -</u>

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 \$71,137 is being held by the Bank of New York in an interest bearing account.

Proprietary Funds Debt Service Reserve Fund in the amount of \$17,002 is being held in an interest bearing account at the Commercial Bank of West Liberty.

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 \$87,080.

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 23, 2021, 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	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 – December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and the sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and the sum of service years plus age equal 87
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's spouse will receive the higher of the normal death benefit or \$10,000 plus 75% of the decedent's monthly average pay until the spouse's death or remarriage. If surviving spouse remarries, the monthly payment shall be recalculated to 25% of the deceased member's monthly average pay. Each eligible dependent child will receive a monthly benefit equal to 50% of the decedent's monthly average pay. The amount increases to 65% if the decedent has two (2) dependent children; and 75% if three (3) or more children. Payments will be divided equally among all the 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, 2021, was 19.30 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 \$251,152 for the year ended June 30, 2021.

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

At June 30, 2021, the City reported a liability of \$3,756,572 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2020, the City's proportion was 0.049 percent, which was unchanged from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City recognized pension expense of \$608,035. At June 30, 2021, 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	\$ 93,677	\$ -
Changes of assumptions	146,688	-
Net difference between projected and actual earnings on pension plan investments	94,004	-
Changes in proportion and differences between City contributions and proportionate share of contributions	35,406	2,669
City contributions subsequent to the measurement date	<u>251,152</u>	<u>-</u>
Total	<u>\$ 620,927</u>	<u>\$ 2,669</u>

\$251,152 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

NOTE 11 – DEFINED PENSION (Continued)

Year ended June 30:	
2022	\$ 174,302
2023	109,597
2024	45,453
2025	37,754
2026	-
Thereafter	-

Actuarial Methods and Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2020 are as follows:

Inflation	2.30%
Payroll Growth Rate	2.00% for CERS non-hazardous
Salary Increases	3.30% to 10.30%, varies by service for CERS non-hazardous
Investment Rate of Return	6.25% for CERS non-hazardous

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2020. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

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>
Growth	62.50%	
US Equity	18.75%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%

NOTE 11 – DEFINED PENSION (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Liquidity	14.50%	
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Diversifying Strategies	23.00%	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	<u>3.95%</u>
Expected Real Rate	100.00%	3.96%
Long Term Inflation Assumption		<u>2.30%</u>
Expected Nominal Return for Portfolio		6.26%

Discount Rate

The projection of cash flows used to determine the discount rate of 6.25% for CERS non-hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statue as last amended by House Bill 362 (passed in 2018). 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	\$4,632,671	\$3,756,572	\$3,031,129

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued KRS 2020 Comprehensive Annual Financial Report at kyret.ky.gov.

NOTE 11 – DEFINED PENSION (Continued)

Payable to the Pension Plan

At June 30, 2021, the City reported a payable of \$28,869 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021. The payable includes both the pension and insurance contribution allocation.

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, 2021, was 4.76 percent of covered payroll. Contributions to the OPEB plan from the City were \$61,942 for the year ended June 30, 2021.

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

At June 30, 2021, the City reported a liability of \$1,182,308 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, 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, 2020, the City's proportion was 0.049 percent, which was unchanged from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City recognized OPEB expense of \$160,271. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 197,539	\$ 197,693
Changes of assumptions	205,652	1,251
Net difference between projected and actual earnings On OPEB plan investments	39,297	-

CITY OF WEST LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

33

NOTE 12 – OPEB PLAN (Continued)

Changes in proportion and
differences between City
contributions and proportionate
share of contributions

14,689

11,291

City contributions subsequent
to the measurement date

61,942

-

Total

\$ 519,119

\$ 210,235

\$61,942 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, 2022.

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:

2022	\$64,956
2023	76,585
2024	54,305
2025	53,024
2026	(1,928)
Thereafter	-

Actuarial Methods and Assumptions

A summary of the actuarial methods and assumptions used in determining the total OPEB liability as of June 30, 2020 are as follows:

Inflation	2.30%
Payroll Growth Rate	2.00% for CERS non-hazardous
Salary Increase	3.30% to 10.30%, varies by service for CERS non-hazardous
Investment Rate of Return	6.25% for CERS non-hazardous
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 6.40% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years
Post - 65	Initial trend starting at 2.90% at January 1, 2022, and increasing to 6.30% in 2023 then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Non-Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

NOTE 12 – OPEB PLAN (Continued)

Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

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>
Growth	62.50%	
US Equity	18.75%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
Liquidity	14.50%	
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Diversifying Strategies	23.00%	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	<u>3.95%</u>
Expected Real Rate	100.00%	3.96%
Long Term Inflation Assumption		<u>2.30%</u>
Expected Nominal Return for Portfolio		6.26%

NOTE 12 – OPEB PLAN (Continued)

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	\$915,402	\$1,182,308	\$1,506,204

Discount Rate

Single discount rates of 5.34% for CERS non-hazardous system was used to measure the total OPEB liability as of June 30, 2020. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25%, and a municipal bond rate of 2.45%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2020. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system. However, the cost associated with the implicit employer subsidy was not included in the calculation of the KRS' actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KRS' trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the CAFR.

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

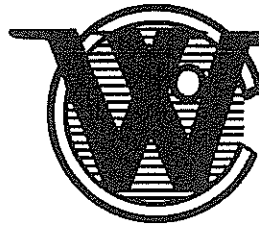
The following presents the City's proportionate share of the Net OPEB Liability using the discount rate of 5.34%, as well as what the City's proportionate share of the Net OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower (4.34%) or one percentage-point higher (6.34%) than the current rate:

	<u>1.0% Decrease (4.34%)</u>	<u>Current Discount Rate (5.34%)</u>	<u>1.0% Increase (6.34%)</u>
City's proportionate share of the net OPEB liability	\$1,518,918	\$1,182,308	\$905,838

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued KRS 2020 Comprehensive Annual Financial Report at kyret.ky.gov.

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, 2021, 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 23, 2021, 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 have not been identified. However, as described in 2021-001 and 2021-002 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 2021-001 to be a material weakness.

2021-001 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 2021-002 to be a significant deficiency.

2021-002 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 2021-003 below.

2021-003 Failure to Meet Debt Covenant Reserve Requirements

Condition: At June 30, 2021, the City's water and sewer fund depreciation reserve and operation & maintenance reserve were both underfunded causing the City to not be in compliance with debt covenants. The depreciation reserve was underfunded by \$57,173 and the operations & maintenance reserve was underfunded by \$128,856.

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

Cause of Condition: The balances in reserves have been used in the past to operate the water and sewer fund.

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

Management Comment: The City will continue to work on meeting its obligations and replenishing the reserves as it has been over the past several years.

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.

Walth & Company, PSC

Certified Public Accountants
Paintsville, Kentucky
August 23, 2021

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WEST LIBERTY, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

39

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Property taxes	\$ 190,000	\$ 190,000	\$ 208,521	\$ 18,521
Taxes on insurance premiums	380,000	380,000	423,799	43,799
Occupational taxes and licenses	700,000	700,000	815,731	115,731
E911	67,000	67,000	54,509	(12,491)
Unloading license	1,400	1,400	1,400	-
Law enforcement fees	6,500	6,500	4,335	(2,165)
Telecom tax	12,000	12,000	12,717	717
Interest	-	-	5,643	5,643
Rent	20,000	20,000	21,479	1,479
Fines and forfeits	-	-	490	490
Administrative	227,719	227,719	268,576	40,857
Contributions	-	-	1,867	1,867
Grants	-	333,224	336,339	3,115
Other receipts	14,100	14,100	16,479	2,379
Total revenues	<u>1,618,719</u>	<u>1,951,943</u>	<u>2,171,885</u>	<u>219,942</u>
Expenditures:				
General government:				
Health and life insurance	67,000	67,000	74,794	(7,794)
Insurance	37,000	37,000	30,751	6,249
Dues and subscriptions	6,000	6,000	2,474	3,526
Materials and supplies	5,000	5,000	7,619	(2,619)
Janitorial supplies	250	250	-	250
Mayor and city council fees	14,500	14,500	8,550	5,950
Other expenses	4,500	4,500	13,671	(9,171)
Office expenses	14,000	14,000	9,803	4,197
Professional fees	15,000	15,000	11,574	3,426
Postage	2,000	2,000	1,637	363
Repairs and maintenance	42,000	42,000	41,764	236
Retirement	40,000	40,000	39,826	174
Salaries and wages	169,000	169,000	192,105	(23,105)
Payroll taxes	16,000	16,000	15,941	59
Telephone and utilities	22,000	22,000	24,992	(2,992)
Travel and training	2,500	2,500	3,833	(1,333)
Capital outlays	-	-	20,375	(20,375)
Total General Government	<u>456,750</u>	<u>456,750</u>	<u>499,709</u>	<u>(42,959)</u>

CITY OF WEST LIBERTY, KENTUCKY
BUDGETARY COMPARISON SCHEDULE (Continued)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

40

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Police:				
Automobile	16,500	16,500	17,888	(1,388)
Health and life insurance	55,000	55,000	53,402	1,598
Insurance	46,000	46,000	32,206	13,794
Dues and subscriptions	3,000	3,000	11,821	(8,821)
Janitorial supplies	250	250	-	250
Materials and supplies	30,000	30,000	22,615	7,385
Other expenses	-	-	2,298	(2,298)
Office expenses	4,000	4,000	3,767	233
Professional fees	5,000	5,000	8,073	(3,073)
Repairs and maintenance	15,000	15,000	13,451	1,549
Retirement	53,000	53,000	64,535	(11,535)
Salaries and wages	260,000	260,000	246,822	13,178
Payroll tax	24,000	24,000	22,012	1,988
Telephone and utilities	21,000	21,000	23,398	(2,398)
Travel and training	7,000	7,000	1,406	5,594
Uniform allowance	2,400	2,400	1,976	424
Capital outlays	-	-	-	-
Total Police	542,150	542,150	525,670	16,480
Fire:				
Automobile	2,500	2,500	1,272	1,228
Insurance	18,000	18,000	13,129	4,871
Materials and supplies	10,000	10,000	5,015	4,985
Other expenses	2,000	2,000	2,606	(606)
Repairs and maintenance	10,000	10,000	8,620	1,380
Telephone and utilities	7,500	7,500	9,977	(2,477)
Travel and training	2,000	2,000	-	2,000
Capital outlays	-	-	-	-
Total Fire	52,000	52,000	40,619	11,381
Dispatch:				
Automobile	1,500	1,500	688	812
Health and life insurance	59,000	59,000	43,549	15,451
Insurance	10,000	10,000	6,804	3,196
Dues and subscriptions	1,500	1,500	628	872
Janitorial supplies	100	100	-	100
Other expenses	-	-	4,112	(4,112)
Office expenses	2,500	2,500	1,238	1,262
Professional fees	17,500	17,500	8,048	9,452
Repairs and maintenance	15,000	15,000	11,495	3,505

CITY OF WEST LIBERTY, KENTUCKY
BUDGETARY COMPARISON SCHEDULE (Continued)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

41

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Retirement	44,000	44,000	44,946	(946)
Salaries and wages	230,000	230,000	215,110	14,890
Payroll tax	21,000	21,000	17,713	3,287
Telephone and utilities	12,500	12,500	17,537	(5,037)
Travel and training	2,000	2,000	1,304	696
Uniform allowance	2,800	2,800	988	1,812
Total Dispatch	419,400	419,400	374,160	45,240
Street:				
Automobile	2,000	2,000	-	2,000
Insurance	10,000	10,000	8,334	1,666
Other expenses	-	-	906	(906)
Materials and supplies	6,500	6,500	5,861	639
Repairs and maintenance	11,000	11,000	8,916	2,084
Utilities and telephone	38,000	38,000	48,931	(10,931)
Capital outlays	59,600	59,600	63,246	(3,646)
Total Street	127,100	127,100	136,194	(9,094)
Total expenditures	1,597,400	1,597,400	1,576,352	21,048
Excess (deficiency) of revenues over expenditures	21,319	354,543	595,533	198,894
Other Financing Sources/(Uses):				
Operating transfers in	113,010	113,010	119,745	6,735
Operating transfers out	(147,000)	(480,224)	(184,713)	295,511
Proceeds from borrowing	-	-	35,946	35,946
Total Other Financing Sources/(Uses)	(33,990)	(367,214)	(29,022)	338,192
Net change in fund balance	<u>\$ (12,671)</u>	<u>\$ (12,671)</u>	566,511	<u>\$ 579,182</u>
Fund balance - beginning of year			389,861	
Fund balance - end of year			<u>\$ 956,372</u>	

CITY OF WEST LIBERTY, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
TOURISM AND PLANNING COMMISSION FUND
FOR THE YEAR ENDED JUNE 30, 2021

42

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Restaurant tax	\$ 195,000	\$ 195,000	\$ 250,936	\$ 55,936
Motel tax	10,000	10,000	7,819	(2,181)
Shelter income	1,200	1,200	710	(490)
Interest income	45	45	156	111
Total revenues	206,245	206,245	259,621	53,376
Expenditures:				
Administrative	15,000	15,000	11,980	3,020
Donations	115,000	115,000	63,772	51,228
Materials and supplies	25,000	25,000	8,936	16,064
Other expenses	44,890	44,890	8,075	36,815
Office expenses	-	-	733	(733)
Salaries and wages	45,000	45,000	6,597	38,403
Repairs and maintenance	20,000	20,000	17,205	2,795
Capital outlays	26,355	26,355	16,655	9,700
Total expenditures	291,245	291,245	133,953	157,292
Excess (deficiency) of revenues over expenditures	(85,000)	(85,000)	125,668	(103,916)
Other financing sources/(uses):				
Operating transfers in/(out)	-	-	(20,573)	(20,573)
Total other financing sources/(uses)	-	-	(20,573)	(20,573)
Net change in fund balance	\$ (85,000)	\$ (85,000)	105,095	\$ 190,095
Fund balance - beginning of year			193,727	
Fund balance - end of year			\$ 298,822	

CITY OF WEST LIBERTY, KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY (CERS)
JUNE 30, 2021

43

	6/30/2015	6/30/2016	6/30/2017
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%

	6/30/2018	6/30/2019	6/30/2020
City's proportion of the net pension liability (asset)	0.048062%	0.047700%	0.049135%
City's proportionate share of the net pension liability (asset)	\$ 2,813,217	\$ 2,905,136	\$ 3,455,686
City's covered-employee payroll	\$ 1,206,464	\$ 1,264,786	\$ 1,281,650
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	233.18%	229.69%	269.63%
Plan fiduciary net position as a percentage of the total pension liability	53.30%	53.54%	50.45%

	6/30/2021
City's proportion of the net pension liability (asset)	0.048978%
City's proportionate share of the net pension liability (asset)	\$ 3,756,572
City's covered-employee payroll	\$ 1,301,305
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	288.68%
Plan fiduciary net position as a percentage of the total pension liability	47.81%

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, 2021

44

	6/30/2015	6/30/2016	6/30/2017
Contractually required contribution	\$ 141,177	\$ 137,170	\$ 165,894
Contributions in relation to the contractually required contribution	141,177	137,170	165,894
Contribution deficiency (excess)	\$ -	\$ -	\$ -
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%

	6/30/2018	6/30/2019	6/30/2020
Contractually required contribution	\$ 174,696	\$ 205,148	\$ 247,358
Contributions in relation to the contractually required contribution	174,696	205,148	247,358
Contribution deficiency (excess)	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 1,206,464	\$ 1,264,786	\$ 1,281,650
Contributions as a percentage of covered-employee payroll	14.48%	16.22%	19.30%

	6/30/2021
Contractually required contribution	\$ 251,152
Contributions in relation to the contractually required contribution	251,152
Contribution deficiency (excess)	\$ -
City's covered-employee payroll	\$ 1,301,305
Contributions as a percentage of covered-employee payroll	19.30%

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, 2021**

45

NOTE A – CHANGES OF BENEFIT TERMS

There was no legislation enacted that had a material change in benefit provisions for CERS.

NOTE B – CHANGES OF ASSUMPTIONS

There have been no assumption changes since June 30, 2019. Senate Bill 249 passed during the 2020 Legislative Session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020.

Actuarial Methods and Assumptions used to determine the Actuarial Determined Contribution for the Fiscal Year 2020

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2020:

Valuation Date	June 30, 2018
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of pay
Remaining Amortization Period	25 years, closed
Payroll Growth Rate	2.00% for CERS non-hazardous
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 11.55%, varies by service
Investment Rate of Return	6.25% for CERS non-hazardous

CITY OF WEST LIBERTY, KENTUCKY
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
 THE NET OPEB LIABILITY (CERS)
 JUNE 30, 2021

	6/30/2018	6/30/2019	6/30/2020
City's proportion of the net OPEB liability (asset)	0.048062%	0.047700%	0.049123%
City's proportionate share of the net OPEB liability (asset)	\$ 966,211	\$ 846,886	\$ 826,227
City's covered-employee payroll	\$ 1,206,464	\$ 1,264,786	\$ 1,281,650
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	80.09%	66.96%	64.47%
Plan fiduciary net position as a percentage of the total OPEB liability	52.40%	57.62%	60.44%

	6/30/2021
City's proportion of the net OPEB liability (asset)	4.896300%
City's proportionate share of the net OPEB liability (asset)	\$ 1,182,308
City's covered-employee payroll	\$ 1,301,305
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	90.86%
Plan fiduciary net position as a percentage of the total OPEB liability	51.67%

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, 2021

47

	6/30/2018	6/30/2019	6/30/2020
Contractually required contribution	\$ 56,704	\$ 56,704	\$ 61,007
Contributions in relation to the contractually required contribution	56,704	56,704	61,007
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,206,464	\$ 1,264,786	\$ 1,281,650
Contributions as a percentage of covered-employee payroll	4.70%	5.26%	4.76%
	6/30/2021		
Contractually required contribution	\$ 61,942		
Contributions in relation to the contractually required contribution	61,942		
Contribution deficiency (excess)	<u>\$ -</u>		
City's covered-employee payroll	\$ 1,301,305		
Contributions as a percentage of covered-employee payroll	4.76%		

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, 2021**

48

NOTE A – CHANGES OF BENEFIT TERMS

There was no legislation enacted that had a material change in benefit provisions for CERS.

NOTE B – CHANGES OF ASSUMPTIONS

The discount rate used to calculate the total OPEB liability decreased from 5.68% to 5.34% for the Non-Hazardous Fund. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2019 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. Also, the June 30, 2020 GASB No. 75 actuarial information reflects the anticipated savings from the repeal of the “Cadillac Tax” and “Health Insurer Fee”, which occurred in December of 2019. The assumed load on pre-Medicare premiums to reflect the cost of the Cadillac Tax was removed and the Medicare premiums were reduced by 11% to reflect the repeal of the Health Insurer Fee. There were no other material assumption changes.

Actuarial Methods and Assumptions used to determine the Actuarial Determined Contribution for the Fiscal Year 2020

The following actuarial methods and assumptions, for actuarially determined contributions effective for fiscal year ending June 30, 2020:

Valuation Date	June 30, 2018
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of pay
Remaining Amortization Period	25 years, closed
Payroll Growth Rate	2.00% for CERS non-hazardous
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 11.55%, varies by service
Investment Rate of Return	6.25% for CERS non-hazardous
Healthcare Trend Rates	
Pre – 65	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2019 premiums were known at the time of the valuation and were incorporated into the liability measurement for CERS non-hazardous.
Post - 65	Initial trend starting at 5.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years. The 2019 premiums were known at the time of the valuation and were incorporated into the liability measurement for CERS non-hazardous.
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018 for CERS non-hazardous.

CITY OF WEST LIBERTY, KENTUCKY
COMBINING BALANCE SHEET
NON-MAJOR FUNDS
JUNE 30, 2021

49

	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	\$127,472	\$ 2,751	\$ -	\$ 18,620	\$ 51,711	\$ 200,554
Certificate of deposit	-	44,742	-	-	-	44,742
Receivables	-	-	2,516	-	-	2,516
Prepaid expense	-	-	-	-	13,261	13,261
Total Assets	<u>\$127,472</u>	<u>\$ 47,493</u>	<u>\$ 2,516</u>	<u>\$ 18,620</u>	<u>\$ 64,972</u>	<u>\$ 261,073</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 235	\$ 235
Other accrued liabilities	-	-	2,516	-	-	2,516
Total Liabilities	<u>-</u>	<u>-</u>	<u>2,516</u>	<u>-</u>	<u>235</u>	<u>2,751</u>
Fund Balances:						
Restricted for:						
Debt service	127,472	-	-	-	-	127,472
Public safety	-	-	-	-	64,737	64,737
Streets	-	-	-	18,620	-	18,620
Assigned to:						
Public safety	-	47,493	-	-	-	47,493
Total Fund Balances	<u>127,472</u>	<u>47,493</u>	<u>-</u>	<u>18,620</u>	<u>64,737</u>	<u>258,322</u>
Total Liabilities and Fund Balances	<u>\$127,472</u>	<u>\$ 47,493</u>	<u>\$ 2,516</u>	<u>\$ 18,620</u>	<u>\$ 64,972</u>	<u>\$ 261,073</u>

CITY OF WEST LIBERTY, KENTUCKY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NON-MAJOR FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021

50

	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	\$ -	\$ 27,429	\$ -	\$ 20,538	\$ -	\$ 47,967
Wireless collections	-	-	-	-	145,395	145,395
Intergovernmental revenues	-	11,000	30,188	66,647	12,852	120,687
Grants	-	-	-	41,739	-	41,739
Investment income	685	280	-	367	51	1,383
Total revenues	685	38,709	30,188	129,291	158,298	357,171
Expenditures:						
Public safety	-	9,430	30,188	-	67,165	106,783
Streets	-	-	-	96,169	-	96,169
Capital outlays	-	-	-	70,260	9,047	79,307
Debt service:						
Principal retirement	51,611	-	-	-	-	51,611
Interest	10,425	-	-	-	-	10,425
Total expenditures	62,036	9,430	30,188	166,429	76,212	344,295
Excess (deficiency) of revenues over expenditures	(61,351)	29,279	-	(37,138)	82,086	12,876
Other financing sources (uses):						
Operating transfers in	110,036	-	-	-	-	110,036
Operating transfers out	-	(26,530)	-	-	(108,254)	(134,784)
Total other financing sources/(uses)	110,036	(26,530)	-	-	(108,254)	(24,748)
Net change in fund balances	48,685	2,749	-	(37,138)	(26,168)	(11,872)
Fund balances - beginning of year	78,787	44,744	-	55,758	90,905	270,194
Fund balances - end of year	<u>\$127,472</u>	<u>\$ 47,493</u>	<u>\$ -</u>	<u>\$ 18,620</u>	<u>\$ 64,737</u>	<u>\$ 258,322</u>

**CITY OF WEST LIBERTY, KENTUCKY
SCHEDULE OF OPERATING EXPENSES
BUSINESS-TYPE ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2021**

51

	<u>SEWER</u>	<u>WATER</u>	<u>GAS</u>	<u>TOTAL</u>
Administrative	\$ 59,835	\$ 59,835	\$ 117,428	\$ 237,098
Automobile	15,632	14,518	9,520	39,670
Chemicals	48,801	110,544	-	159,345
Depreciation	356,112	329,405	23,560	709,077
Dues and Subscriptions	3,995	6,279	915	11,189
Health and Life Insurance	56,313	81,829	16,689	154,831
Insurance	43,602	40,450	8,889	92,941
Materials and Supplies	63,040	45,205	15,122	123,367
Miscellaneous	2,639	2,018	1,828	6,485
Office Expenses	453	1,821	1,693	3,967
Postage	1,629	1,788	2,444	5,861
Professional Fees	4,685	6,286	14,543	25,514
Repairs and Maintenance	76,835	89,624	6,557	173,016
Retirement	168,239	235,319	56,759	460,317
Salaries and Wages	214,432	363,821	88,161	666,414
Payroll Taxes	20,091	28,763	7,100	55,954
Telephone and Utilities	154,604	154,455	1,180	310,239
Testing	14,286	7,074	-	21,360
Travel and Training	1,470	1,230	2,444	5,144
Uniform Allowance	2,261	3,112	898	6,271
TOTAL OPERATING EXPENSES	<u><u>\$ 1,308,954</u></u>	<u><u>\$ 1,583,376</u></u>	<u><u>\$ 375,730</u></u>	<u><u>\$ 3,268,060</u></u>