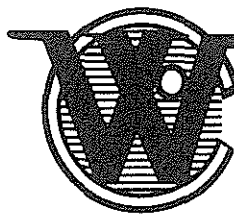


CITY OF WEST LIBERTY, KENTUCKY

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

June 30, 2022



WELLS & COMPANY, P.S.C.

*Certified Public Accountants*

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

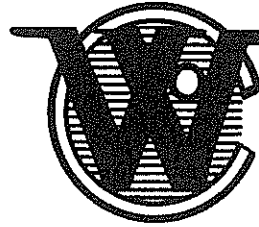
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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

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, 2022, 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.

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, 2022, 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.

#### ***Basis for Opinions***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of West Liberty, Kentucky and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of West Liberty, Kentucky's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of West Liberty, Kentucky's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of West Liberty, Kentucky's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### ***Required Supplementary Information***

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 40-43 and the County Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 44 and 45, respectively, and the County Employees' Retirement System's Schedules of the Proportionate Share of the Net OPEB Liability and Contributions, on pages 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 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 accompanying 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 8, 2022, 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 8, 2022

**CITY OF WEST LIBERTY, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2022**

4

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,182,116	\$ 1,230,022	\$ 2,412,138
Certificates of deposit	270,430	255,768	526,198
Taxes receivable	9,551	-	9,551
Accounts receivable, net	-	195,601	195,601
Other receivables	41,275	-	41,275
Unbilled revenues	-	128,537	128,537
Inventory	-	91,132	91,132
Prepaid expenses	14,322	-	14,322
Capital assets:			
Land and construction-in-progress	302,836	132,683	435,519
Other capital assets, net of accumulated depreciation	3,016,313	13,662,713	16,679,026
<b>Total Assets</b>	<b>4,836,843</b>	<b>15,696,456</b>	<b>20,533,299</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	211,831	216,590	428,421
Deferred outflows related to OPEB	242,046	261,110	503,156
<b>Total deferred outflows of resources</b>	<b>453,877</b>	<b>477,700</b>	<b>931,577</b>
<b>LIABILITIES</b>			
Accounts payable	23,435	139,156	162,591
Accrued payroll	25,450	18,272	43,722
Accrued payroll taxes	7,501	5,927	13,428
Accrued vacation	34,955	27,616	62,571
Accrued interest	-	28,178	28,178
Other accrued liabilities	22,854	22,349	45,203
Long-term liabilities:			
Due within one year			
Current portion of long-term debt	102,874	243,281	346,155
Due in more than one year			
Net pension liability	1,514,116	1,660,132	3,174,248
Net OPEB liability	454,532	498,366	952,898
Noncurrent portion of long-term debt	678,551	4,000,354	4,678,905
<b>Total Liabilities</b>	<b>2,864,268</b>	<b>6,643,631</b>	<b>9,507,899</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	216,603	237,492	454,095
Deferred inflows related to OPEB	211,047	231,401	442,448
Deferred inflows related to lease	38,687	-	38,687
<b>Total deferred inflows of resources</b>	<b>466,337</b>	<b>468,893</b>	<b>935,230</b>
<b>NET POSITION</b>			
Net investment in capital assets	2,537,714	9,551,761	12,089,475
Restricted for:			
Depreciation	-	122,595	122,595
Fire service	48,525	-	48,525
Highways and streets	39,364	-	39,364
Tourism	352,411	-	352,411
911 dispatch	108,595	-	108,595
Debt service	-	104,854	104,854
Unrestricted	(1,126,494)	(717,578)	(1,844,072)
<b>Total Net Position</b>	<b>\$ 1,960,115</b>	<b>\$ 9,061,632</b>	<b>\$ 11,021,747</b>

See accompanying notes to basic financial statements.

CITY OF WEST LIBERTY, KENTUCKY  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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	\$ 528,068	\$ -	\$ 6,600	\$ 12,615	\$ (508,853)	\$ -	\$ (508,853)
Public safety	1,300,007	253,603	38,668		(1,007,736)	-	(1,007,736)
Streets	232,486	-	-	41,395	(191,091)	-	(191,091)
Tourism and planning	250,920	-	-	16,405	(234,515)	-	(234,515)
Interest on long-term debt	9,855	-	-	-	(9,855)	-	(9,855)
Total governmental activities	<u>2,321,336</u>	<u>253,603</u>	<u>45,268</u>	<u>70,415</u>	<u>(1,952,050)</u>	<u>-</u>	<u>(1,952,050)</u>
Business-type activities:							
Water, Sewer, Gas	3,824,414	3,367,193	-	932,319	-	475,098	475,098
Total business-type activities	<u>3,824,414</u>	<u>3,367,193</u>	<u>-</u>	<u>932,319</u>	<u>-</u>	<u>475,098</u>	<u>475,098</u>
<b>Total primary government</b>	<u>\$ 6,145,750</u>	<u>\$ 3,620,796</u>	<u>\$ 45,268</u>	<u>\$ 1,002,734</u>	<u>(1,952,050)</u>	<u>475,098</u>	<u>(1,476,952)</u>
<b>General revenues:</b>							
Property taxes					200,792	-	200,792
Fire taxes					27,085	-	27,085
Insurance premium taxes					467,554	-	467,554
Occupational taxes and licenses					880,808	-	880,808
Motor vehicle taxes					20,515	-	20,515
Restaurant taxes					277,338	-	277,338
Other taxes					22,835	-	22,835
Licenses and permits					1,900	-	1,900
Administrative					54,940	-	54,940
Intergovernmental revenue					119,998	-	119,998
Interest income					7,972	2,373	10,345
Miscellaneous					46,928	-	46,928
<b>Transfers:</b>					<u>(372,793)</u>	<u>372,793</u>	<u>-</u>
Total general revenues and transfers					<u>1,755,872</u>	<u>375,166</u>	<u>2,131,038</u>
Change in net position					(196,178)	850,264	654,086
Net position - beginning of year					<u>2,156,293</u>	<u>8,211,368</u>	<u>10,367,661</u>
<b>Net position - end of year</b>					<u>\$ 1,960,115</u>	<u>\$ 9,061,632</u>	<u>\$ 11,021,747</u>



CITY OF WEST LIBERTY, KENTUCKY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2022

6

	General Fund	Tourism and Planning	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 791,763	\$ 252,660	\$ 137,693	\$ 1,182,116
Certificate of deposit	125,501	100,000	44,929	270,430
Receivables:				
Other	443	-	2,145	2,588
Prepaid expenses	-	-	14,322	14,322
Total Assets	<u>\$ 917,707</u>	<u>\$ 352,660</u>	<u>\$ 199,089</u>	<u>\$ 1,469,456</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 22,975	\$ -	\$ 460	\$ 23,435
Accrued payroll	25,201	249	-	25,450
Accrued payroll taxes	7,501	-	-	7,501
Accrued vacation	34,955	-	-	34,955
Other accrued liabilities	20,709	-	2,145	22,854
Total Liabilities	<u>111,341</u>	<u>249</u>	<u>2,605</u>	<u>114,195</u>
<b>Fund Balances:</b>				
Restricted for:				
Public safety	-	-	108,595	108,595
Streets	-	-	39,364	39,364
Tourism	-	352,411	-	352,411
Assigned to:				
Public safety	-	-	48,525	48,525
Unassigned:				
General fund	806,366	-	-	806,366
Total Fund Balances	<u>806,366</u>	<u>352,411</u>	<u>196,484</u>	<u>1,355,261</u>
<b>Total Liabilities and Fund Balances</b>	<u><b>\$ 917,707</b></u>	<u><b>\$ 352,660</b></u>	<u><b>\$ 199,089</b></u>	<u><b>\$ 1,469,456</b></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, 2022

7

**Fund Balances - Total Governmental Funds** \$ 1,355,261

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	8,287,069
Less: accumulated depreciation	(4,967,920)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(781,425)
---	-----------

Pension & OPEB contributions after measurement date are reported as a deferred outflow of resources.	188,176
---	---------

Net pension & net OPEB liability is not due and payable in the current period and, therefore, is not reported in governmental funds.	(1,968,648)
---	-------------

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	265,701
Deferred pension & OPEB inflows of resources	(427,650)
Deferred lease inflows of resources	(38,687)

Tax and other receivables are not available to pay for current-period expenditures and therefore are deferred in the funds.	<u>48,238</u>
--	---------------

<b>Net Position of Governmental Activities</b>	<u><u>\$ 1,960,115</u></u>
--	----------------------------

See accompanying notes to basic financial statements.

**CITY OF WEST LIBERTY, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	<u>General Fund</u>	<u>Tourism and Planning</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
<b>Taxes:</b>				
Property	\$ 199,408	\$ -	\$ -	\$ 199,408
Insurance premium	467,554	-	-	467,554
Occupational taxes and licenses	880,808	-	-	880,808
Motor vehicle	-	-	20,515	20,515
Telecom	12,831	-	-	12,831
Fire	-	-	27,085	27,085
Restaurant	-	277,338	-	277,338
Motel	-	10,004	-	10,004
E-911	54,673	-	-	54,673
Shelter income	-	1,920	-	1,920
Wireless collections	-	-	198,930	198,930
Administrative	54,940	-	-	54,940
Licenses and permits	1,900	-	-	1,900
Intergovernmental revenues	8,637	-	122,361	130,998
Rental income	13,533	-	-	13,533
Fines and forfeits	368	-	-	368
Interest income	6,534	168	1,270	7,972
Contributions	6,691	-	-	6,691
Grants	46,883	16,405	41,395	104,683
Miscellaneous revenues	21,736	2,273	407	24,416
<b>Total revenues</b>	<u>1,776,496</u>	<u>308,108</u>	<u>411,963</u>	<u>2,496,567</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	464,343	-	-	464,343
Public safety	1,077,135	-	75,427	1,152,562
Streets	113,730	-	19,325	133,055
Tourism and planning	-	217,004	-	217,004
<b>Debt service:</b>				
Principal retirement	-	-	65,348	65,348
Interest	-	-	9,855	9,855
<b>Capital outlay</b>	<u>730,907</u>	<u>37,515</u>	<u>62,365</u>	<u>830,787</u>
<b>Total expenditures</b>	<u>2,386,115</u>	<u>254,519</u>	<u>232,320</u>	<u>2,872,954</u>
Excess (deficiency) of revenues over expenditures	(609,619)	53,589	179,643	(376,387)
<b>Other financing sources (uses):</b>				
Operating transfers in	280,154	-	115,203	395,357
Operating transfers out	(411,466)	-	(356,684)	(768,150)
Proceeds from borrowing	590,925	-	-	590,925
<b>Total other financing sources (uses)</b>	<u>459,613</u>	<u>-</u>	<u>(241,481)</u>	<u>218,132</u>
Net change in fund balances	(150,006)	53,589	(61,838)	(158,255)
Fund balances(deficit) - beginning of year	956,372	298,822	258,322	1,513,516
<b>Fund balances - end of year</b>	<u>\$ 806,366</u>	<u>\$ 352,411</u>	<u>\$ 196,484</u>	<u>\$ 1,355,261</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, 2022

9

Net Change in Fund Balances - Total Governmental Funds \$(158,255)

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	830,787
Depreciation expense	(315,695)

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	1,384
---------------------------------------	-------

Changes in pension & OPEB expense are reported only in the statement of activities. (28,822)

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. (590,925)

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>65,348</u>
---------------	---------------

Change in Net Position of Governmental Activities \$(196,178)

See accompanying notes to basic financial statements.

CITY OF WEST LIBERTY, KENTUCKY  
STATEMENT OF NET POSITION  
BUSINESS-TYPE ACTIVITY  
JUNE 30, 2022

10

	<u>Water, Sewer, Gas</u>
<b>ASSETS</b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 1,002,572
Certificate of deposit	255,768
Accounts receivable (net of allowance for doubtful accounts, \$22,530)	195,601
Unbilled receivables	128,537
Inventory	<u>91,132</u>
<b>Total current assets</b>	<u>1,673,610</u>
<b>Non-current assets:</b>	
<b>Restricted assets:</b>	
Cash and cash equivalents	<u>227,450</u>
<b>Total restricted assets</b>	<u>227,450</u>
<b>Utility Plant:</b>	
Plant in service	30,138,300
Less accumulated depreciation	<u>(16,379,673)</u>
	13,758,627
Construction work in progress	<u>36,769</u>
<b>Net utility plant</b>	<u>13,795,396</u>
<b>Total assets</b>	<u>15,696,456</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	216,590
Deferred outflows related to OPEB	<u>261,110</u>
<b>Total deferred outflows of resources</b>	<u>477,700</u>

See accompanying notes to basic financial statements.

CITY OF WEST LIBERTY, KENTUCKY  
STATEMENT OF NET POSITION (Continued)  
BUSINESS-TYPE ACTIVITY  
JUNE 30, 2022

11

	<u>Water, Sewer, Gas</u>
<b>LIABILITIES</b>	
<b>Current liabilities:</b>	
Accounts payable	139,156
Accrued payroll	18,272
Accrued payroll taxes	5,927
Accrued vacation	27,616
Accrued interest payable	28,178
Other accrued liabilities	22,349
Current portion of long-term liabilities	<u>243,281</u>
<b>Total current liabilities</b>	<u>484,779</u>
<b>Long-term liabilities:</b>	
Net pension liability	1,660,132
Net OPEB liability	498,366
Long-term debt	<u>4,243,635</u>
	6,402,133
Less current portion	<u>(243,281)</u>
<b>Total long-term liabilities</b>	<u>6,158,852</u>
<b>Total liabilities</b>	<u>6,643,631</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflow related to pensions	237,492
Deferred inflows related to OPEB	<u>231,401</u>
<b>Total deferred inflows of resources</b>	<u>468,893</u>
<b>NET POSITION:</b>	
Net investment in capital assets	9,551,761
Restricted for:	
Debt service	104,854
Depreciation	122,595
Unrestricted	<u>(717,578)</u>
<b>Total net position</b>	<u>\$ 9,061,632</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, 2022**

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	<u>Water, Sewer, Gas</u>
<b>Operating revenues:</b>	
Sewer revenues	\$ 990,255
Water revenues	1,299,790
Gas revenues	1,026,001
Other operating revenues	<u>51,147</u>
<b>Total operating revenues</b>	<b>3,367,193</b>
Cost of sales - gas purchases	<u>809,555</u>
<b>Net operating revenues</b>	<b><u>2,557,638</u></b>
<b>Operating expenses:</b>	
Sewer	1,238,241
Water	1,413,190
Gas	<u>262,114</u>
<b>Total operating expenses</b>	<b><u>2,913,545</u></b>
<b>Utility operating income (loss)</b>	<b><u>(355,907)</u></b>
<b>Non-operating revenues (expenses):</b>	
Interest income	2,373
Interest expense	<u>(101,314)</u>
<b>Total non-operating revenues (expenses)</b>	<b><u>(98,941)</u></b>
<b>Net income (loss) before contributions from (to)</b>	<b>(454,848)</b>
Contributions in aid of construction	932,319
Transfers from Debt Service Fund	50,000
Transfers from General Fund	<u>322,793</u>
<b>Total contributions and transfers</b>	<b>1,305,112</b>
Change in net position	850,264
Net position, beginning of year	<u>8,211,368</u>
<b>Net position, end of year</b>	<b><u>\$ 9,061,632</u></b>

See accompanying notes to basic financial statements.

**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 12 and 13.

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 12 and 13. Also, the City has deferred inflows related to being a lessor of office space, see Note 4.

**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>\$3,006,037</u>	<u>\$340,994</u>	<u>\$2,665,043</u>	<u>\$ -</u>	<u>\$2,938,336</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 2021 were levied on \$312,530,666 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. LEASE**

The City leases office space to the Commonwealth of Kentucky at an annual amount of \$13,533. The current lease runs from July 1, 2022 to June 30, 2025 with an imputed 3.0% interest rate. The City recognized \$13,283 of lease revenue and \$250 of interest revenue for fiscal year end June 30, 2022.

**NOTE 5. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2022, consisted of the following:

**Governmental Activities**

	<u>Balance</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2022</u>
<b>Capital assets, not being depreciated:</b>				
Land and land improvements	\$ 302,836	\$ -	\$ -	\$ 302,836
Construction in progress	-	-	-	-
<b>Total capital assets, not being depreciated</b>	<u>302,836</u>	<u>-</u>	<u>-</u>	<u>302,836</u>
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	1,435,923	-	-	1,435,923
Improvements other than buildings	1,359,211	-	-	1,359,211

**CITY OF WEST LIBERTY, KENTUCKY**  
**STATEMENT OF CASH FLOWS**  
**BUSINESS-TYPE ACTIVITY**  
**YEAR ENDED JUNE 30, 2022**

13

	<u>Water, Sewer, Gas</u>
<b>Cash flows from operating activities:</b>	
<b>Cash inflows:</b>	
Payments received from customers	\$ 3,381,519
<b>Total cash provided</b>	<u>3,381,519</u>
<b>Cash outflows:</b>	
Payments for salaries and benefits	1,117,191
Payments to suppliers for goods and services	<u>1,800,962</u>
<b>Total cash used</b>	<u>2,918,153</u>
<b>Net cash provided (used) by operating activities</b>	<u>463,366</u>
<b>Cash flows from noncapital financing activities:</b>	
Transfers from General Fund	322,793
Transfers from Debt Service Fund	<u>50,000</u>
<b>Net cash provided (used) by noncapital financing activities</b>	<u>372,793</u>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition and construction of capital assets	(452,459)
Capital contributions received	932,319
Proceeds from issuance of debt	-
Proceeds from loan	-
Principal payments on debt	(236,790)
Interest paid on long-term debt	<u>(102,501)</u>
<b>Net cash provided (used) by capital and related financing activities</b>	<u>140,569</u>
<b>Cash flows from investing activities:</b>	
Interest received	<u>2,373</u>
<b>Net cash provided (used) by investing activities</b>	<u>2,373</u>
<b>Net cash inflow (outflow) from all activities</b>	979,101
Cash and cash equivalents at beginning of period	<u>506,689</u>
<b>Cash and cash equivalents at end of period</b>	<u><u>\$ 1,485,790</u></u>

See accompanying notes to basic financial statements.

**STATEMENT OF CASH FLOWS (Continued)**  
**BUSINESS-TYPE ACTIVITY**  
**YEAR ENDED JUNE 30, 2022**

14

	<u>Water, Sewer, Gas</u>
<b>Reconciliation of utility operating income to net cash provided by operating activities:</b>	
Utility operating income	\$ (355,907)
Depreciation	728,541
(Increase) decrease in:	
Accounts receivable	34,819
Unbilled revenue	(20,493)
Inventory	(1,068)
Deferred outflows of resources	118,543
Increase (decrease) in:	
Accounts payable	36,870
Accrued liabilities and other liabilities	(10,948)
Net pension & net OPEB liability	(424,536)
Deferred inflows of resources	357,545
<b>Net cash provided (used) by operating activities</b>	<u><u>\$ 463,366</u></u>
<b>Schedule of cash:</b>	
<b>Beginning of period:</b>	
Unrestricted cash and cash equivalents	\$ 312,720
Restricted cash and cash equivalents	193,969
	<u><u>\$ 506,689</u></u>
<b>End of period:</b>	
Unrestricted cash and cash equivalents	\$ 1,258,340
Restricted cash and cash equivalents	227,450
	<u><u>\$ 1,485,790</u></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 property included among program revenues are reported instead as general revenues.

**Fund Financial Statements:**

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

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

**General Fund –**

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

**Debt Service Fund –**

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

**Municipal Road Aid Fund –**

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

**Tourism and Planning Commission Fund –**

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

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

**CMRS Fund –**

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

**Fire Tax Fund –**

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

**Police Incentive Fund –**

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

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

**Water, Sewer, and Gas Fund –**

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

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

**C. Measurement Focus/Basis of Accounting**

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

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

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

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

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

**D. Budgetary Control**

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

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

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

**E. Cash and Investments**

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

**F. Prepaid Items**

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

**G. Inventory of Supplies**

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

**H. Interfund Activity**

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



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

**I. Bond Discounts**

Bond discounts, 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.

CITY OF WEST LIBERTY, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

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NOTE 5. CAPITAL ASSETS (Continued)

	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2022</u>
Infrastructure	1,416,812	62,365	-	1,479,177
Automobiles and trucks	833,840	678,710	-	1,512,550
Machinery and equipment	<u>2,107,660</u>	<u>89,712</u>	<u>-</u>	<u>2,197,372</u>
<b>Total capital assets being depreciated</b>	7,153,446	830,787	-	7,984,233
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	(488,768)	(29,093)	-	(517,861)
Improvements other than buildings	(831,495)	(52,026)	-	(883,521)
Infrastructure	(981,123)	(85,881)	-	(1,067,004)
Automobiles and trucks	(661,813)	(58,617)	-	(720,430)
Machinery and equipment	<u>(1,689,026)</u>	<u>(90,078)</u>	<u>-</u>	<u>(1,779,104)</u>
<b>Total accumulated depreciation</b>	<u>(4,652,225)</u>	<u>(315,695)</u>	<u>-</u>	<u>(4,967,920)</u>
<b>Total capital assets being depreciated, net</b>	<u>2,501,221</u>	<u>515,092</u>	<u>-</u>	<u>3,016,313</u>
<b>Governmental activities capital assets, net</b>	<u>\$2,804,057</u>	<u>\$ 515,092</u>	<u>\$ -</u>	<u>\$3,319,149</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 56,894
Public safety	126,146
Tourism and planning	33,916
Streets	<u>98,739</u>
<b>Total</b>	<u>\$ 315,695</u>

Business-Type Activities

	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2022</u>
<b>Capital assets, not being depreciated:</b>				
Land and land improvements	\$ 95,914	\$ -	\$ -	\$ 95,914
Construction in progress	<u>-</u>	<u>36,769</u>	<u>-</u>	<u>36,769</u>
<b>Total capital assets, not being depreciated</b>	<u>95,914</u>	<u>36,769</u>	<u>-</u>	<u>132,683</u>
<b>Capital assets, being depreciated:</b>				
Leasehold improvements	1,000	-	-	1,000
Machinery and equipment	1,146,232	21,758	-	1,167,990
Water plant and water system	12,643,572	115,727	-	12,759,299
Sewer plant and sewer system	14,737,698	278,205	-	15,015,903
Gas system	<u>1,098,194</u>	<u>-</u>	<u>-</u>	<u>1,098,194</u>
<b>Total capital assets being depreciated</b>	29,626,696	415,690	-	30,042,386
<b>Less accumulated depreciation for:</b>				
Leasehold improvements	(938)	(31)	-	(969)
Machinery and equipment	(940,230)	(46,564)	-	(986,794)
Water plant and water system	<u>(6,944,980)</u>	<u>(296,658)</u>	<u>-</u>	<u>(7,241,638)</u>

**CITY OF WEST LIBERTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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**NOTE 5. CAPITAL ASSETS (Continued)**

	<u>Balance</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2022</u>
Sewer plant and sewer system	(7,533,231)	(361,729)	-	(7,894,960)
Gas system	(231,753)	(23,559)	-	(255,312)
Total accumulated depreciation	(15,651,132)	(728,541)	-	(16,379,673)
<b>Total capital assets being depreciated, net</b>	<u>13,975,564</u>	<u>(312,851)</u>	<u>-</u>	<u>13,662,713</u>
<b>Total utilities capital assets, net</b>	<u>\$14,071,478</u>	<u>\$ (276,082)</u>	<u>\$ -</u>	<u>\$13,795,396</u>

**NOTE 6: 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, 2022, amounted to \$87,760.

The Water, Sewer, and Gas Proprietary Fund notes payable at June 30, 2022 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.

**CITY OF WEST LIBERTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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**NOTE 6. 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, 2022, are as follows:

<u>Business – type Activities</u>	<u>Balance 6/30/2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2022</u>	<u>Due Within One Year</u>
Bond payable – 2001 issue (A)	\$ 695,000	\$ -	\$ (24,000)	\$ 671,000	\$ 24,000
Bond payable – 2019 issue	1,795,000	-	(80,000)	1,715,000	85,000
Bond payable – 2020 issue	580,000	-	(25,000)	555,000	25,000
Note payable – KIA (F11-04)	669,033	-	(44,752)	624,281	45,200
Note payable – KIA (A11-11)	689,384	-	(44,409)	644,975	44,855
Note payable - excavator	28,970	-	(9,623)	19,347	9,943
Note payable – water dept pickup	23,038	-	(9,006)	14,032	9,283
Net pension liability	1,964,687	-	(304,555)	1,660,132	-
Net OPEB liability	<u>618,347</u>	<u>-</u>	<u>(119,981)</u>	<u>498,366</u>	<u>-</u>
Total business-type activities	<u>\$7,063,459</u>	<u>\$ -</u>	<u>\$(661,326)</u>	<u>\$6,402,133</u>	<u>\$243,281</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, 2022**

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**NOTE 6. LONG-TERM DEBT (Continued)**

Principal and interest payments to be made on all long-term debt at June 30, 2022, 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>
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	153,000	93,721	246,721	77,052	323,773
2028-2032	687,000	482,887	1,169,887	314,303	1,484,190
2033-2037	719,000	326,975	1,045,975	197,522	1,243,497
2038-2042	710,000	-	710,000	79,949	789,949
2043-2044	110,000	-	110,000	6,262	116,262
	<u>\$2,941,000</u>	<u>\$1,302,635</u>	<u>\$4,243,635</u>	<u>\$1,029,924</u>	<u>\$5,273,559</u>

Governmental Activities:

The City's notes payable at June 30, 2022 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 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.
- 3) 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.
- 4) On December 27, 2021, the City borrowed \$26,799 at 6.47% interest from KS State Bank for the purchase of a 4 ton asphalt hotbox trailer. The agreement provides for 60 monthly payments of \$524 to be made beginning January 27, 2022 with final payment due on December 27, 2026.
- 5) On March 15, 2022, the City borrowed \$564,126 at 2.91% interest from Community First National Bank for the purchase of a Saber FR 7010 fire engine. The agreement provides for 117 monthly payments of \$5,585 to be made beginning July 15, 2022 with final payment due on March 15, 2032.

Changes in long-term obligations for the year ended June 30, 2022, are as follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>6/30/2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2022</u>	<u>Due Within</u> <u>One Year</u>
Note payable – police cruisers	\$ 9,550	\$ -	\$ (9,550)	\$ -	\$ -

**CITY OF WEST LIBERTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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**NOTE 6. LONG-TERM DEBT (Continued)**

	<u>Balance</u> <u>6/30/2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2022</u>	<u>Due Within</u> <u>One Year</u>
Note payable – police cruisers	30,363	-	(17,127)	13,236	13,237
Note payable – street pickup	33,130	-	(11,737)	21,393	12,089
Note payable – fire station	182,805	-	(24,626)	158,179	25,681
Note payable – asphalt trailer	-	26,799	(2,308)	24,491	4,845
Note payable – fire engine	-	564,126	-	564,126	47,022
Net pension liability	1,791,885	-	(277,769)	1,514,116	-
Net OPEB liability	<u>563,961</u>	<u>-</u>	<u>(109,429)</u>	<u>454,532</u>	<u>-</u>
Total governmental activities	<u>\$2,611,694</u>	<u>\$ 590,925</u>	<u>\$ (452,546)</u>	<u>\$2,750,073</u>	<u>\$102,874</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, 2022, 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>
2023	\$ -	\$ 102,874	\$ 102,874	\$ 8,258	\$ 111,132
2024	-	93,892	93,892	6,304	100,196
2025	-	87,648	87,648	4,685	92,333
2026	-	90,812	90,812	3,122	93,934
2027	-	90,913	90,913	1,526	92,439
2028-2032	<u>-</u>	<u>315,286</u>	<u>315,286</u>	<u>259</u>	<u>315,545</u>
	<u>\$ -</u>	<u>\$ 781,425</u>	<u>\$ 781,425</u>	<u>\$ 24,154</u>	<u>\$ 805,579</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, 2022 required by the revenue bond ordinances are reported in the accompanying financial statements as restricted cash and CD's.

**NOTE 7. INTERFUND TRANSFERS AND RECEIVABLES**

The following is a schedule of interfund transfers:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	CMRS Fund	Reimbursement	\$ 162,024
General Fund	Debt Service Fund	Operating	118,130

**NOTE 7. INTERFUND TRANSFERS AND RECEIVABLES (Continued)**

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Purpose</u>	<u>Amount</u>
Water & Sewer	General Fund	Operating	212,793
Gas	General Fund	Operating	110,000
Gas	Debt Service Fund	Operating	50,000
Debt Service Fund	General Fund	Debt Service	88,673
Debt Service Fund	Fire Tax Fund	Debt Service	<u>26,530</u>
Subtotal – Fund Financial Statements			768,150
Less: Fund Eliminations			<u>(768,150)</u>
Total Transfers – Government-Wide Statement of Activities			<u>\$ -</u>

**NOTE 8. RESTRICTIONS ON CASH**

Sinking Reserve Funds for Bond Retirement

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

Proprietary Funds Bond Sinking Funds in the amount of \$72,244 is being held by the Bank of New York in an interest bearing account.

Proprietary Funds Debt Service Reserve Fund in the amount of \$32,610 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 \$122,595.

**NOTE 9. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City pays annual premiums to the Kentucky League of Cities Insurance Agency for its general liability coverage, public officials' liability, auto liability, workers' compensation, and property coverage. The City's workers' compensation coverage is retrospectively rated, whereby premiums are accrued based on the ultimate cost of the experience of the City. Kentucky League of Cities Insurance Agency pays claims as they arise. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

## NOTE 10. COMMITMENTS AND CONTINGENCIES

### Litigation

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

## NOTE 11. SUBSEQUENT EVENT

Management has evaluated and has not recognized any subsequent events through August 8, 2022, the date the financial statements were available to be issued.

## NOTE 12. 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](http://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 beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the



**NOTE 12. DEFINED PENSION (Continued)**

decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

***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, 2022, was 21.17 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 \$294,223 for the year ended June 30, 2022.

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

At June 30, 2022, the City reported a liability of \$3,174,248 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2021, the City's proportion was 0.050 percent, which was an increase of .001 from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City recognized pension expense of \$350,109. At June 30, 2022, 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	\$ 36,450	\$ 30,808
Changes of assumptions	42,602	-
Net difference between projected and actual earnings on pension plan investments	-	423,074
Changes in proportion and differences between City contributions and proportionate share of contributions	55,146	213
City contributions subsequent to the measurement date	<u>294,223</u>	<u>-</u>
Total	<u>\$ 428,421</u>	<u>\$ 454,095</u>

\$294,223 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, 2023. 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 12. DEFINED PENSION (Continued)**

**Year ended June 30:**

2023	\$ (14,373)
2024	(79,411)
2025	(93,627)
2026	(132,486)
2027	-
Thereafter	-

***Actuarial Methods and Assumptions***

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2021 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 non-disabled retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for 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>
<b>Growth</b>	<b>68.50%</b>	
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%

**NOTE 12. DEFINED PENSION (Continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
<b>Liquidity</b>	<b>11.50%</b>	
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
<b>Diversifying Strategies</b>	<b>20.00%</b>	
Real Estate	10.00%	5.40%
Opportunistic	0.00%	n/a
Real Return	10.00%	<u>4.55%</u>
<b>Expected Real Rate</b>	<b>100.00%</b>	<b>5.00%</b>
<b>Long Term Inflation Assumption</b>		<u><b>2.30%</b></u>
<b>Expected Nominal Return for Portfolio</b>		<b>7.30%</b>

***Discount Rate***

The projection of cash flows used to determine the discount rate of 6.25% for CERS Non-hazardous and CERS Hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statue as amended by House Bill 362 (passed in 2018) over the remaining 30 years (closed) amortization period of the unfunded actuarial accrued liability.

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

The following presents the City's proportionate share of the Net Pension Liability using the discount rate of 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	\$4,071,124	\$3,174,248	\$2,432,104

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in the separately issued KRS 2021 Comprehensive Annual Financial Report at [kyret.ky.gov](http://kyret.ky.gov).

**NOTE 12. DEFINED PENSION (Continued)**

*Payable to the Pension Plan*

At June 30, 2022, the City reported a payable of \$35,689 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2022. The payable includes both the pension and insurance contribution allocation.

**NOTE 13. 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, 2022, was 5.78 percent of covered payroll. Contributions to the OPEB plan from the City were \$80,331 for the year ended June 30, 2022.

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

At June 30, 2022, the City reported a liability of \$952,898 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, 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, 2021, the City's proportion was 0.050 percent, which was an increase of 0.001 from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City recognized OPEB expense of \$125,862. At June 30, 2022, 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	\$ 149,844	\$ 284,504
Changes of assumptions	252,631	886
Net difference between projected and actual earnings On OPEB plan investments	-	149,068

**NOTE 13. OPEB PLAN (Continued)**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion and differences between City contributions and proportionate share of contributions	20,350	7,990
City contributions subsequent to the measurement date	<u>80,331</u>	<u>-</u>
Total	<u>\$ 503,156</u>	<u>\$ 442,448</u>

\$80,331 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, 2023.

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:**

2023	\$26,639
2024	3,983
2025	2,661
2026	(52,906)
2027	-
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 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Post - 65	Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 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 13. 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>
<b>Growth</b>	<b>68.50%</b>	
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
<b>Liquidity</b>	<b>11.50%</b>	
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
<b>Diversifying Strategies</b>	<b>20.00%</b>	
Real Estate	10.00%	5.40%
Opportunistic	0.00%	n/a
Real Return	10.00%	<u>4.55%</u>
<b>Expected Real Rate</b>	<b>100.00%</b>	<b>5.00%</b>
<b>Long Term Inflation Assumption</b>		<u><b>2.30%</b></u>
<b>Expected Nominal Return for Portfolio</b>		<b>7.30%</b>

**NOTE 13. 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	\$685,974	\$952,898	\$1,275,081

***Discount Rate***

Single discount rates of 5.20% for CERS non-hazardous system was used to measure the total OPEB liability as of June 30, 2021. 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 1.92%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2021. 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 plans actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plans 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 ACFR.

***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 5.20%, 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 (4.20%) or one percentage-point higher (6.20%) than the current rate:

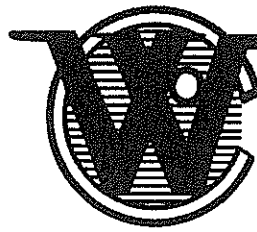
	<u>1.0% Decrease (4.20%)</u>	<u>Current Discount Rate (5.20%)</u>	<u>1.0% Increase (6.20%)</u>
City's proportionate share of the net OPEB liability	\$1,308,322	\$952,898	\$661,214

***OPEB Plan Fiduciary Net Position***

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued KRS 2021 Comprehensive Annual Financial Report at [kyret.ky.gov](http://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, 2022, 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 8, 2022, which included an explanatory paragraph regarding the omission of required Management Discussion and Analysis.

**Report On 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 2022-001 and 2022-002 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 2022-001 to be a material weakness.

### **2022-001 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 2022-002 to be a significant deficiency.

### **2022-002 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.

### **Report On 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 2022-003 below.

### **2022-003 Failure to Meet Debt Covenant Reserve Requirements**

Condition: At June 30, 2022, 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 \$68,451 and the operations & maintenance reserve was underfunded by \$87,652.

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.

*Welch & Company, PSC*

Certified Public Accountants  
Paintsville, Kentucky  
August 8, 2022

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WEST LIBERTY, KENTUCKY  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2022

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Property taxes	\$ 205,000	\$ 205,000	\$ 199,408	\$ (5,592)
Taxes on insurance premiums	415,000	415,000	467,554	52,554
Occupational taxes and licenses	781,000	781,000	880,808	99,808
E911	42,000	42,000	54,673	12,673
Unloading license	1,900	1,900	1,900	-
Law enforcement fees	4,200	4,200	8,637	4,437
Telecom tax	12,000	12,000	12,831	831
Interest	-	-	6,534	6,534
Rent	20,000	20,000	13,533	(6,467)
Fines and forfeits	-	-	368	368
Administrative	344,500	344,500	54,940	(289,560)
Contributions	-	-	6,691	6,691
Grants	41,430	41,430	46,883	5,453
Other receipts	5,860	5,860	21,736	15,876
	<u>1,872,890</u>	<u>1,872,890</u>	<u>1,776,496</u>	<u>(96,394)</u>
Total revenues				
	<u>1,872,890</u>	<u>1,872,890</u>	<u>1,776,496</u>	<u>(96,394)</u>
<b>Expenditures:</b>				
<b>General government:</b>				
Health and life insurance	78,750	78,750	71,070	7,680
Insurance	32,000	32,000	25,699	6,301
Dues and subscriptions	5,000	5,000	3,996	1,004
Materials and supplies	15,000	15,000	12,109	2,891
Janitorial supplies	-	-	1,915	(1,915)
Mayor and city council fees	13,000	13,000	11,924	1,076
Other expenses	21,320	21,320	13,782	7,538
Office expenses	14,000	14,000	7,416	6,584
Professional fees	15,000	15,000	13,104	1,896
Postage	1,300	1,300	1,882	(582)
Repairs and maintenance	40,000	40,000	35,983	4,017
Retirement	39,000	39,000	44,590	(5,590)
Salaries and wages	185,400	185,400	173,458	11,942
Payroll taxes	14,500	14,500	15,618	(1,118)
Telephone and utilities	29,000	29,000	28,733	267
Travel and training	5,000	5,000	3,064	1,936
Capital outlays	-	-	4,430	(4,430)
	<u>508,270</u>	<u>508,270</u>	<u>468,773</u>	<u>39,497</u>
Total General Government				
	<u>508,270</u>	<u>508,270</u>	<u>468,773</u>	<u>39,497</u>

CITY OF WEST LIBERTY, KENTUCKY  
BUDGETARY COMPARISON SCHEDULE (Continued)  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2022

41

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Police:</b>				
Automobile	20,000	20,000	23,441	(3,441)
Health and life insurance	64,000	64,000	56,997	7,003
Insurance	35,000	35,000	35,718	(718)
Dues and subscriptions	5,000	5,000	11,731	(6,731)
Janitorial supplies	-	-	1,910	(1,910)
Materials and supplies	25,000	25,000	26,245	(1,245)
Other expenses	4,720	4,720	1,674	3,046
Office expenses	3,500	3,500	5,534	(2,034)
Professional fees	8,000	8,000	4,720	3,280
Repairs and maintenance	10,000	10,000	15,799	(5,799)
Retirement	59,000	59,000	79,083	(20,083)
Salaries and wages	275,000	275,000	273,426	1,574
Payroll tax	23,500	23,500	23,891	(391)
Telephone and utilities	26,500	26,500	26,837	(337)
Travel and training	5,000	5,000	6,586	(1,586)
Uniform allowance	3,000	3,000	3,528	(528)
Capital outlays	100,000	100,000	101,794	(1,794)
Total Police	<u>667,220</u>	<u>667,220</u>	<u>698,914</u>	<u>(31,694)</u>
<b>Fire:</b>				
Automobile	2,500	2,500	1,625	875
Insurance	14,000	14,000	14,592	(592)
Materials and supplies	16,700	16,700	13,136	3,564
Other expenses	3,078	3,078	3,485	(407)
Repairs and maintenance	8,700	8,700	3,227	5,473
Telephone and utilities	10,000	10,000	8,620	1,380
Travel and training	500	500	-	500
Capital outlays	-	-	571,901	(571,901)
Total Fire	<u>55,478</u>	<u>55,478</u>	<u>616,586</u>	<u>(561,108)</u>
<b>Dispatch:</b>				
Automobile	800	800	1,074	(274)
Health and life insurance	44,000	44,000	58,369	(14,369)
Insurance	10,000	10,000	5,807	4,193
Dues and subscriptions	1,500	1,500	2,501	(1,001)
Janitorial supplies	-	-	1,910	(1,910)
Other expenses	7,020	7,020	5,985	1,035
Office expenses	2,500	2,500	1,867	633
Professional fees	18,000	18,000	8,763	9,237
Repairs and maintenance	18,000	18,000	15,901	2,099

CITY OF WEST LIBERTY, KENTUCKY  
BUDGETARY COMPARISON SCHEDULE (Continued)  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2022

42

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Retirement	46,000	46,000	59,980	(13,980)
Salaries and wages	230,000	230,000	232,572	(2,572)
Payroll tax	18,350	18,350	18,557	(207)
Telephone and utilities	19,500	19,500	18,763	737
Travel and training	2,000	2,000	1,491	509
Uniform allowance	3,250	3,250	1,790	1,460
Total Dispatch	420,920	420,920	435,330	(14,410)
<b>Street:</b>				
Automobile	5,000	5,000	5,136	(136)
Health and life insurance	-	-	3,243	(3,243)
Insurance	8,000	8,000	8,529	(529)
Other expenses	1,250	1,250	2,550	(1,300)
Materials and supplies	6,500	6,500	16,293	(9,793)
Repairs and maintenance	8,000	8,000	9,013	(1,013)
Retirement	-	-	4,510	(4,510)
Salaries and wages	37,500	37,500	17,628	19,872
Payroll tax	-	-	980	(980)
Utilities and telephone	51,000	51,000	45,848	5,152
Capital outlays	70,000	70,000	52,782	17,218
Total Street	187,250	187,250	166,512	20,738
Total expenditures	1,839,138	1,839,138	2,386,115	(546,977)
Excess (deficiency) of revenues over expenditures	33,752	33,752	(609,619)	450,583
<b>Other Financing Sources/(Uses):</b>				
Operating transfers in	-	-	280,154	280,154
Operating transfers out	(57,560)	(57,560)	(411,466)	(353,906)
Proceeds from borrowing	125,000	125,000	590,925	465,925
Total Other Financing Sources/(Uses)	67,440	67,440	459,613	392,173
Net change in fund balance	\$ 101,192	\$ 101,192	(150,006)	\$ (251,198)
Fund balance - beginning of year			956,372	
Fund balance - end of year			\$ 806,366	

CITY OF WEST LIBERTY, KENTUCKY  
BUDGETARY COMPARISON SCHEDULE  
TOURISM AND PLANNING COMMISSION FUND  
FOR THE YEAR ENDED JUNE 30, 2022

43

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Restaurant tax	\$ 215,000	\$ 215,000	\$ 277,338	\$ 62,338
Motel tax	8,000	8,000	10,004	2,004
Shelter income	1,100	1,100	1,920	820
Other receipts	1,500	1,500	2,273	773
Grants	-	16,405	16,405	-
Interest income	75	75	168	93
Total revenues	<u>225,675</u>	<u>242,080</u>	<u>308,108</u>	<u>66,028</u>
<b>Expenditures:</b>				
Administrative	10,000	10,000	15,160	(5,160)
Donations	140,000	140,000	113,324	26,676
Materials and supplies	15,000	31,405	16,258	15,147
Other expenses	14,600	14,600	13,928	672
Office expenses	100	100	512	(412)
Salaries and wages	20,000	20,000	11,693	8,307
Sponsored events	20,000	20,000	40,135	(20,135)
Repairs and maintenance	20,000	20,000	5,994	14,006
Capital outlays	150,000	150,000	37,515	112,485
Total expenditures	<u>389,700</u>	<u>406,105</u>	<u>254,519</u>	<u>151,586</u>
Excess (deficiency) of revenues over expenditures	(164,025)	(164,025)	53,589	(85,558)
<b>Other financing sources/(uses):</b>				
Operating transfers in/(out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources/(uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ (164,025)</u>	<u>\$ (164,025)</u>	53,589	<u>\$ 217,614</u>
Fund balance - beginning of year			<u>298,822</u>	
Fund balance - end of year			<u>\$ 352,411</u>	



**CITY OF WEST LIBERTY, KENTUCKY**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF**  
**THE NET PENSION LIABILITY (CERS)**  
**JUNE 30, 2022**

	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	6/30/2022	
City's proportion of the net pension liability (asset)	0.048978%	0.049786%	
City's proportionate share of the net pension liability (asset)	\$ 3,756,572	\$ 3,174,248	
City's covered-employee payroll	\$ 1,301,305	\$ 1,389,811	
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	288.68%	228.39%	
Plan fiduciary net position as a percentage of the total pension liability	47.81%	57.33%	

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, 2022

45

	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	6/30/2022	
Contractually required contribution	\$ 251,152	\$ 294,223	
Contributions in relation to the contractually required contribution	251,152	294,223	
Contribution deficiency (excess)	\$ -	\$ -	
City's covered-employee payroll	\$ 1,301,305	\$ 1,389,811	
Contributions as a percentage of covered-employee payroll	19.30%	21.17%	

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 THE CITY'S PROPORTIONATE SHARE OF  
THE NET OPEB LIABILITY (CERS)  
JUNE 30, 2022

46

	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	6/30/2022	
City's proportion of the net OPEB liability (asset)	0.048963%	0.049774%	
City's proportionate share of the net OPEB liability (asset)	\$ 1,182,308	\$ 952,898	
City's covered-employee payroll	\$ 1,301,305	\$ 1,389,811	
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	90.86%	68.56%	
Plan fiduciary net position as a percentage of the total OPEB liability	51.67%	62.91%	

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, 2022

47

	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
Contractually required contribution	\$ 56,704	\$ 56,704	\$ 61,007
Contributions in relation to the contractually required contribution	<u>56,704</u>	<u>56,704</u>	<u>61,007</u>
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%

	<u>6/30/2021</u>	<u>6/30/2022</u>
Contractually required contribution	\$ 61,942	\$ 80,331
Contributions in relation to the contractually required contribution	<u>61,942</u>	<u>80,331</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,301,305	\$ 1,389,811
Contributions as a percentage of covered-employee payroll	4.76%	5.78%

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

**CITY OF WEST LIBERTY, KENTUCKY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CERS)  
FOR THE YEAR ENDED JUNE 30, 2022**

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**NOTE A – GENERAL INFORMATION**

**Contributions**

Contractually required employer contributions reported on the Schedule of Pension Contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The insurance contributions are reported on the Schedule of OPEB Contributions.

**Payroll**

The City's covered payroll reported on the Proportionate Share of the Net Pension Liability and the Proportionate Share of the Net OPEB Liability Schedules is one year prior to the City's fiscal year payroll as reported on the Schedule of Contributions for Pension and OPEB.

**NOTE B – CHANGES OF ASSUMPTIONS**

**June 30, 2021 – Pension and OPEB – Non-hazardous**

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 6.40% to 6.30%, which gradually decreases to an ultimate trend rate of 4.05% over a period of 13 years. The initial healthcare trend rate for post-65 was changed from 2.90% to 6.30%, which gradually decreases to an ultimate trend rate of 4.05% over a period of 13 years.

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for pension.

**June 30, 2020 – Pension and OPEB – Non-hazardous**

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 7% to 6.40%, which gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years. The initial healthcare trend rate for post-65 was changed from 5% to 2.90%, which increases to 6.30% in 2023 and then gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years.

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for pension.

**June 30, 2019 – Pension and OPEB Non-hazardous**

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for both pension and OPEB:

- The assumed rate of salary increases was increased from 3.05% to 3.3% to 10.3% on average.

**CITY OF WEST LIBERTY, KENTUCKY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CERS)  
FOR THE YEAR ENDED JUNE 30, 2022**

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**NOTE B – CHANGES OF ASSUMPTIONS (Continued)**

**June 30, 2018 – Pension and OPEB – Non-hazardous**

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2018, for either pension or OPEB.

**June 30, 2017 – Pension – Non-hazardous**

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2017:

- The assumed rate of return was decreased from 7.5% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.3%.
- Payroll growth assumption was reduced from 4% to 2%.

**June 30, 2016 – Pension and OPEB – Non-hazardous**

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016, for either pension or OPEB.

**June 30, 2015 – Pension – Non-hazardous**

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

- The assumed rate of return was decreased from 7.75% to 7.5%.
- The assumed rate of inflation was reduced from 3.5% to 3.25%.
- The assumed rate of wage inflation was reduced from 1% to .75%.
- Payroll growth assumption was reduced from 4.5% to 4%.
- Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females).
- For Disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of retirement, withdrawal, and disability were updated to reflect experience more accurately.

**June 30, 2014 – Pension – Non-hazardous**

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2014.

**June 30, 2013 – Pension – Non-hazardous**

The following assumptions were made by the Kentucky Legislature and reflected in the initial valuation performed as of June 30, 2013:

**CITY OF WEST LIBERTY, KENTUCKY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CERS)**  
**FOR THE YEAR ENDED JUNE 30, 2022**

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**NOTE B – CHANGES OF ASSUMPTIONS (Continued)**

- The assumed rate of return was 7.75%.
- The assumed rate of inflation was 3.5%.
- The assumed rate of wage inflation was 1%.
- Payroll growth assumption was 4.5%.
- Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006. The 1994 Group Annuity Mortality Table was used for all other members.

CITY OF WEST LIBERTY, KENTUCKY  
COMBINING BALANCE SHEET  
NON-MAJOR FUNDS  
JUNE 30, 2022

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	Special Revenue Funds					Total Non-Major Governmental Funds
	Debt Service Fund	Fire Tax Fund	Police Incentive Fund	Municipal Road Aid Fund	CMRS Fund	
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ 3,596	\$ -	\$ 39,364	\$ 94,733	\$ 137,693
Certificate of deposit	-	44,929	-	-	-	44,929
Receivables	-	-	2,145	-	-	2,145
Prepaid expense	-	-	-	-	14,322	14,322
Total Assets	<u>\$ -</u>	<u>\$ 48,525</u>	<u>\$ 2,145</u>	<u>\$ 39,364</u>	<u>\$ 109,055</u>	<u>\$ 199,089</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 460	\$ 460
Other accrued liabilities	-	-	2,145	-	-	2,145
Total Liabilities	<u>-</u>	<u>-</u>	<u>2,145</u>	<u>-</u>	<u>460</u>	<u>2,605</u>
<b>Fund Balances:</b>						
Restricted for:						
Debt service	-	-	-	-	-	-
Public safety	-	-	-	-	108,595	108,595
Streets	-	-	-	39,364	-	39,364
Assigned to:						
Public safety	-	48,525	-	-	-	48,525
Total Fund Balances	<u>-</u>	<u>48,525</u>	<u>-</u>	<u>39,364</u>	<u>108,595</u>	<u>196,484</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ -</u>	<u>\$ 48,525</u>	<u>\$ 2,145</u>	<u>\$ 39,364</u>	<u>\$ 109,055</u>	<u>\$ 199,089</u>



**CITY OF WEST LIBERTY, KENTUCKY  
SCHEDULE OF OPERATING EXPENSES  
BUSINESS-TYPE ACTIVITY  
FOR THE YEAR ENDED JUNE 30, 2022**

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	<u>SEWER</u>	<u>WATER</u>	<u>GAS</u>	<u>TOTAL</u>
Administrative	\$ -	\$ -	\$ 20,816	\$ 20,816
Automobile	10,115	8,722	6,352	25,189
Chemicals	26,651	126,581	-	153,232
Depreciation	366,308	323,919	38,314	728,541
Dues and Subscriptions	3,041	9,310	2,132	14,483
Health and Life Insurance	60,166	75,153	13,174	148,493
Insurance	40,561	38,093	8,479	87,133
Materials and Supplies	77,646	60,211	28,206	166,063
Miscellaneous	1,902	1,799	6,914	10,615
Office Expenses	1,364	219	12	1,595
Postage	2,349	2,358	1,797	6,504
Professional Fees	4,749	6,064	4,030	14,843
Repairs and Maintenance	69,277	69,206	12,091	150,574
Retirement	88,976	118,926	30,041	237,943
Salaries and Wages	280,228	360,412	73,652	714,292
Payroll Taxes	22,264	28,781	6,617	57,662
Telephone and Utilities	160,901	169,345	1,311	331,557
Testing	13,919	8,160	-	22,079
Travel and Training	3,309	1,155	6,935	11,399
Uniform Allowance	4,515	4,776	1,241	10,532
<b>TOTAL OPERATING EXPENSES</b>	<u>\$ 1,238,241</u>	<u>\$ 1,413,190</u>	<u>\$ 262,114</u>	<u>\$ 2,913,545</u>