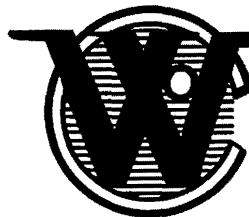


CITY OF WEST LIBERTY, KENTUCKY

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

June 30, 2023



WELLS & COMPANY, P.S.C.

Certified Public Accountants

865 South Mayo Trail
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INDEPENDENT AUDITOR'S REPORT

The Honorable Kyle Risner, 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, 2023, 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, 2023, 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 10, 2023, 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.

Welch & Company, PSC

Certified Public Accountants
Paintsville, Kentucky
August 10, 2023

CITY OF WEST LIBERTY, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2023

4

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 991,837	\$ 1,056,951	\$ 2,048,788
Certificates of deposit	271,630	255,768	527,398
Taxes receivable	9,679	-	9,679
Accounts receivable, net	-	262,346	262,346
Other receivables	29,852	-	29,852
Unbilled revenues	-	121,566	121,566
Inventory	-	120,798	120,798
Prepaid expenses	15,496	-	15,496
Capital assets:			
Land and construction-in-progress	302,836	256,676	559,512
Other capital assets, net of accumulated depreciation	3,055,993	13,212,289	16,268,282
Total Assets	4,677,323	15,286,394	19,963,717
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	291,518	218,130	509,648
Deferred outflows related to OPEB	208,057	155,680	363,737
Total deferred outflows of resources	499,575	373,810	873,385
LIABILITIES			
Accounts payable	66,857	103,820	170,677
Accrued payroll	19,859	13,489	33,348
Accrued payroll taxes	9,352	7,105	16,457
Accrued vacation	32,621	38,914	71,535
Accrued interest	-	26,992	26,992
Other accrued liabilities	35,546	27,588	63,134
Long-term liabilities:			
Due within one year			
Current portion of long-term debt	94,208	238,480	332,688
Due in more than one year			
Net pension liability	2,047,567	1,532,096	3,579,663
Net OPEB liability	558,882	418,185	977,067
Noncurrent portion of long-term debt	552,401	3,760,244	4,312,645
Total Liabilities	3,417,293	6,166,913	9,584,206
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	21,120	15,804	36,924
Deferred inflows related to OPEB	207,862	155,532	363,394
Deferred inflows related to lease	26,175	-	26,175
Total deferred inflows of resources	255,157	171,336	426,493
NET POSITION			
Net investment in capital assets	2,712,220	9,470,241	12,182,461
Restricted for:			
Depreciation	-	189,114	189,114
Fire service	61,452	-	61,452
Highways and streets	81,066	-	81,066
Tourism	354,604	-	354,604
911 dispatch	15,577	-	15,577
Debt service	-	112,989	112,989
Unrestricted	(1,720,471)	(450,389)	(2,170,860)
Total Net Position	\$ 1,504,448	\$ 9,321,955	\$ 10,826,403

See accompanying notes to basic financial statements.

CITY OF WEST LIBERTY, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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	\$ 621,489	\$ -	\$ 8,000	\$ 38,236	\$ (575,253)	\$ -	\$ (575,253)
Public safety	1,693,702	183,830	12,017	-	(1,497,855)	-	(1,497,855)
Streets	513,629	-	-	-	(513,629)	-	(513,629)
Tourism and planning	271,823	-	-	1,471	(270,352)	-	(270,352)
Interest on long-term debt	28,861	-	-	-	(28,861)	-	(28,861)
Total governmental activities	<u>3,129,504</u>	<u>183,830</u>	<u>20,017</u>	<u>39,707</u>	<u>(2,885,950)</u>	<u>-</u>	<u>(2,885,950)</u>
Business-type activities:							
Water, Sewer, Gas	<u>3,337,719</u>	<u>3,390,630</u>	<u>-</u>	<u>220,111</u>	<u>-</u>	<u>273,022</u>	<u>273,022</u>
Total business-type activities	<u>3,337,719</u>	<u>3,390,630</u>	<u>-</u>	<u>220,111</u>	<u>-</u>	<u>273,022</u>	<u>273,022</u>
Total primary government	\$ 6,467,223	\$ 3,574,460	\$ 20,017	\$ 259,818	(2,885,950)	273,022	(2,612,928)
General revenues:							
Property taxes					223,844	-	223,844
Fire taxes					28,367	-	28,367
Insurance premium taxes					538,019	-	538,019
Occupational taxes and licenses					907,411	-	907,411
Motor vehicle taxes					21,163	-	21,163
Restaurant taxes					302,214	-	302,214
Other taxes					21,542	-	21,542
Licenses and permits					1,200	-	1,200
Administrative					30,495	-	30,495
Intergovernmental revenue					192,457	-	192,457
Interest income					7,460	4,276	11,736
Miscellaneous					139,136	-	139,136
Transfers:					16,975	(16,975)	-
Total general revenues and transfers					<u>2,430,283</u>	<u>(12,699)</u>	<u>2,417,584</u>
Change in net position					(455,667)	260,323	(195,344)
Net position - beginning of year					<u>1,960,115</u>	<u>9,061,632</u>	<u>11,021,747</u>
Net position - end of year					\$ 1,504,448	\$ 9,321,955	\$ 10,826,403

**CITY OF WEST LIBERTY, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023**

6

	<u>General Fund</u>	<u>Tourism and Planning</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 638,046	\$ 254,777	\$ 99,014	\$ 991,837
Certificate of deposit	126,255	100,175	45,200	271,630
Receivables:				
Other	443	-	3,234	3,677
Prepaid expenses	-	-	15,496	15,496
Total Assets	<u>\$ 764,744</u>	<u>\$ 354,952</u>	<u>\$ 162,944</u>	<u>\$ 1,282,640</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 65,242	\$ -	\$ 1,615	\$ 66,857
Accrued payroll	19,511	348	-	19,859
Accrued payroll taxes	9,352	-	-	9,352
Accrued vacation	32,621	-	-	32,621
Other accrued liabilities	32,312	-	3,234	35,546
Total Liabilities	<u>159,038</u>	<u>348</u>	<u>4,849</u>	<u>164,235</u>
Fund Balances:				
Restricted for:				
Public safety	-	-	15,577	15,577
Streets	-	-	81,066	81,066
Tourism	-	354,604	-	354,604
Other	78,165	-	-	78,165
Assigned to:				
Public safety	-	-	61,452	61,452
Unassigned:				
General fund	527,541	-	-	527,541
Total Fund Balances	<u>605,706</u>	<u>354,604</u>	<u>158,095</u>	<u>1,118,405</u>
Total Liabilities and Fund Balances	<u><u>\$ 764,744</u></u>	<u><u>\$ 354,952</u></u>	<u><u>\$ 162,944</u></u>	<u><u>\$ 1,282,640</u></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, 2023

7

Fund Balances - Total Governmental Funds **\$ 1,118,405**

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	8,622,722
Less: accumulated depreciation	(5,263,893)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(646,609)
---	-----------

Pension & OPEB contributions after measurement date are reported as a deferred outflow of resources.	255,905
---	---------

Net pension & net OPEB liability is not due and payable in the current period and, therefore, is not reported in governmental funds.	(2,606,449)
---	-------------

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	243,670
Deferred pension & OPEB inflows of resources	(228,982)
Deferred lease inflows of resources	(26,175)

Tax and other receivables are not available to pay for current-period expenditures and therefore are deferred in the funds.	35,854
--	--------

Net Position of Governmental Activities	\$ 1,504,448
--	---------------------

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, 2023

8

	General Fund	Tourism and Planning	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
Property	\$ 223,716	\$ -	\$ -	\$ 223,716
Insurance premium	538,019	-	-	538,019
Occupational taxes and licenses	907,411	-	-	907,411
Motor vehicle	-	-	21,163	21,163
Telecom	12,850	-	-	12,850
Fire	-	-	28,367	28,367
Restaurant	-	302,214	-	302,214
Motel	-	8,692	-	8,692
E-911	49,641	-	-	49,641
Shelter income	-	1,755	-	1,755
Wireless collections	-	-	134,189	134,189
Administrative	30,495	-	-	30,495
Licenses and permits	1,200	-	-	1,200
Intergovernmental revenues	6,713	-	197,244	203,957
Rental income	13,533	-	-	13,533
Fines and forfeits	800	-	-	800
Interest income	6,056	308	1,096	7,460
Grants	46,753	1,471	-	48,224
Miscellaneous revenues	122,918	-	130	123,048
Total revenues	<u>1,960,105</u>	<u>314,440</u>	<u>382,189</u>	<u>2,656,734</u>
Expenditures:				
Current:				
General government	492,394	-	-	492,394
Public safety	1,216,566	-	80,956	1,297,522
Streets	340,311	-	9,328	349,639
Tourism and planning	-	240,880	-	240,880
Debt service:				
Principal retirement	-	-	134,816	134,816
Interest	-	-	28,861	28,861
Capital outlay	<u>230,969</u>	<u>71,367</u>	<u>64,117</u>	<u>366,453</u>
Total expenditures	<u>2,280,240</u>	<u>312,247</u>	<u>318,078</u>	<u>2,910,565</u>
Excess (deficiency) of revenues over expenditures	(320,135)	2,193	64,111	(253,831)
Other financing sources (uses):				
Operating transfers in	222,311	-	164,677	386,988
Operating transfers out	(102,836)	-	(267,177)	(370,013)
Proceeds from borrowing	-	-	-	-
Total other financing sources (uses)	<u>119,475</u>	<u>-</u>	<u>(102,500)</u>	<u>16,975</u>
Net change in fund balances	(200,660)	2,193	(38,389)	(236,856)
Fund balances(deficit) - beginning of year	<u>806,366</u>	<u>352,411</u>	<u>196,484</u>	<u>1,355,261</u>
Fund balances - end of year	<u>\$ 605,706</u>	<u>\$ 354,604</u>	<u>\$ 158,095</u>	<u>\$ 1,118,405</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, 2023**

9

Net Change in Fund Balances - Total Governmental Funds **\$(236,856)**

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	366,453
Depreciation expense	(326,773)

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	128
---------------------------------------	-----

Changes in pension & OPEB expense are reported only in the statement of activities. (393,435)

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. -

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>134,816</u>
---------------	----------------

Change in Net Position of Governmental Activities **\$(455,667)**

See accompanying notes to basic financial statements.

**CITY OF WEST LIBERTY, KENTUCKY
STATEMENT OF NET POSITION
BUSINESS-TYPE ACTIVITY
JUNE 30, 2023**

10

	<u>Water, Sewer, Gas</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 754,848
Certificate of deposit	255,768
Accounts receivable (net of allowance for doubtful accounts, \$19,599)	262,346
Unbilled receivables	121,566
Inventory	<u>120,798</u>
Total current assets	<u>1,515,326</u>
Non-current assets:	
Restricted assets:	
Cash and cash equivalents	<u>302,103</u>
Total restricted assets	<u>302,103</u>
Utility Plant:	
Plant in service	30,457,852
Less accumulated depreciation	<u>(17,131,649)</u>
	13,326,203
Construction work in progress	<u>142,762</u>
Net utility plant	<u>13,468,965</u>
Total assets	<u>15,286,394</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	218,130
Deferred outflows related to OPEB	<u>155,680</u>
Total deferred outflows of resources	<u>373,810</u>

See accompanying notes to basic financial statements.

CITY OF WEST LIBERTY, KENTUCKY
STATEMENT OF NET POSITION (Continued)
BUSINESS-TYPE ACTIVITY
JUNE 30, 2023

11

	<u>Water, Sewer, Gas</u>
LIABILITIES	
Current liabilities:	
Accounts payable	103,820
Accrued payroll	13,489
Accrued payroll taxes	7,105
Accrued vacation	38,914
Accrued interest payable	26,992
Other accrued liabilities	27,588
Current portion of long-term liabilities	<u>238,480</u>
Total current liabilities	<u>456,388</u>
Long-term liabilities:	
Net pension liability	1,532,096
Net OPEB liability	418,185
Long-term debt	<u>3,998,724</u>
	5,949,005
Less current portion	<u>(238,480)</u>
Total long-term liabilities	<u>5,710,525</u>
Total liabilities	<u>6,166,913</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow related to pensions	15,804
Deferred inflows related to OPEB	<u>155,532</u>
Total deferred inflows of resources	<u>171,336</u>
NET POSITION:	
Net investment in capital assets	9,470,241
Restricted for:	
Debt service	112,989
Depreciation	189,114
Unrestricted	<u>(450,389)</u>
Total net position	<u><u>\$ 9,321,955</u></u>

See accompanying notes to basic financial statements.

CITY OF WEST LIBERTY, KENTUCKY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
BUSINESS-TYPE ACTIVITY
YEAR ENDED JUNE 30, 2023

12

	<u>Water, Sewer, Gas</u>
Operating revenues:	
Sewer revenues	\$ 1,038,952
Water revenues	1,347,099
Gas revenues	947,769
Other operating revenues	<u>56,810</u>
Total operating revenues	3,390,630
Cost of sales - gas purchases	<u>648,742</u>
Net operating revenues	<u>2,741,888</u>
Operating expenses:	
Sewer	1,122,267
Water	1,289,437
Gas	<u>180,753</u>
Total operating expenses	<u>2,592,457</u>
Utility operating income (loss)	<u>149,431</u>
Non-operating revenues (expenses):	
Interest income	4,276
Interest expense	<u>(96,520)</u>
Total non-operating revenues (expenses)	<u>(92,244)</u>
Net income (loss) before contributions from (to)	57,187
Contributions in aid of construction	220,111
Transfers to General Fund	<u>(16,975)</u>
Total contributions and transfers	203,136
Change in net position	260,323
Net position, beginning of year	<u>9,061,632</u>
Net position, end of year	<u>\$ 9,321,955</u>

See accompanying notes to basic financial statements.

**CITY OF WEST LIBERTY, KENTUCKY
STATEMENT OF CASH FLOWS
BUSINESS-TYPE ACTIVITY
YEAR ENDED JUNE 30, 2023**

13

	<u>Water, Sewer, Gas</u>
Cash flows from operating activities:	
Cash inflows:	
Payments received from customers	\$ 3,330,856
Total cash provided	<u>3,330,856</u>
Cash outflows:	
Payments for salaries and benefits	1,132,512
Payments to suppliers for goods and services	<u>1,810,665</u>
Total cash used	<u>2,943,177</u>
Net cash provided (used) by operating activities	<u>387,679</u>
Cash flows from noncapital financing activities:	
Transfers to General Fund Debt Service Fund	<u>(16,975)</u>
Net cash provided (used) by noncapital financing activities	<u>(16,975)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(425,545)
Capital contributions received	220,111
Proceeds from issuance of debt	-
Proceeds from loan	-
Principal payments on debt	(244,911)
Interest paid on long-term debt	<u>(97,706)</u>
Net cash provided (used) by capital and related financing activities	<u>(548,051)</u>
Cash flows from investing activities:	
Interest received	<u>4,276</u>
Net cash provided (used) by investing activities	<u>4,276</u>
Net cash inflow (outflow) from all activities	(173,071)
Cash and cash equivalents at beginning of period	<u>1,485,790</u>
Cash and cash equivalents at end of period	<u><u>\$ 1,312,719</u></u>

See accompanying notes to basic financial statements.

STATEMENT OF CASH FLOWS (Continued)
BUSINESS-TYPE ACTIVITY
YEAR ENDED JUNE 30, 2023

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	<u>Water, Sewer, Gas</u>
Reconciliation of utility operating income to net cash provided by operating activities:	
Utility operating income	\$ 149,431
Depreciation	751,976
(Increase) decrease in:	
Accounts receivable	(66,745)
Unbilled revenue	6,971
Inventory	(29,666)
Deferred outflows of resources	103,890
Increase (decrease) in:	
Accounts payable	(35,336)
Accrued liabilities and other liabilities	12,932
Net pension & net OPEB liability	(208,217)
Deferred inflows of resources	(297,557)
Net cash provided (used) by operating activities	<u><u>\$ 387,679</u></u>
Schedule of cash:	
Beginning of period:	
Unrestricted cash and cash equivalents	\$ 1,258,340
Restricted cash and cash equivalents	<u>227,450</u>
	<u><u>\$ 1,485,790</u></u>
End of period:	
Unrestricted cash and cash equivalents	\$ 1,010,616
Restricted cash and cash equivalents	<u>302,103</u>
	<u><u>\$ 1,312,719</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, 2023, the bonds and notes have been fully paid. Therefore, no amounts are shown for rent relating to the lease of the City Hall building. The General Fund has the option each year to renew the lease.

B. Basis of Presentation

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Fund Financial Statements:

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

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

General Fund –

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

Debt Service Fund –

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

Municipal Road Aid Fund –

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

Tourism and Planning Commission Fund –

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CMRS Fund –

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

Fire Tax Fund –

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

Police Incentive Fund –

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

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

Water, Sewer, and Gas Fund –

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

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

C. Measurement Focus/Basis of Accounting

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

D. Budgetary Control

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

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

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

E. Cash and Investments

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

F. Prepaid Items

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

G. Inventory of Supplies

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

H. Interfund Activity

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Bond Discounts

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

J. Capital Assets

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

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

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

K. Compensated Absences

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

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

L. Net Position

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

M. Interest Payable

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Accounts Receivable

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

O. Estimates

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

P. Fund Equity

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

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

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

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

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

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

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

Q. Encumbrances

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

R. Unbilled Receivables

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Deferred Outflows/Inflows Of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the City has deferred outflows of resources that relate to pension plan and OPEB reporting, see notes 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, 2023 are as follows:

<u>Account</u>	<u>Bank Balance</u>	<u>Category</u>			<u>Carrying Amount</u>
		<u>1</u>	<u>2</u>	<u>3</u>	
Cash	<u>\$2,572,514</u>	<u>\$342,176</u>	<u>\$2,230,338</u>	<u>\$ -</u>	<u>\$2,576,186</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 2022 were levied on \$350,739,466 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 \$12,512 of lease revenue and \$1,021 of interest revenue for fiscal year end June 30, 2023.

NOTE 5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2023, consisted of the following:

Governmental Activities

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2023</u>
Capital assets, not being depreciated:				
Land and land improvements	\$ 302,836	\$ -	\$ -	\$ 302,836
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	302,836	-	-	302,836
Capital assets, being depreciated:				
Buildings and improvements	1,435,923	-	-	1,435,923
Improvements other than buildings	1,359,211	45,602	-	1,404,813

**CITY OF WEST LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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NOTE 5. CAPITAL ASSETS (Continued)

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2023</u>
Infrastructure	1,479,177	64,117	-	1,543,294
Automobiles and trucks	1,512,550	56,037	30,800	1,537,787
Machinery and equipment	<u>2,197,372</u>	<u>200,697</u>	<u>-</u>	<u>2,398,069</u>
Total capital assets being depreciated	7,984,233	366,453	30,800	8,319,886
Less accumulated depreciation for:				
Buildings and improvements	(517,861)	(29,093)	-	(546,954)
Improvements other than buildings	(883,521)	(46,886)	-	(930,407)
Infrastructure	(1,067,004)	(80,499)	-	(1,147,503)
Automobiles and trucks	(720,430)	(81,529)	(30,800)	(771,159)
Machinery and equipment	<u>(1,779,104)</u>	<u>(88,766)</u>	<u>-</u>	<u>(1,867,870)</u>
Total accumulated depreciation	<u>(4,967,920)</u>	<u>(326,773)</u>	<u>(30,800)</u>	<u>(5,263,893)</u>
Total capital assets being depreciated, net	<u>3,016,313</u>	<u>39,680</u>	<u>-</u>	<u>3,055,993</u>
Governmental activities capital assets, net	<u>\$3,319,149</u>	<u>\$ 39,680</u>	<u>\$ -</u>	<u>\$3,358,829</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 53,949
Public safety	132,578
Tourism and planning	30,943
Streets	<u>109,303</u>
Total	<u>\$ 326,773</u>

Business-Type Activities

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2023</u>
Capital assets, not being depreciated:				
Land and land improvements	\$ 95,914	\$ 18,000	\$ -	\$ 113,914
Construction in progress	<u>36,769</u>	<u>186,543</u>	<u>80,550</u>	<u>142,762</u>
Total capital assets, not being depreciated	<u>132,683</u>	<u>204,543</u>	<u>80,550</u>	<u>256,676</u>
Capital assets, being depreciated:				
Leasehold improvements	1,000	-	-	1,000
Machinery and equipment	1,187,933	65,925	-	1,253,858
Water plant and water system	12,759,299	-	-	12,759,299
Sewer plant and sewer system	15,015,903	235,627	-	15,251,530
Gas system	<u>1,078,251</u>	<u>-</u>	<u>-</u>	<u>1,078,251</u>
Total capital assets being depreciated	30,042,386	301,552	-	30,343,938
Less accumulated depreciation for:				
Leasehold improvements	(969)	(31)	-	(1,000)
Machinery and equipment	(1,003,746)	(50,202)	-	(1,053,948)
Water plant and water system	<u>(7,241,638)</u>	<u>(299,455)</u>	<u>-</u>	<u>(7,541,093)</u>

NOTE 5. CAPITAL ASSETS (Continued)

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2023</u>
Sewer plant and sewer system	(7,894,960)	(380,723)	-	(8,275,683)
Gas system	<u>(238,360)</u>	<u>(21,565)</u>	<u>-</u>	<u>(259,925)</u>
Total accumulated depreciation	<u>(16,379,673)</u>	<u>(751,976)</u>	<u>-</u>	<u>(17,131,649)</u>
Total capital assets being depreciated, net	<u>13,662,713</u>	<u>(450,424)</u>	<u>-</u>	<u>13,212,289</u>
Total utilities capital assets, net	<u>\$13,795,396</u>	<u>\$ (245,881)</u>	<u>\$ 80,550</u>	<u>\$13,468,965</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, 2023, amounted to \$84,418.

The Water, Sewer, and Gas Proprietary Fund notes payable at June 30, 2023 consisted of the following:

On November 5, 2012, the City entered into a loan assistance agreement with the Kentucky Infrastructure Authority (KIA) to provide financing for the construction costs of the West Liberty water system improvements project (F11-04). The total loan assistance to the City was \$928,369. The loan is payable in semi-annual installments of \$25,665 including interest of 1.0%. Final payment is due June 1, 2035.

On November 5, 2012, the City entered into a loan assistance agreement with the Kentucky Infrastructure Authority (KIA) to provide financing for the construction costs of the West Liberty Route 7 sewer improvements project and the Liberty Road sewer extension project (A11-11). The total loan assistance to the City was \$925,873. The loan is payable in semi-annual installments of \$25,596 including interest of 1.0%. Final payment is due December 1, 2035.

NOTE 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, 2023, are as follows:

<u>Business – type Activities</u>	<u>Balance 6/30/2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2023</u>	<u>Due Within One Year</u>
Bond payable – 2001 issue (A)	\$ 671,000	\$ -	\$ (24,000)	\$ 647,000	\$ 25,000
Bond payable – 2019 issue	1,715,000	-	(85,000)	1,630,000	85,000
Bond payable – 2020 issue	555,000	-	(25,000)	530,000	25,000
Note payable – KIA (F11-04)	624,281	-	(45,200)	579,081	45,653
Note payable – KIA (A11-11)	644,975	-	(44,855)	600,120	45,304
Note payable - excavator	19,347	-	(10,786)	8,561	8,561
Note payable – water dept pickup	14,032	-	(10,070)	3,962	3,962
Compensated absences	27,616	11,298	-	38,914	-
Net pension liability	1,660,132	-	(128,036)	1,532,096	-
Net OPEB liability	<u>498,366</u>	<u>-</u>	<u>(80,181)</u>	<u>418,185</u>	<u>-</u>
Total business-type activities	<u>\$6,429,749</u>	<u>\$ 11,298</u>	<u>\$(453,128)</u>	<u>\$5,987,919</u>	<u>\$238,480</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, 2023

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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, 2023, 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>
2024	\$ 135,000	\$ 103,480	\$ 238,480	\$ 90,883	\$ 329,363
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	148,000	94,660	242,660	72,228	314,888
2029-2033	673,000	487,728	1,160,728	291,331	1,452,059
2034-2038	739,000	227,474	966,474	173,864	1,140,338
2039-2043	611,000	-	611,000	58,376	669,376
2044	<u>55,000</u>	<u>-</u>	<u>55,000</u>	<u>2,238</u>	<u>57,238</u>
	<u>\$2,807,000</u>	<u>\$1,191,724</u>	<u>\$3,998,724</u>	<u>\$ 934,056</u>	<u>\$4,932,780</u>

Governmental Activities:

The City's notes payable at June 30, 2023 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, 2023, are as follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>6/30/2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2023</u>	<u>Due Within</u> <u>One Year</u>
Note payable – police cruisers	\$ 13,236	\$ -	\$ (13,236)	\$ -	\$ -

CITY OF WEST LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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NOTE 6. LONG-TERM DEBT (Continued)

	<u>Balance</u> <u>6/30/2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2023</u>	<u>Due Within</u> <u>One Year</u>
Note payable – street pickup	21,393	-	(13,113)	8,280	8,280
Note payable – fire station	158,179	-	(56,600)	101,579	28,107
Note payable – asphalt trailer	24,491	-	(4,845)	19,646	5,168
Note payable – fire engine	564,126	-	(47,022)	517,104	52,653
Compensated absences	34,955	-	(2,334)	32,621	-
Net pension liability	1,514,116	-	(1,514,116)	-	-
Net OPEB liability	<u>454,532</u>	<u>-</u>	<u>(454,532)</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$2,785,028</u>	<u>\$ -</u>	<u>\$ (2,105,798)</u>	<u>\$ 679,230</u>	<u>\$ 94,208</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, 2023, 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>
2024	\$ -	\$ 94,208	\$ 94,208	\$ 19,312	\$ 113,520
2025	-	89,032	89,032	16,117	105,149
2026	-	92,255	92,255	12,893	105,148
2027	-	74,139	74,139	9,773	83,912
2028	-	59,155	59,155	7,869	67,024
2029-2032	<u>-</u>	<u>237,820</u>	<u>237,820</u>	<u>13,521</u>	<u>251,341</u>
	<u>\$ -</u>	<u>\$ 646,609</u>	<u>\$ 646,609</u>	<u>\$ 79,485</u>	<u>\$ 726,094</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, 2023 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	\$ 205,336
General Fund	Water & Sewer	Reimbursement	16,975

NOTE 7. INTERFUND TRANSFERS AND RECEIVABLES (Continued)

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Purpose</u>	<u>Amount</u>
Gas	Water & Sewer	Reimbursement	16,975
CMRS Fund	General Fund	Operating	1,000
Debt Service Fund	General Fund	Debt Service	101,836
Debt Service Fund	Fire Tax Fund	Debt Service	<u>61,841</u>
Subtotal – Fund Financial Statements			403,963
Less: Fund Eliminations			<u>(403,963)</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 \$73,426 is being held by the Bank of New York in an interest bearing account.

Proprietary Funds Debt Service Reserve Fund in the amount of \$39,564 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 \$189,114.

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 10, 2023, 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.

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, 2023, was 23.40 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 \$390,774 for the year ended June 30, 2023.

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

At June 30, 2023, the City reported a liability of \$3,579,663 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2022, the City's proportion was 0.050 percent, which was unchanged from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the City recognized pension expense of \$315,491. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,827	\$ 31,878
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	91,770	-
Changes in proportion and differences between City contributions and proportionate share of contributions	23,277	5,046
City contributions subsequent to the measurement date	<u>390,774</u>	<u>-</u>
Total	<u>\$ 509,648</u>	<u>\$ 36,924</u>

\$390,774 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, 2024. 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:	
2024	\$ 11,740
2025	(1,400)
2026	(30,081)
2027	101,691
2028	-
Thereafter	-

Actuarial Methods and Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2022 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>
Equity	60.00%	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%

NOTE 12. DEFINED PENSION (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	20.00%	
Core Bonds	10.00%	0.28%
Cash	0.00%	-0.91%
Specialty Credit/High Yield	10.00%	2.28%
Inflation Protected	20.00%	
Real Estate	7.00%	3.67%
Real Return	13.00%	<u>4.07%</u>
Expected Real Rate	100.00%	4.28%
Long Term Inflation Assumption		<u>2.30%</u>
Expected Nominal Return for Portfolio		6.58%

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 29 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the Annual Comprehensive Financial Report (ACFR).

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	\$4,474,134	\$3,579,633	\$2,839,861

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued KRS 2022 Comprehensive Annual Financial Report at kyret.ky.gov.

NOTE 12. DEFINED PENSION (Continued)

Payable to the Pension Plan

At June 30, 2023, the City reported a payable of \$51,974 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2023. 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, 2023, was 3.39 percent of covered payroll. Contributions to the OPEB plan from the City were \$56,612 for the year ended June 30, 2023.

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

At June 30, 2023, the City reported a liability of \$977,067 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, 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, 2022, the City's proportion was 0.050 percent, which was unchanged from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the City recognized OPEB expense of \$149,519. At June 30, 2023, 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	\$ 98,350	\$ 224,064
Changes of assumptions	154,530	127,332
Net difference between projected and actual earnings On OPEB plan investments	39,657	-

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	14,588	11,998
City contributions subsequent to the measurement date	<u>56,612</u>	<u>-</u>
Total	<u>\$ 363,737</u>	<u>\$ 363,394</u>

\$56,612 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, 2024.

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:

2024	\$ (494)
2025	(1,804)
2026	(57,079)
2027	3,108
2028	-
Thereafter	-

Actuarial Methods and Assumptions

A summary of the actuarial methods and assumptions used in determining the total OPEB liability as of June 30, 2022 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 6.20% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Post - 65	Initial trend starting at 9.00% at January 1, 2024, 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>
Equity	60.00%	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Fixed Income	20.00%	
Core Bonds	10.00%	0.28%
Cash	0.00%	-0.91%
Specialty Credit/High Yield	10.00%	2.28%
Inflation Protected	20.00%	
Real Estate	7.00%	3.67%
Real Return	13.00%	<u>4.07%</u>
Expected Real Rate	100.00%	4.28%
Long Term Inflation Assumption		<u>2.30%</u>
Expected Nominal Return for Portfolio		6.58%

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	\$726,427	\$977,067	\$1,278,037

Discount Rate

Single discount rates of 5.70% for CERS non-hazardous system was used to measure the total OPEB liability as of June 30, 2022. 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 3.69%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system. However, the cost associated with the implicit employer subsidy was not included in the calculation of the KRS' actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KRS' trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the 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 5.70%, 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 (4.70%) or one percentage-point higher (6.70%) than the current rate:

	<u>1.0% Decrease (4.70%)</u>	<u>Current Discount Rate (5.70%)</u>	<u>1.0% Increase (6.70%)</u>
City's proportionate share of the net OPEB liability	\$1,306,183	\$977,067	\$704,998

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued KRS 2022 Comprehensive Annual Financial Report at kyret.ky.gov.

AUDITOR'S REPORTS



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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 Kyle Risner, 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, 2023, 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 10, 2023, 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 2023-001 and 2023-002 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 2023-001 to be a material weakness.

2023-001 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 2023-002 to be a significant deficiency.

2023-002 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 2023-003 below.

2023-003 Failure to Meet Debt Covenant Reserve Requirements

Condition: At June 30, 2023, 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 \$49,429 and the operations & maintenance reserve was underfunded by \$129,941.

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

Government Auditing Standards requires the auditor to perform limited procedures on the City of West Liberty, Kentucky's response to the findings identified in our audit and described previously. The City of West Liberty, Kentucky's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Walt & Company, PSC

Certified Public Accountants
Paintsville, Kentucky
August 10, 2023

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF WEST LIBERTY, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023**

40

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Property taxes	\$ 205,000	\$ 205,000	\$ 223,716	\$ 18,716
Taxes on insurance premiums	400,000	400,000	538,019	138,019
Occupational taxes and licenses	795,000	795,000	907,411	112,411
E911	47,000	47,000	49,641	2,641
Unloading license	1,900	1,900	1,200	(700)
Law enforcement fees	7,200	7,200	6,713	(487)
Telecom tax	12,000	12,000	12,850	850
Interest	-	-	6,056	6,056
Rent	23,000	23,000	13,533	(9,467)
Fines and forfeits	-	-	800	800
Administrative	161,500	161,500	30,495	(131,005)
Grants	-	-	46,753	46,753
Other receipts	4,475	4,475	122,918	118,443
	<u>1,657,075</u>	<u>1,657,075</u>	<u>1,960,105</u>	<u>303,030</u>
Total revenues				
	<u>1,657,075</u>	<u>1,657,075</u>	<u>1,960,105</u>	<u>303,030</u>
Expenditures:				
General government:				
Health and life insurance	114,000	114,000	71,553	42,447
Insurance	28,000	28,000	24,177	3,823
Dues and subscriptions	4,000	4,000	13,266	(9,266)
Materials and supplies	10,000	10,000	9,585	415
Mayor and city council fees	16,000	16,000	12,854	3,146
Other expenses	16,120	16,120	18,108	(1,988)
Office expenses	12,000	12,000	6,933	5,067
Professional fees	15,000	15,000	24,313	(9,313)
Postage	1,300	1,300	1,924	(624)
Repairs and maintenance	30,000	30,000	21,114	8,886
Retirement	44,500	44,500	48,894	(4,394)
Salaries and wages	160,000	160,000	195,038	(35,038)
Payroll taxes	16,000	16,000	15,485	515
Telephone and utilities	30,000	30,000	20,212	9,788
Travel and training	2,500	2,500	8,938	(6,438)
Capital outlays	-	-	-	-
	<u>499,420</u>	<u>499,420</u>	<u>492,394</u>	<u>7,026</u>
Total General Government				
	<u>499,420</u>	<u>499,420</u>	<u>492,394</u>	<u>7,026</u>

CITY OF WEST LIBERTY, KENTUCKY
BUDGETARY COMPARISON SCHEDULE (Continued)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

41

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Police:				
Automobile	26,000	26,000	28,422	(2,422)
Health and life insurance	78,500	78,500	45,507	32,993
Insurance	40,000	40,000	47,871	(7,871)
Dues and subscriptions	6,000	6,000	1,557	4,443
Materials and supplies	57,000	57,000	22,656	34,344
Other expenses	4,970	4,970	777	4,193
Office expenses	4,000	4,000	6,262	(2,262)
Professional fees	8,000	8,000	4,950	3,050
Repairs and maintenance	10,000	10,000	18,313	(8,313)
Retirement	91,000	91,000	94,691	(3,691)
Salaries and wages	293,000	293,000	322,785	(29,785)
Payroll tax	30,000	30,000	28,596	1,404
Telephone and utilities	31,000	31,000	30,581	419
Travel and training	8,000	8,000	11,022	(3,022)
Uniform allowance	4,000	4,000	3,838	162
Capital outlays	-	-	22,180	(22,180)
Total Police	691,470	691,470	690,008	1,462
Fire:				
Automobile	2,500	2,500	1,960	540
Insurance	16,000	16,000	14,059	1,941
Materials and supplies	10,000	10,000	6,138	3,862
Other expenses	3,840	3,840	4,193	(353)
Repairs and maintenance	8,700	8,700	3,947	4,753
Telephone and utilities	10,400	10,400	9,141	1,259
Travel and training	1,500	1,500	-	1,500
Capital outlays	-	-	-	-
Total Fire	52,940	52,940	39,438	13,502
Dispatch:				
Automobile	1,200	1,200	1,240	(40)
Health and life insurance	82,000	82,000	54,462	27,538
Insurance	8,000	8,000	5,849	2,151
Dues and subscriptions	1,100	1,100	16,385	(15,285)
Other expenses	5,770	5,770	2,536	3,234
Office expenses	2,500	2,500	2,254	246
Professional fees	10,000	10,000	4,420	5,580
Repairs and maintenance	15,000	15,000	8,361	6,639

CITY OF WEST LIBERTY, KENTUCKY
BUDGETARY COMPARISON SCHEDULE (Continued)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

42

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Retirement	65,500	65,500	76,542	(11,042)
Salaries and wages	239,500	239,500	288,521	(49,021)
Payroll tax	18,000	18,000	23,494	(5,494)
Telephone and utilities	20,500	20,500	21,436	(936)
Travel and training	2,000	2,000	1,891	109
Uniform allowance	4,000	4,000	1,909	2,091
Total Dispatch	<u>475,070</u>	<u>475,070</u>	<u>509,300</u>	<u>(34,230)</u>
Street:				
Automobile	4,500	4,500	13,054	(8,554)
Health and life insurance	32,000	32,000	27,288	4,712
Insurance	10,500	10,500	9,522	978
Other expenses	4,510	4,510	5,269	(759)
Materials and supplies	30,000	30,000	29,112	888
Repairs and maintenance	40,000	40,000	22,528	17,472
Retirement	27,000	27,000	35,586	(8,586)
Salaries and wages	95,000	95,000	133,550	(38,550)
Payroll tax	8,500	8,500	10,441	(1,941)
Utilities and telephone	53,000	53,000	51,863	1,137
Uniform allowance	1,500	1,500	2,098	(598)
Capital outlays	66,000	66,000	208,789	(142,789)
Total Street	<u>372,510</u>	<u>372,510</u>	<u>549,100</u>	<u>(176,590)</u>
Total expenditures	<u>2,091,410</u>	<u>2,091,410</u>	<u>2,280,240</u>	<u>(188,830)</u>
Excess (deficiency) of revenues over expenditures	(434,335)	(434,335)	(320,135)	491,860
Other Financing Sources/(Uses):				
Operating transfers in	236,258	236,258	222,311	(13,947)
Operating transfers out	(132,888)	(132,888)	(102,836)	30,052
Proceeds from borrowing	-	-	-	-
Total Other Financing Sources/(Uses)	<u>103,370</u>	<u>103,370</u>	<u>119,475</u>	<u>16,105</u>
Net change in fund balance	<u>\$ (330,965)</u>	<u>\$ (330,965)</u>	(200,660)	<u>\$ 130,305</u>
Fund balance - beginning of year			<u>806,366</u>	
Fund balance - end of year			<u>\$ 605,706</u>	

CITY OF WEST LIBERTY, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
TOURISM AND PLANNING COMMISSION FUND
FOR THE YEAR ENDED JUNE 30, 2023

43

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Restaurant tax	\$ 230,000	\$ 230,000	\$ 302,214	\$ 72,214
Motel tax	8,000	8,000	8,692	692
Shelter income	1,100	1,100	1,755	655
Other receipts	1,100	1,100	-	(1,100)
Grants	-	-	1,471	1,471
Interest income	100	100	308	208
Total revenues	<u>240,300</u>	<u>240,300</u>	<u>314,440</u>	<u>74,140</u>
Expenditures:				
Administrative	12,000	12,000	15,932	(3,932)
Donations	140,000	140,000	149,376	(9,376)
Materials and supplies	24,500	24,500	5,771	18,729
Other expenses	13,950	13,950	12,248	1,702
Office expenses	500	500	-	500
Salaries and wages	24,350	24,350	10,620	13,730
Sponsored events	45,000	45,000	38,066	6,934
Repairs and maintenance	30,000	30,000	8,867	21,133
Capital outlays	150,000	150,000	71,367	78,633
Total expenditures	<u>440,300</u>	<u>440,300</u>	<u>312,247</u>	<u>128,053</u>
Excess (deficiency) of revenues over expenditures	(200,000)	(200,000)	2,193	(53,913)
Other financing sources/(uses):				
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>\$ (200,000)</u>	<u>\$ (200,000)</u>	2,193	<u>\$ 202,193</u>
Fund balance - beginning of year			<u>352,411</u>	
Fund balance - end of year			<u>\$ 354,604</u>	

**CITY OF WEST LIBERTY, KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY (CERS)
JUNE 30, 2023**

44

	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>
City's proportion of the net pension liability (asset)	0.048393%	0.047458%	0.046297%
City's proportionate share of the net pension liability (asset)	\$ 1,570,000	\$ 2,040,481	\$ 2,279,512
City's covered-employee payroll	\$ 1,107,267	\$ 1,104,432	\$ 1,189,202
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	141.79%	184.75%	191.68%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	59.97%	55.50%
	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
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%
	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>
City's proportion of the net pension liability (asset)	0.048978%	0.049786%	0.049518%
City's proportionate share of the net pension liability (asset)	\$ 3,756,572	\$ 3,174,248	\$ 3,579,663
City's covered-employee payroll	\$ 1,301,305	\$ 1,389,811	\$ 1,669,974
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	288.68%	228.39%	214.35%
Plan fiduciary net position as a percentage of the total pension liability	47.81%	57.33%	52.42%

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, 2023

45

	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>
Contractually required contribution	\$ 141,177	\$ 137,170	\$ 165,894
Contributions in relation to the contractually required contribution	<u>141,177</u>	<u>137,170</u>	<u>165,894</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,107,267	\$ 1,104,432	\$ 1,189,202
Contributions as a percentage of covered-employee payroll	12.75%	12.42%	13.95%
	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
Contractually required contribution	\$ 174,696	\$ 205,148	\$ 247,358
Contributions in relation to the contractually required contribution	<u>174,696</u>	<u>205,148</u>	<u>247,358</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	14.48%	16.22%	19.30%
	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>
Contractually required contribution	\$ 251,152	\$ 316,599	\$ 390,774
Contributions in relation to the contractually required contribution	<u>251,152</u>	<u>316,599</u>	<u>390,774</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,301,305	\$ 1,389,811	\$ 1,669,974
Contributions as a percentage of covered-employee payroll	19.30%	22.78%	23.40%

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

**CITY OF WEST LIBERTY, KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY (CERS)
JUNE 30, 2023**

46

	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
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%
	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2022</u>
City's proportion of the net OPEB liability (asset)	0.048963%	0.049774%	0.049509%
City's proportionate share of the net OPEB liability (asset)	\$ 1,182,308	\$ 952,898	\$ 977,067
City's covered-employee payroll	\$ 1,301,305	\$ 1,389,811	\$ 1,669,974
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	90.86%	68.56%	58.50%
Plan fiduciary net position as a percentage of the total OPEB liability	51.67%	62.91%	60.95%

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, 2023**

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>	<u>6/30/2023</u>
Contractually required contribution	\$ 61,942	\$ 57,955	\$ 56,612
Contributions in relation to the contractually required contribution	<u>61,942</u>	<u>57,955</u>	<u>56,612</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,301,305	\$ 1,389,811	\$ 1,669,974
Contributions as a percentage of covered-employee payroll	4.76%	4.17%	3.39%

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, 2023**

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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, 2022 – 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, 2022, for OPEB:

- The initial healthcare trend rate for per-65 was changed from 6.30% to 6.20%, 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 6.30% to 9.00%, 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, 2022, for pension.

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:

NOTE B – CHANGES OF ASSUMPTIONS (Continued)

- 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.

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).

**CITY OF WEST LIBERTY, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CERS)
FOR THE YEAR ENDED JUNE 30, 2023**

50

NOTE B – CHANGES OF ASSUMPTIONS (Continued)

- 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:

- 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, 2023

51

	Special Revenue Funds					Total Non-Major Governmental Funds
	Debt Service Fund	Fire Tax Fund	Police Incentive Fund	Municipal Road Aid Fund	CMRS Fund	
ASSETS						
Cash and cash equivalents	\$ -	\$ 17,632	\$ -	\$ 81,066	\$ 316	\$ 99,014
Certificate of deposit	-	45,200	-	-	-	45,200
Receivables	-	-	3,234	-	-	3,234
Prepaid expense	-	-	-	-	15,496	15,496
Total Assets	<u>\$ -</u>	<u>\$ 62,832</u>	<u>\$ 3,234</u>	<u>\$ 81,066</u>	<u>\$ 15,812</u>	<u>\$ 162,944</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ 1,380	\$ -	\$ -	\$ 235	\$ 1,615
Other accrued liabilities	-	-	3,234	-	-	3,234
Total Liabilities	<u>-</u>	<u>1,380</u>	<u>3,234</u>	<u>-</u>	<u>235</u>	<u>4,849</u>
Fund Balances:						
Restricted for:						
Debt service	-	-	-	-	-	-
Public safety	-	-	-	-	15,577	15,577
Streets	-	-	-	81,066	-	81,066
Assigned to:						
Public safety	-	61,452	-	-	-	61,452
Total Fund Balances	<u>-</u>	<u>61,452</u>	<u>-</u>	<u>81,066</u>	<u>15,577</u>	<u>158,095</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 62,832</u>	<u>\$ 3,234</u>	<u>\$ 81,066</u>	<u>\$ 15,812</u>	<u>\$ 162,944</u>

**CITY OF WEST LIBERTY, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

52

	Special Revenue Funds					Total Non-Major Governmental Funds
	Debt Service Fund	Fire Tax Fund	Police Incentive Fund	Municipal Road Aid Fund	CMRS Fund	
Revenues:						
Taxes	\$ -	\$ 28,367	\$ -	\$ 21,163	\$ -	\$ 49,530
Wireless collections	-	-	-	-	134,189	134,189
Intergovernmental revenues	-	61,500	34,728	93,268	7,748	197,244
Grants	-	-	-	-	-	-
Other receipts	-	-	-	130	-	130
Investment income	-	491	-	586	19	1,096
Total revenues	-	90,358	34,728	115,147	141,956	382,189
Expenditures:						
Public safety	-	15,590	34,728	-	30,638	80,956
Streets	-	-	-	9,328	-	9,328
Capital outlays	-	-	-	64,117	-	64,117
Debt service:						
Principal retirement	134,816	-	-	-	-	134,816
Interest	28,861	-	-	-	-	28,861
Total expenditures	163,677	15,590	34,728	73,445	30,638	318,078
Excess (deficiency) of revenues over expenditures	(163,677)	74,768	-	41,702	111,318	64,111
Other financing sources (uses):						
Operating transfers in	163,677	-	-	-	1,000	164,677
Operating transfers out	-	(61,841)	-	-	(205,336)	(267,177)
Total other financing sources/(uses)	163,677	(61,841)	-	-	(204,336)	(102,500)
Net change in fund balances	-	12,927	-	41,702	(93,018)	(38,389)
Fund balances - beginning of year	-	48,525	-	39,364	108,595	196,484
Fund balances - end of year	\$ -	\$ 61,452	\$ -	\$ 81,066	\$ 15,577	\$ 158,095

**CITY OF WEST LIBERTY, KENTUCKY
SCHEDULE OF OPERATING EXPENSES
BUSINESS-TYPE ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2023**

53

	<u>SEWER</u>	<u>WATER</u>	<u>GAS</u>	<u>TOTAL</u>
Automobile	\$ 15,890	\$ 14,917	\$ 5,214	\$ 36,021
Chemicals	43,299	155,927	-	199,226
Depreciation	388,544	327,261	36,171	751,976
Dues and Subscriptions	3,047	9,514	3,246	15,807
Insurance	41,694	37,208	8,812	87,714
Materials and Supplies	72,652	61,325	12,116	146,093
Miscellaneous	2,675	2,146	722	5,543
Office Expenses	287	1,820	441	2,548
Postage	1,050	1,540	2,005	4,595
Professional Fees	5,461	6,766	4,105	16,332
Repairs and Maintenance	71,887	86,002	20,584	178,473
Wages and Benefits	261,259	354,266	66,948	682,473
Payroll Taxes	21,649	31,629	7,446	60,724
Telephone and Utilities	163,381	187,769	10,823	361,973
Testing	17,333	5,645	-	22,978
Travel and Training	8,232	1,799	998	11,029
Uniform Allowance	3,927	3,903	1,122	8,952
TOTAL OPERATING EXPENSES	<u><u>\$ 1,122,267</u></u>	<u><u>\$ 1,289,437</u></u>	<u><u>\$ 180,753</u></u>	<u><u>\$2,592,457</u></u>