

CITY OF WEST LIBERTY
AUDITED FINANCIAL STATEMENTS

June 30, 2010



WELLS & COMPANY, P.S.C.

Certified Public Accountants

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

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INDEPENDENT AUDITOR'S REPORT

The Honorable Jim Rupe, Mayor
Members of the City Council
City of West Liberty, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of West Liberty, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of West Liberty, Kentucky's, management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Liberty, Kentucky, as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2010, on our consideration of the City of West Liberty, Kentucky's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

City of West Liberty, Kentucky

August 23, 2010

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The City of West Liberty, Kentucky has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The Budgetary Comparison Information is not a required part of the basic financial statement but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit the information and express no opinion on it.

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 as a whole. The accompanying supplemental information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nells & Company, PSC

Certified Public Accountants

Paintsville, Kentucky

August 23, 2010

CITY OF WEST LIBERTY, KENTUCKY
STATEMENT OF NET ASSETS
JUNE 30, 2010

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	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ 503,319	\$ 456,730	\$ 960,049
Certificates of deposit	163,535	98,323	261,858
Taxes receivable	16,132	-	16,132
Accounts receivable	22,578	155,403	177,981
Interest receivable	736	90	826
Grant receivable	90,900	-	90,900
Other receivables	17,225	-	17,225
Unbilled revenues	-	79,086	79,086
Inventory	-	37,485	37,485
Prepaid and other assets	-	13,346	13,346
Capital assets:			
Land and construction-in-progress	210,136	327,446	537,582
Other capital assets, net of accumulated depreciation	1,887,751	12,522,269	14,410,020
Total Assets	2,912,312	13,690,178	16,602,490
LIABILITIES			
Accounts payable	117,660	59,056	176,716
Retainage payable	-	10,114	10,114
Accrued payroll	18,325	14,388	32,713
Accrued payroll taxes	2,566	2,070	4,636
Accrued vacation	25,976	39,055	65,031
Accrued interest	7,410	21,596	29,006
Other accrued liabilities	12,704	11,835	24,539
Deferred grant revenue	-	25,808	25,808
Long-term liabilities:			
Due within one year	246,701	72,652	319,353
Due in more than one year	50,063	3,219,338	3,269,401
Total Liabilities	481,405	3,475,912	3,957,317
NET ASSETS			
Invested in capital assets, net of related debt	1,801,123	9,557,725	11,358,848
Restricted for:			
Depreciation	-	284,458	284,458
Fire service	201,772	-	201,772
Highways and streets	28,763	-	28,763
Tourism	54,974	-	54,974
911 dispatch	25,206	-	25,206
Debt service	281,843	73,628	355,471
Capital projects	-	25,808	25,808
Unrestricted	37,226	272,647	309,873
Total Net Assets	\$ 2,430,907	\$ 10,214,266	\$ 12,645,173

See accompanying notes to basic financial statements.

CITY OF WEST LIBERTY, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 535,847	\$ 221,506	\$ -	\$ -	\$ (314,341)	\$ -	\$ (314,341)
Public safety	1,052,304	170,528	8,250	127,736	(745,790)	-	(745,790)
Streets	170,539	-	-	-	(170,539)	-	(170,539)
Tourism and planning	213,691	-	-	-	(213,691)	-	(213,691)
Interest on long-term debt	17,282	-	-	-	(17,282)	-	(17,282)
Total governmental activities	1,989,663	392,034	8,250	127,736	(1,461,643)	-	(1,461,643)
Business-type activities:							
Water and sewer	2,484,953	1,874,500	-	411,669	-	(198,784)	(198,784)
Total business-type activities	2,484,953	1,874,500	-	411,669	-	(198,784)	(198,784)
Total primary government	\$ 4,474,616	\$ 2,266,534	\$ 8,250	\$ 539,405	(1,461,643)	(198,784)	(1,660,427)

General revenues:

Property taxes	191,134	-	191,134
Fire taxes	22,191	-	22,191
Insurance premium taxes	319,983	-	319,983
Occupational taxes and licenses	322,167	-	322,167
Motor vehicle taxes	14,373	-	14,373
Restaurant taxes	159,121	-	159,121
Other taxes	16,944	-	16,944
Licenses and permits	3,750	-	3,750
Intergovernmental revenue	287,319	-	287,319
Interest income	8,050	5,930	13,980
Rental income	19,458	-	19,458
Gain/(Loss) on sale of capital assets	5,185	400	5,585
Miscellaneous	30,517	-	30,517
Total general revenues and transfers	<u>1,400,192</u>	<u>6,330</u>	<u>1,406,522</u>
Change in net assets	(61,451)	(192,454)	(253,905)
Net assets - beginning	2,492,358	10,406,720	12,899,078
Net assets - ending	\$ 2,430,907	\$ 10,214,266	\$ 12,645,173

See accompanying notes to basic financial statements.

CITY OF WEST LIBERTY, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

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	<u>General Fund</u>	<u>Tourism and Planning</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 70,275	\$ 54,974	\$ 378,070	\$ 503,319
Certificates of deposits	-	-	163,535	163,535
Receivables:				
Property taxes	809	-	-	809
Interest	-	-	736	736
Grant	90,900	-	-	90,900
Other	37,702	-	2,101	39,803
Total Assets	<u>\$ 199,686</u>	<u>\$ 54,974</u>	<u>\$ 544,442</u>	<u>\$ 799,102</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 112,903	\$ -	\$ 4,757	\$ 117,660
Accrued payroll	18,325	-	-	18,325
Accrued payroll taxes	2,566	-	-	2,566
Accrued vacation	25,976	-	-	25,976
Other accrued liabilities	10,603	-	2,101	12,704
Total Liabilities	<u>170,373</u>	<u>-</u>	<u>6,858</u>	<u>177,231</u>
Fund Balances:				
Reserved for debt service	-	-	281,843	281,843
Unreserved	29,313	54,974	255,741	340,028
Total Fund Balances	<u>29,313</u>	<u>54,974</u>	<u>537,584</u>	<u>621,871</u>
Total Liabilities and Fund Balances	<u>\$ 199,686</u>	<u>\$ 54,974</u>	<u>\$ 544,442</u>	<u>\$ 799,102</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 ASSETS
JUNE 30, 2010

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Fund Balances - Total Governmental Funds

\$ 621,871

Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds.

Governmental capital assets	3,863,835
Less: accumulated depreciation	(1,765,948)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(296,764)
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Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet.	(7,410)
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Other long-term assets are not available to pay for current-period
expenditures and therefore are deferred in the funds:

Delinquent property taxes	<u>15,323</u>
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Net Assets of Governmental Activities

\$ 2,430,907

CITY OF WEST LIBERTY, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>General Fund</u>	<u>Tourism and Planning</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes:				
Property	\$ 191,347	\$ -	\$ -	\$ 191,347
Insurance premium	319,983	-	-	319,983
Occupational taxes and licenses	322,167	-	-	322,167
Motor vehicle	14,373	-	-	14,373
Telecom	6,922	-	-	6,922
Fire	-	-	22,191	22,191
Restaurant	-	159,121	-	159,121
Motel	-	10,022	-	10,022
E-911	67,011	-	-	67,011
Shelter income	-	2,350	-	2,350
Wireless collections	-	-	103,517	103,517
Administrative	155,912	-	-	155,912
Licenses and permits	3,750	-	-	3,750
Intergovernmental revenues	143,268	-	124,125	267,393
Charges for garbage services	221,506	-	-	221,506
Rental income	19,458	-	-	19,458
Fines and forfeits	2,640	-	-	2,640
Interest income	1,365	221	6,464	8,050
Contributions	1,387	-	-	1,387
Miscellaneous revenues	31,894	5,149	-	37,043
Total revenues	<u>1,502,983</u>	<u>176,863</u>	<u>256,297</u>	<u>1,936,143</u>
Expenditures:				
General government	524,619	-	-	524,619
Public safety	872,381	-	56,654	929,035
Streets	58,665	-	45,606	104,271
Tourism and planning	-	165,567	-	165,567
Debt service				
Principal retirement	-	-	39,313	39,313
Interest	-	-	17,807	17,807
Capital outlay	213,536	59,813	14,999	288,348
Total expenditures	<u>1,669,201</u>	<u>225,380</u>	<u>174,379</u>	<u>2,068,960</u>
Excess (deficiency) of revenues over expenditures	(166,218)	(48,517)	81,918	(132,817)
Other financing sources (uses):				
Operating transfers in	134,169	-	84,481	218,650
Operating transfers out	(75,853)	(8,629)	(134,168)	(218,650)
Proceeds from sale of assets	-	25,053	-	25,053
Total other financing sources (uses)	<u>58,316</u>	<u>16,424</u>	<u>(49,687)</u>	<u>25,053</u>
Net change in fund balances	(107,902)	(32,093)	32,231	(107,764)
Fund balances - beginning	137,215	87,067	505,353	729,635
Fund balances - ending	<u>\$ 29,313</u>	<u>\$ 54,974</u>	<u>\$ 537,584</u>	<u>\$ 621,871</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, 2010**

Net Change in Fund Balances - Total Governmental Funds

\$(107,764)

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	288,348
Depreciation expense	(248,889)

The net effect of various miscellaneous transactions involving capital assets:

(7,718)

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	(213)
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In the statement of activities, interest is accrued on outstanding long-term
debt, whereas in the governmental funds interest is not reported until due.
This amount represents the net change in accrued interest payable.

525

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.

(25,053)

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>39,313</u>
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Change in Net Assets of Governmental Activities

\$ (61,451)

See accompanying notes to basic financial statements.

**CITY OF WEST LIBERTY, KENTUCKY
STATEMENT OF NET ASSETS
BUSINESS-TYPE ACTIVITY
JUNE 30, 2010**

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	<u>Water & Sewer</u>
ASSETS	
Current assets:	
Cash	\$ 196,967
Accounts receivable, no allowance considered necessary	155,403
Interest receivable	90
Unbilled revenues	79,086
Inventory	37,485
Total current assets	<u>469,031</u>
Non-current assets:	
Restricted assets:	
Cash	259,763
Certificate of deposits	98,323
Total restricted assets	<u>358,086</u>
Utility Plant:	
Plant in service	20,522,943
Less accumulated depreciation	(7,936,760)
	<u>12,586,183</u>
Construction work in progress	263,532
Net utility plant	<u>12,849,715</u>
Other non-current assets:	
Bond issuance costs, net	<u>13,346</u>
Total other non-current assets	<u>13,346</u>
Total assets	<u><u>\$ 13,690,178</u></u>

See accompanying notes to basic financial statements.

CITY OF WEST LIBERTY, KENTUCKY
STATEMENT OF NET ASSETS (Continued)
BUSINESS-TYPE ACTIVITY
JUNE 30, 2010

10

	<u>Water & Sewer</u>
LIABILITIES AND NET ASSETS	
Current liabilities:	
Accounts payable - trade	\$ 59,056
Retainage payable	10,114
Accrued payroll	14,388
Accrued payroll taxes	2,070
Accrued vacation	39,055
Accrued interest payable	21,596
Other accrued liabilities	11,835
Deferred grant revenue	25,808
Current portion of long-term liabilities	<u>72,652</u>
Total current liabilities	<u>256,574</u>
Long-term liabilities:	
Long-term debt	<u>3,291,990</u>
	3,291,990
Less current portion	<u>(72,652)</u>
Total long-term liabilities	<u>3,219,338</u>
Total liabilities	<u>3,475,912</u>
Net assets:	
Investments in capital assets, net of related debt	9,557,725
Restricted for:	
Debt service	73,628
Depreciation	284,458
Capital projects	25,808
Unrestricted	<u>272,647</u>
Total net assets	<u>10,214,266</u>
Total liabilities and net assets	<u>\$ 13,690,178</u>

See accompanying notes to basic financial statements.

CITY OF WEST LIBERTY, KENTUCKY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
BUSINESS-TYPE ACTIVITY
YEAR ENDED JUNE 30, 2010

	<u>Water & Sewer</u>
Operating revenues:	
Sewer revenues	\$ 697,703
Water revenues	945,850
Other operating revenues	<u>230,947</u>
Total operating revenues	1,874,500
Operating expenses:	
Sewer	1,117,641
Water	<u>1,235,702</u>
Total operating expenses	<u>2,353,343</u>
Utility operating income (loss)	<u>(478,843)</u>
Non-operating revenues (expenses):	
Interest income	5,930
Gain on sale of equipment	400
Interest expense	(131,178)
Amortization of bond issue costs	<u>(432)</u>
Total non-operating revenues (expenses)	<u>(125,280)</u>
Net income (loss) before contributions from (to)	(604,123)
Contributions in aid of construction	<u>411,669</u>
Change in net assets	(192,454)
Net assets, beginning of year	<u>10,406,720</u>
Net assets, end of year	<u><u>\$ 10,214,266</u></u>

See accompanying notes to basic financial statements.

**CITY OF WEST LIBERTY, KENTUCKY
STATEMENT OF CASH FLOWS
BUSINESS-TYPE ACTIVITY
YEAR ENDED JUNE 30, 2010**

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	<u>Water & Sewer</u>
Cash flows from operating activities:	
Cash inflows:	
Payments received from customers	\$ 1,847,199
Total cash provided	<u>1,847,199</u>
Cash outflows:	
Payments for salaries and benefits	733,416
Payments to suppliers for goods and services	<u>939,095</u>
Total cash used	<u>1,672,511</u>
Net cash provided (used) by operating activities	<u>174,688</u>
Cash flows from noncapital financing activities:	
Increase (decrease) in due to other funds	<u>(117,033)</u>
Net cash provided (used) by noncapital financing activities	<u>(117,033)</u>
Cash flows from capital and related financing activities:	
Purchases of equipment	(467,415)
Proceeds from sale of capital assets	400
Contributions-in-aid of construction	411,669
Proceeds from loan	-
Principal payments on long-term debt	(68,949)
Interest paid on long-term debt	<u>(131,554)</u>
Net cash provided (used) by capital and related financing activities	<u>(255,849)</u>
Cash flows from investing activities:	
Interest received	<u>5,957</u>
Net cash provided (used) by investing activities	<u>5,957</u>
Net cash inflow (outflow) from all activities	(192,237)
Cash and cash equivalents at beginning of period	<u>747,290</u>
Cash and cash equivalents at end of period	<u>\$ 555,053</u>

See accompanying notes to basic financial statements.

CITY OF WEST LIBERTY, KENTUCKY
STATEMENT OF CASH FLOWS (Continued)
BUSINESS-TYPE ACTIVITY
YEAR ENDED JUNE 30, 2010

Water & Sewer

**Reconciliation of utility operating income to
net cash provided by operating activities:**

Utility operating income	\$ (478,843)
Depreciation	608,644
Bad debt expense	6,593
(Increase) decrease in:	
Accounts receivable	(20,173)
Unbilled revenue	(13,721)
Inventory	(1,785)
Prepaid expenses and other assets	70,086
Increase (decrease) in:	
Accounts payable	(6,921)
Accrued liabilities and other liabilities	10,808

Net cash provided (used) by operating activities

\$ 174,688

Schedule of cash and cash equivalents:

Beginning of period:

Unrestricted cash	\$ 183,487
Restricted cash	563,803
	<u>\$ 747,290</u>

End of period:

Unrestricted cash	\$ 196,967
Restricted cash	358,086
	<u>\$ 555,053</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), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the City has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989. The more significant accounting policies of the City are described below.

A. Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City of West Liberty's only such entity included in the financial statements, as a blended component unit, is the City of West Liberty Public Properties Corporation.

The City of West Liberty Public Properties Corporation (the Corporation) was established as a nonprofit corporation pursuant to a resolution of the City Council to act as an agency and instrumentality of the City. The purpose of the corporation was to finance the cost of construction of the City Hall building which is leased to the General Fund of the City. The Corporation financed the costs related to the project by issuance of \$448,000 first mortgage revenue bonds dated January 16, 1991 and demand notes totaling \$94,956 at the Commercial Bank of West Liberty. The City has agreed to lease the facilities from the Corporation with minimum annual rentals equal to the funding requirements of the bonds and notes. Therefore, no amounts are shown for rent relating to the lease of the City Hall building. The General Fund has the option each year to renew the lease.

B. Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

activities, which 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 and Sewer Fund --

The Water and Sewer Fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer 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 and sewer 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

The City considers all cash, certificates of deposit, and savings to be cash equivalents.

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 and Issue Costs

Bond discounts and issue costs are being amortized over the life of the bonds using the straight-line 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 and Sewer 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 Assets

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

N. Allowance for Uncollectible Accounts

The City's delinquent taxes and accounts receivable are considered fully collectible and therefore an allowance for uncollectible accounts is not applicable to those receivables.

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. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Q. Defined Pension Benefit Plan

Substantially all City of West Liberty's full-time regular employees participate in the statewide Kentucky Retirement Systems ("System"), a multiple-employer public employee retirement system. Kentucky Retirement Systems is a cost sharing public employee retirement system with one exception: all risks and costs are not shared by the City but are the liability of the State of Kentucky. The payroll for employees covered by the System for the year ended June 30, 2010 was \$1,080,168; the City's total payroll was \$1,151,572.

All City full-time employees are eligible to participate in the System. The Plan provides for retirement, disability and death benefits.

Covered employees are required by State statute to contribute 5 percent (6 percent for newly hired employees) of creditable compensation to the System. Employer contribution rates are intended to fund the System's normal cost on a current basis plus one percent (1%) of unfunded past service cost per annum plus interest at the actuarial assumed rate. Such contribution rates are determined by the Board of Trustees of Kentucky Retirement Systems each biennial. The City contributed at 16.16% for all covered employees. The contribution requirement for the year ended June 30, 2010 was \$229,182, which consisted of \$174,555 from the City and \$54,627 from employees.

Additional information and historical trend information can be obtained from the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report.

**CITY OF WEST LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Encumbrances

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

S. 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 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, 2010 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>\$1,296,628</u>	<u>\$250,000</u>	<u>\$1,046,628</u>	<u>\$ -</u>	<u>\$1,221,907</u>

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.

CITY OF WEST LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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NOTE 3. PROPERTY TAXES

Property taxes for fiscal year 2009 were levied on \$245,232,619 the assessed valuation of property and bank deposits located in Morgan County as of the preceding January 1, the lien date. Delinquent taxes are considered fully collectible and therefore no allowance for uncollected taxes is provided. A reserve for uncollectible property taxes is recorded for the amount uncollected at year end. The due date and collection periods for property taxes are as follows:

<u>Description</u>	<u>Per K.R.S. 134.020</u>
Due date for payment of taxes	Upon Receipt
Discount of 2%	Receipt to October 31
Face value amount payment dates	November 1 to November 30
Tax balance plus 2% penalty	December 1 to December 31
Tax balance plus 10% penalty	January 1

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2010, consisted of the following:

Governmental Activities

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2010</u>
Capital assets, not being depreciated:				
Land and land improvements	\$ 160,636	\$ 49,500	\$ -	\$ 210,136
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>160,636</u>	<u>49,500</u>	<u>-</u>	<u>210,136</u>
Capital assets, being depreciated:				
Buildings and improvements	585,359	-	-	585,359
Improvements other than buildings	688,926	-	-	688,926
Infrastructure	420,663	55,809	-	476,472
Automobiles and trucks	734,169	39,826	99,636	674,359
Machinery and equipment	<u>1,085,370</u>	<u>143,213</u>	<u>-</u>	<u>1,228,583</u>
Total capital assets being depreciated	3,514,487	238,848	99,636	3,653,699
Less accumulated depreciation for:				
Buildings and improvements	(190,409)	(12,583)	-	(202,992)
Improvements other than buildings	(327,304)	(45,593)	-	(372,897)
Infrastructure	(126,003)	(44,856)	-	(170,859)
Automobiles and trucks	(394,144)	(51,482)	(91,918)	(353,708)
Machinery and equipment	<u>(571,117)</u>	<u>(94,375)</u>	<u>-</u>	<u>(665,492)</u>
Total accumulated depreciation	<u>(1,608,977)</u>	<u>(248,889)</u>	<u>(91,918)</u>	<u>(1,765,948)</u>
Total capital assets being depreciated, net	<u>1,905,510</u>	<u>(10,041)</u>	<u>7,718</u>	<u>1,887,751</u>
Governmental activities capital assets, net	<u>\$2,066,146</u>	<u>\$ 39,459</u>	<u>\$ 7,718</u>	<u>\$2,097,887</u>

**CITY OF WEST LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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NOTE 4. CAPITAL ASSETS (Continued)

Depreciation was charged to governmental functions as follows:

General government	\$ 11,228
Public safety	123,269
Tourism and planning	48,124
Streets	<u>66,268</u>
Total	<u>\$248,889</u>

Business-Type Activities

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2010</u>
Capital assets, not being depreciated:				
Land and land improvements	\$ 63,914	\$ -	\$ -	\$ 63,914
Construction in progress	<u>203,609</u>	<u>276,463</u>	<u>216,540</u>	<u>263,532</u>
Total capital assets, not being depreciated	<u>267,523</u>	<u>276,463</u>	<u>216,540</u>	<u>327,446</u>
Capital assets, being depreciated:				
Leasehold improvements	1,000	-	-	1,000
Machinery and equipment	712,903	111,882	20,572	804,213
Water plant and water system	9,084,913	284,590	-	9,369,503
Sewer plant and sewer system	<u>10,269,167</u>	<u>15,146</u>	<u>-</u>	<u>10,284,313</u>
Total capital assets being depreciated	<u>20,067,983</u>	<u>411,618</u>	<u>20,572</u>	<u>20,459,029</u>
Less accumulated depreciation for:				
Leasehold improvements	(563)	(32)	-	(595)
Machinery and equipment	(576,222)	(44,947)	(20,572)	(600,597)
Water plant and water system	(3,241,895)	(262,566)	-	(3,504,461)
Sewer plant and sewer system	<u>(3,530,009)</u>	<u>(301,098)</u>	<u>-</u>	<u>(3,831,107)</u>
Total accumulated depreciation	<u>(7,348,689)</u>	<u>(608,643)</u>	<u>(20,572)</u>	<u>(7,936,760)</u>
Total capital assets being depreciated, net	<u>12,719,294</u>	<u>(197,025)</u>	<u>-</u>	<u>12,522,269</u>
Total utilities capital assets, net	<u>\$12,986,817</u>	<u>\$ 79,438</u>	<u>\$ 216,540</u>	<u>\$12,849,715</u>

NOTE 5: LONG-TERM DEBT

Business -Type Activities

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

- 1) 1988 Series - \$579,000 Water and Sewer revenue bonds, maturing through November 1, 2023, with interest at 5.0%.
- 2) 1998 Series - \$449,000 Water and Sewer revenue bonds, maturing through November 1, 2039, with interest at 4.5%.

CITY OF WEST LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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NOTE 5: LONG-TERM DEBT (Continued)

- 3) 2001 Series (A) - \$1,000,000 Water and Sewer revenue bonds, maturing through November 1, 2041, with interest at 3.25%.
- 4) 2001 Series (B) - \$280,000 Water and Sewer revenue bonds, maturing through November 1, 2041, with interest at 4.5%.
- 5) 2006 Series - \$801,000 Water and Sewer revenue bonds, maturing through November 1, 2045, with interest at 4.125%.
- 6) 2007 Series - \$400,000 Water and Sewer revenue bonds, maturing through November 1, 2045, with interest at 4.125%.

Principal payments are due annually for revenue bonds on November 1, and interest payments are due semi-annually on May 1, and November 1.

Total bond interest expense for the year ended June 30, 2010, amounted to \$129,548.

The Water and Sewer Proprietary Fund note payable at June 30, 2010 consisted of the following:

In 1997, the City borrowed \$329,764 from Kentucky Infrastructure Authority, payable in semi-annual installments of \$9,298 including interest of 1.2%, final payment due on June 1, 2017.

	<u>Amount Outstanding 6/30/2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount Outstanding 6/30/2010</u>	<u>Amounts Due Within One Year</u>
Bond payable – 1988 issue	\$ 427,000	\$ -	(\$ 13,000)	\$ 414,000	\$14,000
Bond payable – 1998 issue	415,000	-	(6,000)	409,000	6,000
Bond payable – 2001 issue (A)	926,000	-	(16,000)	910,000	17,000
Bond payable – 2001 issue (B)	264,000	-	(3,500)	260,500	4,000
Bond payable – 2006 issue	792,000	-	(9,000)	783,000	9,500
Bond payable – 2007 issue	395,500	-	(4,500)	391,000	5,000
Note payable – KIA	<u>141,439</u>	<u>-</u>	<u>(16,949)</u>	<u>124,490</u>	<u>17,152</u>
Long-Term Debt	<u>\$3,360,939</u>	<u>\$ -</u>	<u>(\$ 68,949)</u>	<u>\$3,291,990</u>	<u>\$72,652</u>

Principal and interest payments to be made on all long-term debt at June 30, 2010, for each of the next five years and thereafter are as follows:

<u>Year Ending 6/30</u>	<u>Bonds</u>	<u>Notes</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total</u>
2011	\$ 55,500	\$ 17,152	\$ 72,652	\$ 129,123	\$ 201,775
2012	56,500	17,359	73,859	126,594	200,453
2013	60,000	17,568	77,568	123,968	201,536
2014	62,000	17,779	79,779	121,220	200,999
2015	64,500	17,993	82,493	118,375	200,868
2016-2020	365,500	36,639	402,139	545,832	947,971
2021-2025	450,500	-	450,500	460,202	910,702

CITY OF WEST LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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NOTE 5: LONG-TERM DEBT (Continued)

2026-2030	522,000	-	522,000	355,421	877,421
2031-2035	489,000	-	489,000	255,910	744,910
2036-2040	596,000	-	596,000	149,370	745,370
2041-2045	388,500	-	388,500	45,001	433,501
2046	57,500	-	57,500	1,186	58,686
	<u>\$3,167,500</u>	<u>\$124,490</u>	<u>\$3,291,990</u>	<u>\$2,432,202</u>	<u>\$5,724,192</u>

Governmental Activities

The City presently has two bond issues outstanding.

- 1) Series A - \$300,000 Public properties first mortgage revenue bonds maturing through January 16, 2020, with interest at 6.0%.
- 2) Series B - \$118,000 Public properties first mortgage revenue bonds maturing through January 16, 2020, with interest at 6.0%.

Principal and interest payments are due annually for revenue bonds on January 1.

Total bond interest expense for the year ended June 30, 2010, amounted to \$15,870.

The City's notes payable at June 30, 2010 consisted of the following:

- 1) On August 10, 2007, the City borrowed \$70,000 from the Kentucky League of Cities to finance the purchase of police cruisers. The loan agreement calls for 61 monthly payments ranging from \$1,285 to \$1,375.
- 2) On February 11, 2010, the City borrowed \$25,053 from Commercial Bank to partially finance the purchase of the Butcher property for \$49,500. The loan agreement calls for 12 monthly payments of \$2,144 at 4.9% interest.

	<u>Amount Outstanding 6/30/2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount Outstanding 6/30/2010</u>	<u>Amounts Due Within One Year</u>
Bond payable – series A	\$197,000	\$ -	\$(13,000)	\$184,000	\$14,000
Bond payable – series B	67,500	-	(4,500)	63,000	5,000
Police Cars (KLC)	46,524	-	(13,599)	32,925	14,224
Butcher Property (Commercial Bank)	-	25,053	(8,214)	16,839	16,839
Long-Term Debt	<u>\$311,024</u>	<u>\$ 25,053</u>	<u>(\$39,313)</u>	<u>\$296,764</u>	<u>\$50,063</u>

CITY OF WEST LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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NOTE 5 - LONG-TERM DEBT (Continued)

Principal and interest payments to be made on all long-term debt at June 30, 2010, 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>
2011	\$19,000	\$31,063	\$ 50,063	\$15,927	\$ 65,990
2012	20,000	14,876	34,876	14,039	48,915
2013	20,500	3,825	24,325	12,533	36,858
2014	22,500	-	22,500	11,250	33,750
2015	24,000	-	24,000	9,900	33,900
2016-2020	<u>141,000</u>	<u>-</u>	<u>141,000</u>	<u>26,209</u>	<u>167,209</u>
	<u>\$247,000</u>	<u>\$49,764</u>	<u>\$296,764</u>	<u>\$89,858</u>	<u>\$386,622</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, 2010 required by the revenue bond ordinances are reported in the accompanying financial statements as restricted cash and investments.

NOTE 6 – 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 \$39,956 is being held by the Commercial Bank of West Liberty in an interest bearing account.

Proprietary Funds Debt Service Reserve Fund in the amount of \$33,672 is being held in an interest bearing account at the Commercial Bank of West Liberty.

General Fund Bond Sinking Fund in the amount of \$210,226 is being held in an interest bearing account by the Commercial Bank of West Liberty. These funds are being maintained in the Debt Service Fund.

General Fund Debt Service Reserve Fund in the amount of \$71,617 is being held in an interest bearing savings account at the Commercial Bank of West Liberty, these funds are being maintained in the Debt Service Fund.

**CITY OF WEST LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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NOTE 6 - RESTRICTIONS ON CASH (Continued)

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 and for Waste Water Depreciation is \$284,458.

NOTE 7 - 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.

NOTE 8 - 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.

Construction Commitments

Contractual commitments for sewer line extension construction consisted of the following at June 30, 2010:

Total contract commitments	\$250,000
Less work performed and retainage	(240,396)
Balance remaining	<u>\$ 9,604</u>

NOTE 9 - RELATED PARTIES

Generally accepted auditing standards require disclosure of related party transactions. A related party transaction is defined as a transaction that involves the entity being audited and any member of management or their immediate family. The City of West Liberty and councilman John May and councilwoman Belinda Jordan were involved in related party transactions. The City purchased \$1,005 of computer equipment and supplies from West Liberty Electronics, which is owned by John May, and the City purchased \$333 of supplies from Seasons Florist and Gift Shop, which is owned by Belinda Jordan.

For the period dated June 30, 2010, the City's Utility Fund paid the City's General Fund \$147,232 for office rent and administrative expenses.

**CITY OF WEST LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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NOTE 10 – SUBSEQUENT EVENT

Elam Utility Company, a private local gas company, had outstanding invoices of \$688,000 to Columbia Gas, its supplier, and Columbia Gas notified Elam Utility that gas service would be disconnected on July 26, 2010. There are 410 residential and business customers in the City of West Liberty and 50 customers in Daysboro that were going to lose their gas service. Elam Utility approached the City with an offer to turn over the utility system to the City. In an emergency situation in order to keep gas service for the residents and businesses of West Liberty as well as the customers in Daysboro, the City approved an asset purchase on July 15, 2010.

The City will take over the assets and operations of the gas company after assuming the \$898,000 of liabilities of Elam Utility. The City is currently working with Columbia Gas to settle at a reduced rate the \$688,000 currently owed to them. The City has worked diligently with state officials and the Public Service Commission on the transfer of Elam Utility assets to the City.

AUDITOR'S REPORT



WELLS & COMPANY, P.S.C.

Certified Public Accountants

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**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 Jim Rupe, Mayor
Members of the City Council
City of West Liberty, Kentucky

We have audited 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, 2010 which collectively comprise the City of West Liberty, Kentucky's basic financial statements and have issued our report thereon dated August 23, 2010, which included an explanatory paragraph regarding the omission of required Management Discussion and Analysis. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of West Liberty, Kentucky's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of West Liberty, Kentucky's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be 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 2010-1 to be a material weakness.

2010-1 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: Compensating controls should be designed and implemented as effectively as possible to provide reasonable assurance that the safeguarding of assets and financial records be maximized.

Management Comment: Management of the City concurs with the finding and plans to develop compensating controls that will reduce to the lowest level any chance of misappropriation of assets and/or misrepresentation of financial records.

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 deficiencies described in 2010-2 to be a significant deficiency.

2010-2 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 and knowledge to properly prepare financial statements.

Recommendation: The management and those charged with governance should make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management Comment: Management of the City concurs with the finding.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of West Liberty, Kentucky's financial statements are free of 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standard* and which is described below:

2009-3 Bond Covenant Reserves

Condition: The City's operations and maintenance, depreciation, and debt service reserves for water and sewer were underfunded as of June 30, 2010.

Criteria: The City should have an operations and maintenance reserve on hand to cover anticipated water and sewer expenditures for a two month period pursuant to the City's annual budget. Also, the City should have a depreciation reserve and debt service reserve sufficiently funded per bond covenants.

Cause of Condition: The City's expenses to operate the water and sewer system had outpaced revenue.

Recommendation: There was a rate increase in May 2010. The City should begin funding the reserves back to required levels from the increased revenues.

Management Comment: Management of the City stated that rates were raised in May 2010 and the reserves will be funded back to required levels.

We noted certain matters that we reported to management of the City of West Liberty, Kentucky, in a separate letter dated August 23, 2010.

The City of West Liberty, Kentucky's response to the findings identified in our audit is described above. We did not audit the City of West Liberty, Kentucky's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Mayor, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wells & Company, PSC

Certified Public Accountants
Paintsville, Kentucky
August 23, 2010

REQUIRED SUPPLEMENTAL INFORMATION

**CITY OF WEST LIBERTY, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Property taxes	\$ 218,000	\$ 191,347	\$ (26,653)
Taxes on insurance premiums	390,000	319,983	(70,017)
Occupational taxes and licenses	285,000	322,167	37,167
E911	72,800	67,011	(5,789)
Unloading license	-	2,400	2,400
Building permits	-	1,350	1,350
Law enforcement fees	15,000	15,532	532
Motor vehicle tax	15,000	14,373	(627)
Telecom tax	9,000	6,922	(2,078)
Interest	-	1,365	1,365
Rent	21,000	19,458	(1,542)
Garbage fees	220,000	221,506	1,506
Fines and forfeits	-	2,640	2,640
Administrative	200,802	155,912	(44,890)
Grant revenue	-	127,736	127,736
Contributions	-	1,387	1,387
Other receipts	11,000	31,894	20,894
	<u>1,457,602</u>	<u>1,502,983</u>	<u>45,381</u>
Total Revenues			
Expenditures:			
General government:			
Health and life insurance	47,500	48,783	(1,283)
Insurance	36,000	26,571	9,429
Garbage fees	209,000	210,148	(1,148)
Dues and subscriptions	1,500	1,469	31
Materials and supplies	2,000	585	1,415
Janitorial supplies	1,000	1,899	(899)
Mayor and city council fees	10,000	8,100	1,900
Other expenses	6,200	15,651	(9,451)
Office expenses	7,500	10,595	(3,095)
Professional fees	14,000	17,355	(3,355)
Postage	2,000	2,104	(104)
Repairs and maintenance	5,000	3,876	1,124
Retirement	14,000	16,932	(2,932)
Salaries and wages	130,000	133,018	(3,018)
Payroll taxes	7,500	9,612	(2,112)
Telephone and utilities	18,000	17,018	982
Travel and training	1,000	903	97
Capital outlays	20,000	5,164	14,836
	<u>532,200</u>	<u>529,783</u>	<u>2,417</u>
Total General Government			

See accompanying notes to basic financial statements.

CITY OF WEST LIBERTY, KENTUCKY
 BUDGETARY COMPARISON SCHEDULE (Continued)
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Police:			
Automobile	20,000	18,342	1,658
Health and life insurance	49,000	42,174	6,826
Insurance	32,000	34,997	(2,997)
Dues and subscriptions	1,000	3,095	(2,095)
Janitorial supplies	1,000	889	111
Materials and supplies	12,000	22,718	(10,718)
Other expenses	500	4,934	(4,434)
Office expenses	7,500	6,105	1,395
Professional fees	5,000	5,893	(893)
Repairs and maintenance	10,000	22,593	(12,593)
Retirement	50,000	41,315	8,685
Salaries and wages	320,000	249,339	70,661
Payroll tax	20,000	19,859	141
Telephone and utilities	12,500	12,482	18
Travel and training	7,500	5,100	2,400
Uniform allowance	6,000	2,995	3,005
Capital outlays	36,000	24,827	11,173
Total Police	<u>590,000</u>	<u>517,657</u>	<u>72,343</u>
Fire:			
Automobile	2,500	865	1,635
Insurance	5,000	7,937	(2,937)
Materials and supplies	3,000	7,733	(4,733)
Other expenses	8,500	4,559	3,941
Repairs and maintenance	10,000	2,955	7,045
Telephone and utilities	10,000	6,365	3,635
Travel and training	2,500	691	1,809
Capital outlays	-	-	-
Total Fire	<u>41,500</u>	<u>31,105</u>	<u>10,395</u>
Dispatch:			
Automobile	3,000	657	2,343
Health and life insurance	49,000	37,363	11,637
Insurance	6,000	3,524	2,476
Dues and subscriptions	500	6,852	(6,352)
Janitorial supplies	500	964	(464)
Materials and supplies	1,000	596	404
Other expenses	500	467	33
Office expenses	2,500	3,884	(1,384)
Professional fees	5,000	5,843	(843)
Repairs and maintenance	27,000	14,612	12,388

See accompanying notes to basic financial statements.

CITY OF WEST LIBERTY, KENTUCKY
 BUDGETARY COMPARISON SCHEDULE (Continued)
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Retirement	40,000	36,034	3,966
Salaries and wages	250,000	209,850	40,150
Payroll tax	15,000	14,867	133
Telephone and utilities	10,000	8,492	1,508
Travel and training	2,000	3,192	(1,192)
Uniform allowance	2,500	1,249	1,251
Capital outlays	5,000	127,736	(122,736)
Total Dispatch	<u>419,500</u>	<u>476,182</u>	<u>(56,682)</u>
Street:			
Automobile	4,000	5,412	(1,412)
Insurance	4,000	3,523	477
Other expenses	-	14,509	(14,509)
Materials and supplies	6,000	9,052	(3,052)
Repairs and maintenance	3,500	4,634	(1,134)
Utilities and telephone	20,000	21,535	(1,535)
Capital outlays	5,000	55,809	(50,809)
Total Street	<u>42,500</u>	<u>114,474</u>	<u>(71,974)</u>
Total Expenditures	<u>1,625,700</u>	<u>1,669,201</u>	<u>(43,501)</u>
Other Financing Sources/(Uses):			
Operating transfers	165,000	58,316	(106,684)
Proceeds from borrowing	-	-	-
Total Other Financing Uses	<u>165,000</u>	<u>58,316</u>	<u>(106,684)</u>
Revenues Over/(Under) Expenditures and Other Financing Sources/(Uses)	<u>\$ (3,098)</u>	<u>(107,902)</u>	<u>\$ (104,804)</u>
Fund Balance at Beginning of Year		<u>137,215</u>	
Fund Balance at End of Year		<u>\$ 29,313</u>	

See accompanying notes to basic financial statements.

**CITY OF WEST LIBERTY, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
TOURISM AND PLANNING COMMISSION FUND
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Restaurant tax	\$ 130,000	\$ 159,121	\$ 29,121
Motel tax	10,000	10,022	22
Shelter income	2,500	2,350	(150)
Interest income	250	221	(29)
Other receipts	-	5,149	5,149
	<u>142,750</u>	<u>176,863</u>	<u>34,113</u>
Total Revenues			
Expenditures:			
Administrative	8,500	8,681	(181)
Donations	116,250	105,622	10,628
Dues and subscriptions	-	534	(534)
Materials and supplies	-	14,461	(14,461)
Other expenses	3,000	6,480	(3,480)
Office expenses	-	25	(25)
Repairs and maintenance	15,000	29,764	(14,764)
Capital outlays	-	59,813	(59,813)
	<u>142,750</u>	<u>225,380</u>	<u>(82,630)</u>
Total Expenditures			
Other Financing Sources/(Uses):			
Operating transfers	-	(8,629)	(8,629)
Proceeds from borrowing	-	25,053	25,053
	<u>-</u>	<u>16,424</u>	<u>16,424</u>
Total Other Financing Uses			
Revenues Over/(Under) Expenditures and Other Financing Sources/(Uses)	<u>\$ -</u>	<u>(32,093)</u>	<u>\$ (32,093)</u>
Fund Balance at Beginning of Year		<u>87,067</u>	
Fund Balance at End of Year		<u>\$ 54,974</u>	

See accompanying notes to basic financial statements.

SUPPLEMENTAL AND OTHER INFORMATION

CITY OF WEST LIBERTY, KENTUCKY
 COMBINING BALANCE SHEET
 NON-MAJOR FUNDS
 JUNE 30, 2010

	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	\$281,843	\$ 37,501	\$ -	\$ 30,807	\$27,919	\$ 378,070
Certificates of deposit	-	163,535	-	-	-	163,535
Receivables	-	736	2,101	-	-	2,837
Total Assets	<u>\$281,843</u>	<u>\$201,772</u>	<u>\$ 2,101</u>	<u>\$ 30,807</u>	<u>\$27,919</u>	<u>\$ 544,442</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ 2,044	\$ 2,713	\$ 4,757
Other accrued liabilities	-	-	2,101	-	-	2,101
Total Liabilities	<u>-</u>	<u>-</u>	<u>2,101</u>	<u>2,044</u>	<u>2,713</u>	<u>6,858</u>
Fund Balances:						
Reserved for debt service	281,843	-	-	-	-	281,843
Unreserved	-	201,772	-	28,763	25,206	255,741
Total Fund Balances	<u>281,843</u>	<u>201,772</u>	<u>-</u>	<u>28,763</u>	<u>25,206</u>	<u>537,584</u>
Total Liabilities and Fund Balances	<u>\$281,843</u>	<u>\$201,772</u>	<u>\$ 2,101</u>	<u>\$ 30,807</u>	<u>\$27,919</u>	<u>\$ 544,442</u>

See accompanying notes to basic financial statements.

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, 2010

	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	\$ -	\$ 22,191	\$ -	\$ -	\$ -	\$ 22,191
Wireless collections	-	-	-	-	103,517	103,517
Intergovernmental revenues	-	8,250	25,903	89,972	-	124,125
Other receipts	-	-	-	-	-	-
Investment income	2,784	3,157	-	385	138	6,464
Total revenues	<u>2,784</u>	<u>33,598</u>	<u>25,903</u>	<u>90,357</u>	<u>103,655</u>	<u>256,297</u>
Expenditures:						
Public safety	-	-	25,903	-	45,750	71,653
Streets	-	-	-	45,606	-	45,606
Debt service:						
Principal retirement	39,313	-	-	-	-	39,313
Interest	17,807	-	-	-	-	17,807
Total expenditures	<u>57,120</u>	<u>-</u>	<u>25,903</u>	<u>45,606</u>	<u>45,750</u>	<u>174,379</u>
Excess (deficiency) of revenues over expenditures	(54,336)	33,598	-	44,751	57,905	81,918
Other financing sources (uses):						
Operating transfers in	71,749	-	-	12,732	-	84,481
Operating transfers out	-	(7,478)	-	(68,250)	(58,440)	(134,168)
Proceeds from sale of assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>71,749</u>	<u>(7,478)</u>	<u>-</u>	<u>(55,518)</u>	<u>(58,440)</u>	<u>(49,687)</u>
Net change in fund balances	17,413	26,120	-	(10,767)	(535)	32,231
Fund balances - beginning	264,430	175,652	-	39,530	25,741	505,353
Fund balances - ending	<u>\$281,843</u>	<u>\$201,772</u>	<u>\$ -</u>	<u>\$ 28,763</u>	<u>\$25,206</u>	<u>\$ 537,584</u>

See accompanying notes to basic financial statements.

**CITY OF WEST LIBERTY, KENTUCKY
SCHEDULE OF OPERATING EXPENSES
BUSINESS-TYPE ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>SEWER</u>	<u>WATER</u>	<u>TOTAL</u>
Administrative	\$ 73,616	\$ 73,616	\$ 147,232
Automobile	6,503	12,647	19,150
Bad Debt	2,176	4,417	6,593
Chemicals	48,625	124,940	173,565
Depreciation	323,638	285,006	608,644
Dues and Subscriptions	783	1,242	2,025
Health and Life Insurance	49,253	41,077	90,330
Insurance	43,862	46,114	89,976
Janitorial Supplies	306	68	374
Materials and Supplies	52,598	55,972	108,570
Miscellaneous	2,206	3,471	5,677
Office Expenses	2,152	3,183	5,335
Postage	1,474	1,723	3,197
Professional Fees	6,182	6,808	12,990
Repairs and Maintenance	86,957	85,655	172,612
Retirement	40,106	40,168	80,274
Salaries and Wages	261,749	271,713	533,462
Payroll Taxes	18,271	19,393	37,664
Telephone and Utilities	78,044	137,837	215,881
Testing	12,225	15,222	27,447
Travel and Training	3,277	1,520	4,797
Uniform Allowance	3,638	3,910	7,548
TOTAL OPERATING EXPENSES	<u><u>\$ 1,117,641</u></u>	<u><u>\$ 1,235,702</u></u>	<u><u>\$ 2,353,343</u></u>

CITY OF WEST LIBERTY, KENTUCKY
CITY COUNCIL AND ADMINISTRATIVE PERSONNEL
June 30, 2010

CITY COUNCIL

<u>NAME</u>	<u>TERM EXPIRES</u>
Belinda Jordan	December 31, 2010
Phyllis Keeton	December 31, 2010
John May	December 31, 2010
Dwayne Nickell	December 31, 2010
Alton Pelfrey	December 31, 2010
Mark Walter	December 31, 2010

ADMINISTRATIVE PERSONNEL

<u>NAME</u>	
Jim Rupe	Mayor
Sally Barker	City Clerk
Sharon Lykins	Utilities Clerk
Amy Baldwin	Bookkeeper

CITY OF WEST LIBERTY, KENTUCKY
SCHEDULE OF INSURANCE
June 30, 2010

COVERAGE

FIRE AND EXTENDED COVERAGE

Buildings and contents	\$	16,645,688
Scheduled equipment		351,425

AUTOMOBILE EQUIPMENT

Liability coverage - per accident	\$	2,000,000
Uninsured motorist		100,000
Underinsured motorist		100,000
Personal injury		10,000
Physical damage		Actual cash value

WORKMEN'S COMPENSATION

Statutory

GENERAL LIABILITY

Personal and advertising injury	\$	2,000,000
Hazardous response		2,000,000
Employee benefits liability		2,000,000
Fire damage		100,000
Medical expense		5,000

PUBLIC OFFICIALS' LIABILITY

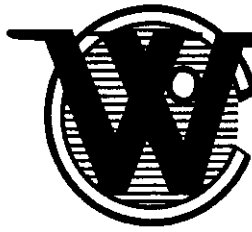
\$ 2,000,000

LAW ENFORCEMENT LIABILITY

\$ 2,000,000

PUBLIC OFFICIAL BONDS

Jim Rupe	\$	75,000
Sally Barker		120,000
Amy Baldwin		75,000
Sharon Lykins		75,000



WELLS & COMPANY, P.S.C.

Certified Public Accountants

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

(606) 789-3588

Fax (606) 789-3326

August 23, 2010

Jim Rupe, Mayor
Members of the City Council
West Liberty, Kentucky

In planning and performing our audit of the financial statements of the City of West Liberty, Kentucky ("City") for the year ended June 30, 2010, we considered the City's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the City's internal control in our report dated August 23, 2010. This letter does not affect our report dated August 23, 2010, on the financial statements of the City of West Liberty, Kentucky.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various City personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Sales Tax

The City was found to have paid sales tax on some purchases. There was a receipt from Lowe's and a receipt from Family Dollar where sales tax was charged. The City is exempt from sales tax and should have a procedure in place to avoid paying sales tax.

We wish to thank the City Clerk and her department for their support and assistance during our audit.

This report is intended solely for the information and use of the City Council, Mayor, management, and others within the City and is not intended to be and should not be used by anyone other than these specified parties.

Wells & Company, PSC

Wells & Company, PSC
Paintsville, Kentucky
August 23, 2010