

CITY OF LIBERTY
Liberty, Kentucky

FINANCIAL STATEMENTS
June 30, 2021

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INDEPENDENT AUDITORS' REPORT

To the Mayor and the City Council
City of Liberty, Kentucky

Report on the Financial Statements

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 Liberty, Kentucky as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively, comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Liberty, Kentucky, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules, and other post-employment benefits (OPEB) schedules on pages 3–10 and 42-50 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Liberty, Kentucky's basic financial statements. The combining nonmajor governmental fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining nonmajor governmental fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Prior-Year Comparative Information

We have previously audited the City of Liberty, Kentucky's financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated May 28, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2022, on our consideration of the City of 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 Liberty, Kentucky'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 Liberty, Kentucky's internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
January 25, 2022

City of Liberty, Kentucky
Management's Discussion and Analysis

Our discussion and analysis of the City of Liberty's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2021. Please read in conjunction with the auditor's report on page 1-2 and the City's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- The City's net position increased in the governmental activities and decreased in the business-type activities. The net position of the governmental activities increased by \$120,514, and the net position of the business-type activities decreased by \$706,347, which was a 8.6 percent decrease from the previous year.
- In the City's governmental activities, revenues decreased by \$209,398, or 15.5 percent, and expenses increased by 11.9 percent to \$1,171,011. In the business-type activities, revenues decreased to \$2,592,297 which is a decrease of 2.4 percent, while expenses decreased by 5.7 percent to \$3,188,867.

OVERVIEW OF THIS ANNUAL REPORT

This annual report consists of the management's discussion and analysis report, the independent auditors' report, the basic financial statements of the City and the independent auditors' report on compliance. The financial statements also include notes that explain in more detail some of the information in the financial statements.

The City's financial statements present two kinds of statements, each with a different snapshot of the City's finances. The focus is both the City as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the City's overall financial status. The fund financial statements focus on the individual funds of the City, reporting the City's operations in more detail than the government-wide statements. Both perspectives (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison (year to year or government to government) and enhance the City's accountability.

GOVERNMENT – WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the City's activities in a way that will help answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the net position of the City and the changes in them. One can think of the City's net position—the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources—as one way to measure financial health or financial position. Over time, increases or decreases in the City's net position are an indicator of whether its financial health or position is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, changes in property tax rates or valuation, infrastructure asset condition, and new or changed government legislation.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

Governmental activities—Most of the City's basic services are reported here, including general government administration, police, fire, dispatch, streets, sanitation and parks. Property taxes, licenses and permits, and grants finance most of these activities.

Business-type activities—The City collects fees from customers to cover the costs of the services, which includes gas, water, and sewer.

FUND FINANCIAL STATEMENTS

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The focus is now on the City's funds. The fund financial statements provide more information about the City's funds and not the City as a whole.

The City has two kinds of funds:

Governmental Fund—Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets, that can readily be converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statement that explains the relationship (or differences) between them.

Proprietary Fund—Services for which the City charges customers a fee are generally reported in proprietary funds.

NET POSITION

Our analysis begins with a summary of the City's Statement of Net Position, which is presented on Table A-1 followed by an explanation of the results. Changes in net position are presented in Table A-2, which is also followed by an explanation of the results.

Table A-1

Condensed Statement of Net Position

	Governmental		Business-type		Total Primary	
	Activities		Activities		Government	
	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2020</u>
Current and Other Assets	\$ 736,648	\$ 465,713	\$ 2,221,764	\$ 2,341,863	\$ 2,958,412	\$ 2,807,576
Capital Assets	2,411,286	2,487,094	15,029,154	15,760,395	17,440,440	18,247,489
Deferred Outflows	<u>276,249</u>	<u>215,930</u>	<u>647,349</u>	<u>534,926</u>	<u>923,598</u>	<u>750,856</u>
Total Assets and and Deferred Outflows	<u>3,424,183</u>	<u>3,168,737</u>	<u>17,898,267</u>	<u>18,637,184</u>	<u>21,322,450</u>	<u>21,805,921</u>
Long-Term Debt Outstanding	481,436	542,438	7,146,546	7,489,157	7,627,982	8,031,595
Net Pension	794,121	662,812	1,806,900	1,581,925	2,601,021	2,244,737
Net OPEB	249,937	158,472	568,693	378,223	818,630	536,695
Deferred Inflows	42,243	68,912	96,117	164,470	138,360	233,382
Current Liabilities	<u>96,437</u>	<u>96,608</u>	<u>745,348</u>	<u>782,399</u>	<u>841,785</u>	<u>879,007</u>
Total Liabilities and Deferred Inflows	<u>1,664,174</u>	<u>1,529,242</u>	<u>10,363,604</u>	<u>10,396,174</u>	<u>12,027,778</u>	<u>11,925,416</u>
Net Position:						
Net Investment in						
Capital Assets	2,411,286	2,487,094	7,558,781	7,954,127	9,970,067	10,441,221
Restricted	100,611	80,379	213,739	202,029	314,350	282,408
Unrestricted	<u>(751,888)</u>	<u>(927,978)</u>	<u>(237,857)</u>	<u>84,854</u>	<u>(989,745)</u>	<u>(843,124)</u>
Total Net Position	<u>\$ 1,760,009</u>	<u>\$ 1,639,495</u>	<u>\$ 7,534,663</u>	<u>\$ 8,241,010</u>	<u>\$ 9,294,672</u>	<u>\$ 9,880,505</u>

The net position of the City's governmental activities increased from \$1,639,495 in 2020 to \$1,760,009 in 2021, which is an increase of \$120,514. The net position of the business-type activities decreased from \$8,241,010 to \$7,534,663 in 2021, which is a 8.6 percent decrease. The net position from one activity generally cannot be used to make up for any deficits in the other activities.

NET POSITION, continued**Table A-2****Condensed Statement of Activities**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2020</u>
Revenues						
<u>Program Revenues</u>						
Charges for Service	\$ 6,680	\$ 2,910	\$ 2,564,215	\$ 2,628,862	\$ 2,570,895	\$ 2,631,772
Operating Grants & Contributions	278,118	327,435	3,010	10,195	281,128	337,630
Capital Grants & Contributions	22,585	212,080	-	-	22,585	212,080
<u>General Revenue</u>					-	-
Taxes	311,223	293,074	-	-	311,223	293,074
License fees	376,008	327,306	-	-	376,008	327,306
Permits	1,015	2,315	-	-	1,015	2,315
Other Grants and Contributions	2,441	2,847	-	-	2,441	2,847
Investment Earnings	4,703	9,189	25,072	15,729	29,775	24,918
Management fees	109,000	135,000	-	-	109,000	135,000
Miscellaneous	30,559	39,574	-	-	30,559	39,574
Total Revenue	<u>1,142,332</u>	<u>1,351,730</u>	<u>2,592,297</u>	<u>2,654,786</u>	<u>3,734,629</u>	<u>4,006,516</u>
Program Expenses						
General Government	416,994	358,229	-	-	416,994	358,229
Public Safety - Police	547,556	491,442	-	-	547,556	491,442
Public Safety - Fire	106,062	103,193	-	-	106,062	103,193
Streets Department	85,806	78,204	-	-	85,806	78,204
Interest on Debt	14,593	15,635	-	-	14,593	15,635
Utility	-	-	3,188,867	3,381,948	3,188,867	3,381,948
Total Program Expenses	<u>1,171,011</u>	<u>1,046,703</u>	<u>3,188,867</u>	<u>3,381,948</u>	<u>4,359,878</u>	<u>4,428,651</u>
Other Changes						
Transfers	109,777	88,500	(109,777)	(88,500)	-	-
Gain (loss) on sale of assets	39,416	-	-	(27,376)	39,416	(27,376)
Total Other Changes	<u>149,193</u>	<u>88,500</u>	<u>(109,777)</u>	<u>(115,876)</u>	<u>39,416</u>	<u>(27,376)</u>
Change In Net Position	<u>\$ 120,514</u>	<u>\$ 393,527</u>	<u>\$ (706,347)</u>	<u>\$ (843,038)</u>	<u>\$ (585,833)</u>	<u>\$ (449,511)</u>

The City's total revenue decreased by 6.8 percent and the total cost of all programs reflected a decrease of 1.6 percent. On the following page is a more in-depth description of the revenues and expenses of the governmental and business-type activities.

Looking at the business-type activities, revenues for the City decreased to \$2,592,297, or 2.4 percent, while total expenses decreased 5.7 percent. During the fiscal year ending June 30, 2020, the City began outsourcing its garbage service. The decrease of revenues combined with the decrease of expenses and decrease in other changes decreased net position by \$706,347. The City's major source of revenue in the business-type activities is charges for services, which decreased to \$2,564,215. This revenue source makes up 98.9 percent of total revenues.

GOVERNMENTAL ACTIVITIES

Next, the City analyzes the governmental activities and the changes in those activities, which is presented in Table A-3.

Table A-3

Condensed Governmental Funds - Revenues & Expenditures

	<u>FY 2021</u>	<u>FY 2020</u>	<u>Change</u>
Taxes	\$ 311,223	\$ 293,074	\$ 18,149
Licenses and Permits	377,023	329,621	47,402
Fines and Forfeits	734	1,100	(366)
Intergovernmental	303,144	542,362	(239,218)
Charges for Services	6,680	2,910	3,770
Other Revenues	<u>143,528</u>	<u>182,663</u>	<u>(39,135)</u>
Total Revenues	<u>1,142,332</u>	<u>1,351,730</u>	<u>(209,398)</u>
General Government	303,519	279,500	24,019
Public Safety	490,576	505,574	(14,998)
Streets Department	85,806	78,204	7,602
Capital Outlay	83,869	440,246	(356,377)
Debt Service	<u>74,257</u>	<u>68,544</u>	<u>5,713</u>
Total Expenditures	<u>1,038,027</u>	<u>1,372,068</u>	<u>(334,041)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ 104,305</u>	<u>\$ (20,338)</u>	<u>\$ 124,643</u>

Revenues for the City's governmental activities decreased by 15.5 percent, while total expenditures decreased by 24.3 percent. Governmental activities (deficiency) of revenues over expenditures before other financing sources (uses) increased by \$124,643. The City's major sources of revenue in the governmental activities are other revenue (12.5 percent), licenses and permits (33.0 percent), taxes (27.2 percent) and intergovernmental (26.5 percent). These revenue sources decreased 15.8 percent in 2021.

BUDGET HIGHLIGHTS

Over the course of the year, the City Council revised the City budget once. The budget contains proposed expenditures and expected revenues. A comparison of the final amended budget to actual amounts is presented in the tables below (Tables A-4 & 5).

Table A-4

General Fund - Revenues and Other Financing Sources

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Taxes	\$ 302,210	\$ 311,223	\$ 9,013
Licenses and Permits	347,440	377,023	29,583
Fines and Forfeitures	744	734	(10)
Intergovernmental	263,266	261,638	(1,628)
Charges for Services	600	680	80
Other Revenues	140,811	140,388	(423)
Transfers in (out)	-	106,657	106,657
Sale of Asset	<u>7,800</u>	<u>61,482</u>	<u>53,682</u>
Total Revenues and Other Financing Sources	<u>\$ 1,062,871</u>	<u>\$1,259,825</u>	<u>\$ 196,954</u>

Table A-5

General Fund - Expenditures

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Government	\$ 291,916	\$ 292,649	\$ 733
Public Safety	512,376	490,576	(21,800)
Streets Department	65,916	66,262	346
Debt Service	68,545	74,257	5,712
Capital Outlay	<u>60,433</u>	<u>83,869</u>	<u>23,436</u>
Total Expenditures	<u>\$ 999,186</u>	<u>\$1,007,613</u>	<u>\$ 8,427</u>

In the General Fund, the City budgeted for a total of \$1,062,871 in revenues and other financing sources for 2021, but ended up having revenues of \$1,259,825 which put the City over the revenue budget by \$196,954. A total of \$999,186 was budgeted for expenses, and actual expenditures totaled \$1,007,613 at the end of 2021. The City was over budget on expenses by \$8,427, as detailed above.

CAPITAL ASSETS

As discussed in Table A-6, the City has a total of \$33,433,298 invested in a broad range of capital assets, including police and fire equipment and vehicles, buildings, land, infrastructure assets, and water and sewer lines. This amount represents a 0.3 percent decrease from last year's total investment of \$33,548,567.

The major capital additions in the governmental activities were fire department equipment for \$42,570, welcome signs for \$11,260, and mowing equipment for \$11,049. The business-type activities major capital additions were various water, gas and sewer equipment for \$30,550 and a dump truck for \$18,500. The business-type activities also had construction in progress of \$18,000.

Table A-6

Capital Assets at Year End Without Depreciation

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2020</u>
Land & Improvements	\$1,815,248	\$1,793,896	\$ 104,272	\$ 104,272	\$ 1,919,520	\$ 1,898,168
Construction in Progress	-	-	18,000	18,000	18,000	18,000
Infrastructure	237,726	237,726	-	-	237,726	237,726
Buildings & Improvements	1,005,224	1,003,422	-	-	1,005,224	1,003,422
Vehicles & Equipment	1,189,423	1,114,726	-	-	1,189,423	1,114,726
Water & Sewer System	-	-	29,063,405	29,276,525	29,063,405	29,276,525
Total Capital Assets	<u>\$4,247,621</u>	<u>\$4,149,770</u>	<u>\$ 29,185,677</u>	<u>\$29,398,797</u>	<u>\$ 33,433,298</u>	<u>\$ 33,548,567</u>

DEBT

This year the City has \$8,025,479 in debt, a 4.7 percent decrease from last year's total of \$8,421,819.

Table A-7

Debt Outstanding at Year End

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2020</u>
Notes and Leases Payable	\$ 536,321	\$ 595,985	\$ 3,818,741	\$ 3,943,334	\$ 4,355,062	\$ 4,539,319
Revenue Bonds Payable	-	-	3,670,417	3,882,500	3,670,417	3,882,500
Total Debt Outstanding	<u>\$ 536,321</u>	<u>\$ 595,985</u>	<u>\$ 7,489,158</u>	<u>\$ 7,825,834</u>	<u>\$ 8,025,479</u>	<u>\$ 8,421,819</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected officials consider many factors when setting the fiscal year 2022 budget. Some of the factors are the local economy, expected grant money, and anticipated tax revenue.

In February 2020, the City entered into a franchise agreement with Rumpke to provide sanitation services to their customers. The garbage fund closed in fiscal year ending June 30, 2021.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens of the City, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mrs. Bridgett Blake, City Clerk, at P.O. Box 127, Liberty, KY 42539.

CITY OF LIBERTY, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2021

	Primary Government			2020 Totals
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash	\$ 436,018	\$ 988,218	\$ 1,424,236	\$ 1,259,377
Investments	143,893	786,652	930,545	904,053
Receivables, net	170,509	206,811	377,320	439,702
Interest receivable	39	2,301	2,340	2,415
Prepaid assets	-	10,232	10,232	-
Internal balances	(13,811)	13,811	-	-
Total current assets	<u>736,648</u>	<u>2,008,025</u>	<u>2,744,673</u>	<u>2,605,547</u>
Noncurrent assets				
Restricted assets				
Cash	-	213,739	213,739	202,029
Capital assets				
Construction in progress	-	18,000	18,000	18,000
Land and improvements	879,602	104,272	983,874	983,874
Utility systems, net	-	14,906,882	14,906,882	15,638,123
Depreciable buildings, property, and equipment, net	1,531,684	-	1,531,684	1,607,492
Total noncurrent assets	<u>2,411,286</u>	<u>15,242,893</u>	<u>17,654,179</u>	<u>18,449,518</u>
Total assets	<u>3,147,934</u>	<u>17,250,918</u>	<u>20,398,852</u>	<u>21,055,065</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	152,898	347,896	500,794	503,391
Deferred outflows - OPEB	123,351	280,668	404,019	227,899
Defeasance on refunding	-	18,785	18,785	19,566
Total deferred outflows of resources	<u>276,249</u>	<u>647,349</u>	<u>923,598</u>	<u>750,856</u>
Total assets and deferred outflows of resources	<u>\$ 3,424,183</u>	<u>\$ 17,898,267</u>	<u>\$ 21,322,450</u>	<u>\$ 21,805,921</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 25,132	\$ 107,240	\$ 132,372	\$ 125,239
Accrued liabilities	16,420	206,541	222,961	281,193
Customer deposits	-	75,529	75,529	68,345
Accrued interest payable	-	13,426	13,426	14,006
Current portion of long-term obligations	54,885	342,612	397,497	390,224
Total current liabilities	<u>96,437</u>	<u>745,348</u>	<u>841,785</u>	<u>879,007</u>
Noncurrent liabilities				
Noncurrent portion of long-term obligations	481,436	7,146,546	7,627,982	8,031,595
Net pension liability	794,121	1,806,900	2,601,021	2,244,737
Net OPEB liability	249,937	568,693	818,630	536,695
Total noncurrent liabilities	<u>1,525,494</u>	<u>9,522,139</u>	<u>11,047,633</u>	<u>10,813,027</u>
Total liabilities	<u>1,621,931</u>	<u>10,267,487</u>	<u>11,889,418</u>	<u>11,692,034</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension	-	-	-	45,669
Deferred inflows - OPEB	42,243	96,117	138,360	187,713
Total deferred inflows of resources	<u>42,243</u>	<u>96,117</u>	<u>138,360</u>	<u>233,382</u>
NET POSITION				
Net investment in capital assets	2,411,286	7,558,781	9,970,067	10,441,221
Restricted for other purposes	100,611	213,739	314,350	282,408
Unrestricted	(751,888)	(237,857)	(989,745)	(843,124)
Total net position	<u>1,760,009</u>	<u>7,534,663</u>	<u>9,294,672</u>	<u>9,880,505</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 3,424,183</u>	<u>\$ 17,898,267</u>	<u>\$ 21,322,450</u>	<u>\$ 21,805,921</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF LIBERTY, KENTUCKY
STATEMENT OF ACTIVITIES
for the year ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			2020 Totals
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 416,994	\$ 6,000	\$ 124,670	\$ -	\$ (286,324)	\$ -	\$ (286,324)	\$ (250,196)
Public safety-Police	547,556	680	103,582	-	(443,294)	-	(443,294)	(365,261)
Public safety-Fire	106,062	-	8,360	12,700	(85,002)	-	(85,002)	(70,663)
Street department	85,806	-	41,506	9,885	(34,415)	-	(34,415)	197,477
Interest on long-term debt	14,593	-	-	-	(14,593)	-	(14,593)	(15,635)
Total governmental activities	1,171,011	6,680	278,118	22,585	(863,628)	-	(863,628)	(504,278)
Business-type activities								
Utility	3,188,867	2,564,215	3,010	-	-	(621,642)	(621,642)	(742,891)
Total business-type activities	3,188,867	2,564,215	3,010	-	-	(621,642)	(621,642)	(742,891)
Total primary government	\$ 4,359,878	\$ 2,570,895	\$ 281,128	\$ 22,585	(863,628)	(621,642)	(1,485,270)	(1,247,169)
General revenues								
Taxes								
Property taxes, levied for general purposes					311,223	-	311,223	293,074
License fee								
Franchise					150,103	-	150,103	119,996
Insurance premiums					225,905	-	225,905	207,310
Permits								
Building					1,015	-	1,015	2,315
Fines and forfeitures					734	-	734	1,100
Grants and contributions not restricted to specific programs					2,441	-	2,441	2,847
Investment earnings					4,703	25,072	29,775	24,918
Management fees					109,000	-	109,000	135,000
Miscellaneous					29,825	-	29,825	38,474
Total general revenues					834,949	25,072	860,021	825,034
Gain (Loss) on sale of assets					39,416	-	39,416	(27,376)
Transfers					109,777	(109,777)	-	-
Total general revenues, gain (loss) on sale of assets and transfers					984,142	(84,705)	899,437	797,658
Change in net position					120,514	(706,347)	(585,833)	(449,511)
Net position-beginning, as restated					1,639,495	8,241,010	9,880,505	10,330,016
NET POSITION-ENDING					\$ 1,760,009	\$ 7,534,663	\$ 9,294,672	\$ 9,880,505

The accompanying notes are an integral part of the financial statements

**CITY OF LIBERTY, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>2020 Totals</u>
ASSETS				
Cash	\$ 424,041	\$ 11,977	\$ 436,018	52,821
Investments	79,936	63,957	143,893	134,294
Receivables, net	165,745	4,764	170,509	293,373
Interest receivable	39	-	39	36
Due from other funds	4,495	24,699	29,194	103,182
	<u>674,256</u>	<u>105,397</u>	<u>779,653</u>	<u>583,706</u>
Total assets	<u>\$ 674,256</u>	<u>\$ 105,397</u>	<u>\$ 779,653</u>	<u>\$ 583,706</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 25,132	\$ -	\$ 25,132	\$ 23,364
Accrued liabilities	16,420	-	16,420	19,697
Due to other funds	38,219	4,786	43,005	117,993
	<u>79,771</u>	<u>4,786</u>	<u>84,557</u>	<u>161,054</u>
Total liabilities	<u>79,771</u>	<u>4,786</u>	<u>84,557</u>	<u>161,054</u>
Fund balances				
Restricted	-	100,611	100,611	80,379
Unassigned	594,485	-	594,485	342,273
	<u>594,485</u>	<u>100,611</u>	<u>695,096</u>	<u>422,652</u>
Total fund balances	<u>594,485</u>	<u>100,611</u>	<u>695,096</u>	<u>422,652</u>
Total liabilities and fund balances	<u>\$ 674,256</u>	<u>\$ 105,397</u>	<u>\$ 779,653</u>	<u>\$ 583,706</u>

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

Fund balances represented above	\$ 695,096	\$ 422,652
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	2,411,286	2,487,094
Net deferred inflows/outflows related to the long-term net pension and OPEB liability are not reported in the funds	234,006	147,018
Long-term liabilities, including capital leases payable, net pension liability, and net OPEB liability are not due and payable in the current period and therefore are not reported in the funds	<u>(1,580,379)</u>	<u>(1,417,269)</u>
Net position of governmental activities	<u>\$ 1,760,009</u>	<u>\$ 1,639,495</u>

The accompanying notes are an integral part of the financial statements.

CITY OF LIBERTY, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
for the year ended June 30, 2021

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>2020 Totals</u>
REVENUES				
Taxes	\$ 311,223	\$ -	\$ 311,223	\$ 293,074
Licenses and permits	377,023	-	377,023	329,621
Fines and forfeits	734	-	734	1,100
Intergovernmental	261,638	41,506	303,144	542,362
Charges for service	680	6,000	6,680	2,910
Other revenues	<u>140,388</u>	<u>3,140</u>	<u>143,528</u>	<u>182,663</u>
Total revenues	<u>1,091,686</u>	<u>50,646</u>	<u>1,142,332</u>	<u>1,351,730</u>
EXPENDITURES				
Current				
General government	292,649	10,870	303,519	279,500
Public safety - Police	412,534	-	412,534	425,710
Public safety - Fire	78,042	-	78,042	79,864
Streets department	66,262	19,544	85,806	78,204
Capital outlay	83,869	-	83,869	440,246
Debt service	<u>74,257</u>	<u>-</u>	<u>74,257</u>	<u>68,544</u>
Total expenditures	<u>1,007,613</u>	<u>30,414</u>	<u>1,038,027</u>	<u>1,372,068</u>
Excess (deficiency) of revenues over expenditures	<u>84,073</u>	<u>20,232</u>	<u>104,305</u>	<u>(20,338)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	61,482	-	61,482	-
Transfers in (out)	<u>106,657</u>	<u>-</u>	<u>106,657</u>	<u>88,500</u>
Total other financing sources and uses	<u>168,139</u>	<u>-</u>	<u>168,139</u>	<u>88,500</u>
Net change in fund balances	252,212	20,232	272,444	68,162
Fund balances-beginning	<u>342,273</u>	<u>80,379</u>	<u>422,652</u>	<u>354,490</u>
FUND BALANCES-ENDING	<u>\$ 594,485</u>	<u>\$ 100,611</u>	<u>\$ 695,096</u>	<u>\$ 422,652</u>
Reconciliation to government-wide change in net position:				
Net change in fund balances			\$ 272,444	\$ 68,162
add: capital outlay expenditures capitalized			83,869	440,246
add: transferred general fixed assets			3,120	-
add: debt service expenditures			74,257	68,544
less: depreciation on governmental activities capital assets			(140,731)	(121,454)
less: net book value of disposed assets			(22,066)	-
less: change in net pension liability			(113,564)	(51,348)
add: change in net OPEB liability			(22,222)	5,012
less: interest on long term debt			<u>(14,593)</u>	<u>(15,635)</u>
Change in net position governmental activities			<u>\$ 120,514</u>	<u>\$ 393,527</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF LIBERTY, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2021

	Business-type Activities				2021 Totals	2020 Totals
	Water Fund	Sewer Fund	Gas Fund	Garbage Fund		
ASSETS						
Current assets						
Cash	\$ 588,797	\$ 50,985	\$ 348,436	\$ -	\$ 988,218	\$ 1,206,556
Investments	57,902	-	728,750	-	786,652	769,759
Receivables, net	98,127	66,974	41,710	-	206,811	146,329
Interest receivable	30	-	2,271	-	2,301	2,379
Prepaid assets	5,116	-	5,116	-	10,232	-
Due from other funds	322,041	-	9,842	-	331,883	327,041
Total current assets	<u>1,072,013</u>	<u>117,959</u>	<u>1,136,125</u>	<u>-</u>	<u>2,326,097</u>	<u>2,452,064</u>
Noncurrent assets						
Restricted assets						
Cash	109,358	104,381	-	-	213,739	202,029
Capital assets:						
Construction in progress	18,000	-	-	-	18,000	18,000
Land	-	66,872	37,400	-	104,272	104,272
Depreciable utility fixed assets	13,871,163	14,469,840	722,402	-	29,063,405	29,276,525
Less accumulated depreciation	<u>(7,017,638)</u>	<u>(6,617,258)</u>	<u>(521,627)</u>	<u>-</u>	<u>(14,156,523)</u>	<u>(13,638,402)</u>
Total noncurrent assets	<u>6,980,883</u>	<u>8,023,835</u>	<u>238,175</u>	<u>-</u>	<u>15,242,893</u>	<u>15,962,424</u>
Total assets	<u>8,052,896</u>	<u>8,141,794</u>	<u>1,374,300</u>	<u>-</u>	<u>17,568,990</u>	<u>18,414,488</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows - pension	145,512	31,220	171,164	-	347,896	354,753
Deferred outflows - OPEB	117,392	25,188	138,088	-	280,668	160,607
Defeasance on refunding	11,889	6,896	-	-	18,785	19,566
Total deferred outflows of resources	<u>274,793</u>	<u>63,304</u>	<u>309,252</u>	<u>-</u>	<u>647,349</u>	<u>534,926</u>
Total assets and deferred outflows of resources	<u>\$ 8,327,689</u>	<u>\$ 8,205,098</u>	<u>\$ 1,683,552</u>	<u>\$ -</u>	<u>\$ 18,216,339</u>	<u>\$ 18,949,414</u>
LIABILITIES						
Current liabilities						
Accounts payable	\$ 52,173	\$ 34,451	\$ 20,616	\$ -	\$ 107,240	\$ 101,875
Accrued liabilities	25,725	3,166	177,650	-	206,541	261,496
Due to other funds	8,449	309,623	-	-	318,072	312,230
Customer deposits	39,000	-	36,529	-	75,529	68,345
Accrued interest payable	6,584	6,842	-	-	13,426	14,006
Current portion of long-term obligations	137,392	205,220	-	-	342,612	336,677
Total current liabilities	<u>269,323</u>	<u>559,302</u>	<u>234,795</u>	<u>-</u>	<u>1,063,420</u>	<u>1,094,629</u>
Noncurrent liabilities						
Noncurrent portion of long-term obligations	2,185,615	4,960,931	-	-	7,146,546	7,489,157
Net pension liability	755,758	162,149	888,993	-	1,806,900	1,581,925
Net OPEB liability	237,863	51,034	279,796	-	568,693	378,223
Total noncurrent liabilities	<u>3,179,236</u>	<u>5,174,114</u>	<u>1,168,789</u>	<u>-</u>	<u>9,522,139</u>	<u>9,449,305</u>
Total liabilities	<u>3,448,559</u>	<u>5,733,416</u>	<u>1,403,584</u>	<u>-</u>	<u>10,585,559</u>	<u>10,543,934</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows - pension	-	-	-	-	-	32,184
Deferred inflows - OPEB	40,201	8,626	47,290	-	96,117	132,286
Total deferred inflows of resources	<u>40,201</u>	<u>8,626</u>	<u>47,290</u>	<u>-</u>	<u>96,117</u>	<u>164,470</u>
NET POSITION						
Net investment in capital assets	4,560,407	2,760,199	238,175	-	7,558,781	7,954,127
Restricted for debt service	109,358	104,381	-	-	213,739	202,029
Unrestricted	169,164	(401,524)	(5,497)	-	(237,857)	84,854
Total net position	<u>4,838,929</u>	<u>2,463,056</u>	<u>232,678</u>	<u>-</u>	<u>7,534,663</u>	<u>8,241,010</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 8,327,689</u>	<u>\$ 8,205,098</u>	<u>\$ 1,683,552</u>	<u>\$ -</u>	<u>\$ 18,216,339</u>	<u>\$ 18,949,414</u>

The accompanying notes are an integral part of the financial statements.

CITY OF LIBERTY, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
for the year ended June 30, 2021

	Business-type Activities				2021 Totals	2020 Totals
	Water Fund	Sewer Fund	Gas Fund	Garbage Fund		
Operating revenues						
Charges for services	\$ 1,125,649	\$ 461,653	\$ 976,913	\$ -	\$ 2,564,215	\$ 2,628,862
Other revenues	-	3,000	10	-	3,010	9,945
Total operating revenues	<u>1,125,649</u>	<u>464,653</u>	<u>976,923</u>	<u>-</u>	<u>2,567,225</u>	<u>2,638,807</u>
Operating expenses						
Salaries and wages	243,668	52,184	289,737	-	585,589	615,613
Casual labor	10,741	7,116	10,671	-	28,528	36,445
Gas purchases	-	-	202,364	-	202,364	151,278
Payroll taxes	19,208	3,801	21,651	-	44,660	46,495
Retirement	121,481	(15,568)	262,209	-	368,122	367,745
Uniforms and laundry	3,859	500	4,445	-	8,804	9,353
Maintenance and repairs	203,402	101,378	39,533	-	344,313	364,297
Truck expense	-	-	-	-	-	4,692
Motor fuel	8,102	100	7,284	-	15,486	26,473
Office expense and postage	6,056	2,007	2,075	-	10,138	9,094
Legal and professional	17,468	30,249	7,118	-	54,835	55,574
Utilities	87,299	65,233	12,255	-	164,787	156,301
Insurance	78,317	40,651	96,380	-	215,348	234,887
Dump expense	-	-	-	-	-	84,542
Pretreatment expenses	-	11,688	-	-	11,688	21,377
Management fees	32,714	10,286	66,000	-	109,000	135,000
Sludge hauling	47,004	-	-	-	47,004	11,693
Training and certifications	1,861	-	6,225	-	8,086	6,446
Other expense	6,386	2,160	3,428	-	11,974	44,291
Depreciation	274,244	499,641	18,685	-	792,570	813,485
Total operating expenses	<u>1,161,810</u>	<u>811,426</u>	<u>1,050,060</u>	<u>-</u>	<u>3,023,296</u>	<u>3,195,081</u>
Operating income (loss)	(36,161)	(346,773)	(73,137)	-	(456,071)	(556,274)
Nonoperating revenues (expenses)						
Investment earnings	930	187	23,955	-	25,072	15,729
Interest expense	(81,330)	(84,241)	-	-	(165,571)	(186,867)
Gain (loss) on sale of capital assets	-	-	-	-	-	(27,376)
Income (loss) before capital contributions and transfers	<u>(116,561)</u>	<u>(430,827)</u>	<u>(49,182)</u>	<u>-</u>	<u>(596,570)</u>	<u>(754,788)</u>
Capital contributions and transfers						
Tap fees	-	-	-	-	-	250
Transfers in (out)	<u>(176,520)</u>	<u>206,750</u>	<u>(168,716)</u>	<u>28,709</u>	<u>(109,777)</u>	<u>(88,500)</u>
Change in net position	<u>(293,081)</u>	<u>(224,077)</u>	<u>(217,898)</u>	<u>28,709</u>	<u>(706,347)</u>	<u>(843,038)</u>
Total net position-beginning, as restated	<u>5,132,010</u>	<u>2,687,133</u>	<u>450,576</u>	<u>(28,709)</u>	<u>8,241,010</u>	<u>9,084,048</u>
TOTAL NET POSITION-ENDING	<u>\$ 4,838,929</u>	<u>\$ 2,463,056</u>	<u>\$ 232,678</u>	<u>\$ -</u>	<u>\$ 7,534,663</u>	<u>\$ 8,241,010</u>

The accompanying notes are an integral part of the financial statements.

CITY OF LIBERTY, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
for the year ended June 30, 2021

	Business-type Activities				2021 Totals	2020 Totals
	Water Fund	Sewer Fund	Gas Fund	Garbage Fund		
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 1,103,096	\$ 432,469	\$ 910,874	\$ -	\$ 2,446,439	\$ 2,740,960
Payments to suppliers	(452,979)	(254,540)	(313,982)	(4,480)	(1,025,981)	(1,132,571)
Payments for interfund services (payment in lieu of taxes)	(32,714)	(10,286)	(66,000)	-	(109,000)	(135,000)
Payments for employee services and benefits	(339,382)	(74,018)	(440,791)	-	(854,191)	(872,250)
Net cash provided (used) by operating activities	<u>278,021</u>	<u>93,625</u>	<u>90,101</u>	<u>(4,480)</u>	<u>457,267</u>	<u>601,139</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Principal payments on capital debt	(134,228)	(202,448)	-	-	(336,676)	(640,649)
Capital contributions	-	-	-	-	-	250
Purchases of capital assets	(47,360)	(7,840)	(9,249)	-	(64,449)	(47,475)
Proceeds from the sale of capital assets	-	-	-	-	-	250,000
Interest paid on capital debt	(81,140)	(84,229)	-	-	(165,369)	(194,154)
Net cash (used) by capital and related financing activities	<u>(262,728)</u>	<u>(294,517)</u>	<u>(9,249)</u>	<u>-</u>	<u>(566,494)</u>	<u>(632,028)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Receipts (payments) on interfund loans	(5,842)	5,842	-	-	-	-
Net operating transfers in (out)	(111,351)	206,750	(103,548)	(89,831)	(97,980)	(88,500)
Net cash provided (used) by noncapital financing activities	<u>(117,193)</u>	<u>212,592</u>	<u>(103,548)</u>	<u>(89,831)</u>	<u>(97,980)</u>	<u>(88,500)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest and dividends	930	187	24,033	-	25,150	15,625
Purchase of investments	(431)	-	(24,007)	(133)	(24,571)	(10,736)
Net cash provided (used) by investing activities	<u>499</u>	<u>187</u>	<u>26</u>	<u>(133)</u>	<u>579</u>	<u>4,889</u>
Net increase (decrease) in cash and cash equivalents	(101,401)	11,887	(22,670)	(94,444)	(206,628)	(114,500)
Cash and cash equivalents-beginning of the year	<u>799,556</u>	<u>143,479</u>	<u>371,106</u>	<u>94,444</u>	<u>1,408,585</u>	<u>1,523,085</u>
CASH AND CASH EQUIVALENTS-END OF THE YEAR	<u>\$ 698,155</u>	<u>\$ 155,366</u>	<u>\$ 348,436</u>	<u>\$ -</u>	<u>\$ 1,201,957</u>	<u>\$ 1,408,585</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities						
Operating income (loss)	\$ (36,161)	\$ (346,773)	\$ (73,137)	\$ -	\$ (456,071)	\$ (556,274)
Adjustments to reconcile operating income to net cash provided (used) by operating activities						
Depreciation expense	274,244	499,641	18,685	-	792,570	813,485
Net pension adjustment	58,079	(20,119)	161,687	-	199,647	203,955
Net OPEB adjustment	7,257	(7,495)	34,479	-	34,241	13,950
Change in assets and liabilities						
Receivables, net	(22,553)	(32,184)	(5,745)	-	(60,482)	98,226
Prepaid assets	(5,116)	-	(5,116)	-	(10,232)	-
Accounts and other payables	11,891	(574)	5,712	(4,480)	12,549	46,781
Accrued expenses	(9,620)	1,129	(46,464)	-	(54,955)	(18,984)
Net cash provided by operating activities	<u>\$ 278,021</u>	<u>\$ 93,625</u>	<u>\$ 90,101</u>	<u>\$ (4,480)</u>	<u>\$ 457,267</u>	<u>\$ 601,139</u>

The accompanying notes are an integral part of the financial statements.

CITY OF LIBERTY, KENTUCKY
STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUND
June 30, 2021

	Restaurant Tax Custodial Fund	2020 Totals
	<u> </u>	<u> </u>
ASSETS		
Cash	\$ 27,546	\$ 22,522
Receivables, net	<u>25,015</u>	<u>20,767</u>
 Total assets	 <u>\$ 52,561</u>	 <u>\$ 43,289</u>
LIABILITIES		
Liabilities		
Due to Tourism Commission	\$ <u>52,561</u>	\$ <u>43,289</u>
 Total liabilities	 <u>52,561</u>	 <u>43,289</u>
NET POSITION		
Restricted net position	<u>-</u>	<u>-</u>
 Total net position	 <u>\$ -</u>	 <u>\$ -</u>

CITY OF LIBERTY, KENTUCKY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUND
June 30, 2021

	<u>Restaurant Tax Custodial Fund</u>	<u>2020 Totals</u>
ADDITIONS		
Restaurant tax collected for Tourism	<u>\$ 279,707</u>	<u>\$ 243,318</u>
Total deposits	<u>279,707</u>	<u>243,318</u>
DEDUCTIONS		
Restaurant tax disbursed for Tourism	<u>279,707</u>	<u>243,318</u>
Total payments	<u>279,707</u>	<u>243,318</u>
Total increase (decrease) of fiduciary net position	<u>-</u>	<u>-</u>
Net position - beginning of year	<u>-</u>	<u>-</u>
Net position - end of year	<u>\$ -</u>	<u>\$ -</u>

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Liberty, Kentucky (the City) operates under the City Council form of government and provides the following services as authorized by its charter: public safety and public works. The accounting policies of the City of Liberty conform to generally accepted accounting principles applicable to governmental units. The following is a summary of the more significant accounting policies.

A. Reporting Entity

The financial statements of the City of Liberty, Kentucky include the funds, account groups and entities over which the Mayor and Council exercise significant oversight responsibility. Oversight responsibility, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, was determined on the basis of the City's scope of public service, and the ability to significantly influence operation, select the governing body, and participate in fiscal management.

The Economic Development Authority of Liberty/Casey County is a joint venture between the City and the Casey County Fiscal Court and is excluded from the City's financial statements.

The Liberty Tourism and Convention Commission was created by the City Council and members of the board are appointed by the City. The City's accountability for this entity does not extend beyond making appointments and collecting and remitting the restaurant tax on behalf of the Commission. The Commission is excluded from the City's financial statements.

B. Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements display information about the City as a whole. The statements distinguish between governmental and business-type activities of the City. These financial statements include the financial activities of the City except for fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. The government-wide statement of activities reflects costs of government by function for governmental activities and business-type activities. Program revenues include charges paid by recipient for the goods or services offered by the program and grants or contributions that are restricted to the program. Revenues which are not classified as program revenues are presented as general revenues of the City.

Fund Financial Statements

Fund financial statements report detailed information about the City. The accounts of the City are organized on the basis of funds each of which is considered to be a separate fiscal and accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that is comprised of its assets, liabilities, fund balance/net position, revenues and expenditures or expenses.

Governmental funds are those through which most governmental functions are financed. Proprietary fund types are used to account for operations that are financed and operated in a manner similar to business enterprises - where intent of the governing body is that costs of providing services are to be financed or recovered primarily through user charges.

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, continued

The following funds are used by the City of Liberty:

Governmental Funds

General Fund – The general operating fund of the City is used to account for all financial resources except those required to be accounted for in another fund.

Cemetery Fund – A non-major permanent fund used to account for Glenwood cemetery activities.

Municipal Road Aid Fund – A non-major special revenue fund used to account for revenues received from the Commonwealth of Kentucky under the gasoline tax distribution program.

Proprietary Funds

Proprietary funds are used to account for the ongoing organizations and activities of the City, which are similar to those found in private business enterprises. The measurement focus is upon determination of net income, financial position, and changes in cash flows.

Proprietary funds are established to account for the acquisition, operations and maintenance of the City's facilities and services which are entirely or predominantly self-supported by user charges or where the City has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City's enterprise operations include the following:

Water Fund – A proprietary fund used to account for the water services provided to the residents of the City of Liberty, the operations of which are financed by user charges.

Sewer Fund – A proprietary fund used to account for the sewer services provided to the residents of the City of Liberty, the operations of which are financed by user charges.

Gas Fund – A proprietary fund used to account for the gas services provided to the residents of the City of Liberty, the operations of which are financed by user charges.

Garbage Fund – A proprietary fund used to account for the garbage services provided to the residents of the City of Liberty, the operations of which are financed by user charges. City garbage services were ended as of February 1, 2020, and the fund was closed permanently during fiscal year 2021.

Fiduciary Fund - The fiduciary fund consists of the Restaurant Tax Custodial Fund. The Restaurant Tax Custodial fund is used to collect and remit restaurant taxes on behalf of the Liberty Tourism and Convention Commission.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting, continued

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the City as a whole. The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for individual funds.

Fund Financial Statements

The financial transactions of the City are recorded in individual funds. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred.

Permits, fines and forfeits, and miscellaneous revenues (except for investment earnings) are recorded as revenues when received because they are generally not measurable until actually received. Investment earnings are recorded when earned since they are measurable and available in all funds.

Proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and expenses are recognized when they are incurred.

D. Budgeting

The City follows the procedures established pursuant to Section 91A.030 of the Kentucky Revised Statutes in establishing the budgetary data reflected in the financial statements. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles. During the year, the City under-budgeted expenditures in the General Fund by \$8,427.

E. Internal Balances

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "internal balances". Interfund receivables and payables between funds within governmental activities and proprietary activities are eliminated in the Statement of Net Position.

F. Revenues and Receivables

Proprietary funds report all revenues and expenses as operating, except interest income, interest expense, amortization, interfund transfers and capital contributions.

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Fund Balances

Fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts constrained for a specific purpose by the City using its highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City of Liberty. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Council.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The City has designated the Mayor to carry the intent of the City Council.

Unassigned – all other spendable amounts.

It is the policy of the City to spend restricted funds first when both restricted and unrestricted funds are available. Once restricted funds are spent, the City will use committed funds first, assigned funds second and unassigned funds last.

As of June 30, 2021, fund balances are composed of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Restricted:			
Road surface repairs	\$ -	\$ 29,463	\$ 29,463
Cemetery fund	-	71,148	71,148
Unassigned	594,485	-	594,485
 Total fund balances	\$ 594,485	\$ 100,611	\$ 695,096

H. Capital Assets

Under GASB 34, the City of Liberty has elected to not report major infrastructure retroactively. Capital assets acquired are recorded at cost or estimated cost. Certain improvements including roads, bridges, curbs and gutters, streets and sidewalks, and drainage systems acquired or constructed before July 1, 2003 have not been capitalized. Infrastructure assets acquired or constructed after July 1, 2003 have been capitalized as permitted by GASB 34. Depreciation of capital assets is provided over the estimated useful lives of the respective assets using the straight-line basis. The estimated useful lives are as follows:

Infrastructure	20-40 years
Buildings	25-40 years
Improvements	10-20 years
Vehicles, furniture and equipment	5-10 years

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

J. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees' 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 benefit terms. Investments are reported at fair value.

K. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees' 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 benefit terms. Investments are reported at fair value.

L. Other Accounting Policies

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City of Liberty.

Certificates of deposit are carried at cost, which approximates fair value. All other investments are carried at fair value based on quoted market prices.

The City considers all highly liquid investments (both restricted and unrestricted) with a maturity of 90 days or less when purchased to be cash equivalents.

All restricted and unrestricted cash are considered cash for purposes of the Statement of Cash Flows.

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Change in Accounting Policy

In February 2017, the GASB issued Statement No. 84, Fiduciary Activities (“GASB 84”). GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. Generally, the focus of the criteria relates to (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and post-employment benefit arrangements that are fiduciary activities. Additionally, GASB 84 describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust, or an equivalent arrangement, that meets specific criteria. GASB 84 is effective for the City beginning with its year ending June 30, 2021. The City applied the amendments of GASB No. 84 retrospectively. The implementation of GASB 84 resulted in the City modifying the Fiduciary Fund Statements to include a Statement of Changes in Fiduciary Net Position.

N. Management’s Review of Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through January 25, 2022, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2021, have not been evaluated by the City.

2. CASH AND INVESTMENTS

KRS 66.480 authorizes the City to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which have a physical presence in Kentucky and are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4). The Statute also authorizes investment in mutual funds, exchange traded funds, individual equity securities and high-quality corporate bonds that are managed by a professional investment manager and subject to additional requirements outlined in KRS 66.480.

The City has a formal investment policy, stating that the provisions of KRS 66.480 will be adhered to in order to reduce exposure to the following risks:

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

2. CASH AND INVESTMENTS (Continued)

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2021, the City held investments in the following municipal bonds. Bond ratings were not available for disclosure.

Municipal Bonds

American Municipal Power Inc OH Series A
Colorado State Board of Governors
Louisiana Local Government Monroe Refunding
Maricopa County Arizona University
Massachusetts Health and Education Northeast University
Minnesota Financial School Loan Revolving Fund
New Hampshire State Federal Highway Grant Anticipation
New Orleans Louisiana Public Improvement General Obligation Series A
Santa Clara Vy California Police Department Series D
Village of Skokie Illinois Series 2018A
Stratford Connecticut General Obligation 2013
Twinsburg Ohio
Walnut California Energy Center
Washington County School District

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

The City's deposits and investments were substantially covered by federal depository insurance, the Securities Investor Protection Corporation, or by collateral held by the custodial banks in the City's name. The carrying amount of the City's deposits, including investments and fiduciary funds, totaled \$2,596,066 and the bank balances totaled \$2,600,840. As of June 30, 2021, \$2,408,031 was held as collateral by the custodial banks in the City's name.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer.

The City's investments at June 30, 2021, are as follows:

<u>Investment Type</u>	<u>Book Value</u>	<u>Investment Maturities in Years</u>			
		<u>1 year or less</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
Certificates of deposit	\$ 666,580	\$ 14,136	\$ 652,444	\$ -	\$ -
Money market funds	3,215	3,215	-	-	-
Mutual funds	164,167	164,167	-	-	-
Municipal bonds	<u>96,583</u>	<u>5,109</u>	<u>33,869</u>	<u>23,923</u>	<u>33,682</u>
	<u>\$ 930,545</u>	<u>\$ 186,627</u>	<u>\$ 686,313</u>	<u>\$ 23,923</u>	<u>\$ 33,682</u>

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

2. CASH AND INVESTMENTS (Continued)

Investment Valuation

The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City does not have any investments that are measured using Level 3 inputs.

For those investments measured at fair value, the investments' fair value measurements are as follows at June 30, 2021:

Investments	Fair Value Measurements Using			
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Money market funds	\$ 3,215	\$ 3,215	\$ -	\$ -
Mutual funds	164,167	164,167	-	-
Municipal bonds	<u>96,583</u>	<u>-</u>	<u>96,583</u>	<u>-</u>
	<u>\$ 263,965</u>	<u>\$ 167,382</u>	<u>\$ 96,583</u>	<u>\$ -</u>

3. ACCOUNTS RECEIVABLE

Receivables at year end of the City's major individual funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	Governmental				Business- Type Activities Total
	General Fund	Nonmajor Funds	Funds Total		
Governmental Funds:					
Taxes	\$ 20,528	\$ -	\$ 20,528		
Licenses, permits, billings	88,304	-	88,304		
Intergovernmental	41,473	4,764	46,237		
Other revenues	<u>22,835</u>	<u>-</u>	<u>22,835</u>		
Gross receivables	173,140	4,764	177,904		
Less: allowance for uncollectible	<u>(7,395)</u>	<u>-</u>	<u>(7,395)</u>		
Net receivables	<u>\$ 165,745</u>	<u>\$ 4,764</u>	<u>\$ 170,509</u>		
Business-type Activities:		Sewer	Gas Fund	Garbage	
Customer	\$ 111,352	\$ 79,111	\$ 100,296	\$ -	\$ 290,759
Other	-	14,745	-	-	14,745
Less: allowance for uncollectible	<u>(13,225)</u>	<u>(26,882)</u>	<u>(58,586)</u>	<u>-</u>	<u>(98,693)</u>
Net receivables	<u>\$ 98,127</u>	<u>\$ 66,974</u>	<u>\$ 41,710</u>	<u>\$ -</u>	<u>\$ 206,811</u>

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

4. CAPITAL ASSETS

A summary of capital asset activity during the fiscal year follows:

	Balance June 30, 2020	Additions/ Transfers	Deductions/ Transfers	Balance June 30, 2021
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 879,602	\$ -	\$ -	\$ 879,602
Capital assets that are depreciated:				
Land Improvements	914,294	21,352	-	935,646
Buildings and improvements	1,003,422	1,802	-	1,005,224
Infrastructure	237,726	-	-	237,726
Vehicles	874,945	267,885	(257,289)	885,541
Equipment	239,781	70,400	(6,299)	303,882
Totals	<u>3,270,168</u>	<u>361,439</u>	<u>(263,588)</u>	<u>3,368,019</u>
Total capital assets	<u>4,149,770</u>	<u>361,439</u>	<u>(263,588)</u>	<u>4,247,621</u>
Less accumulated depreciation:				
Land improvements	358,214	47,752	-	405,966
Buildings and improvements	522,701	30,185	-	552,886
Infrastructure	3,774	5,943	-	9,717
Vehicles	659,191	304,658	(238,582)	725,267
Equipment	118,796	26,643	(2,940)	142,499
Totals	<u>1,662,676</u>	<u>415,181</u>	<u>(241,522)</u>	<u>1,836,335</u>
Capital assets, net	<u>\$ 2,487,094</u>	<u>\$ (53,742)</u>	<u>\$ (22,066)</u>	<u>\$ 2,411,286</u>
Business-type activities				
Capital assets not depreciated:				
Land	\$ 104,272	\$ -	\$ -	\$ 104,272
Construction in progress	18,000	-	-	18,000
Totals	<u>122,272</u>	<u>-</u>	<u>-</u>	<u>122,272</u>
Capital assets that are depreciated:				
Water plant	13,823,803	47,360	-	13,871,163
Sewer plant	14,462,001	7,839	-	14,469,840
Gas lines & equipment	713,152	9,250	-	722,402
Garbage equipment	277,569	-	(277,569)	-
Totals	<u>29,276,525</u>	<u>64,449</u>	<u>(277,569)</u>	<u>29,063,405</u>
Total capital assets	<u>29,398,797</u>	<u>64,449</u>	<u>(277,569)</u>	<u>29,185,677</u>
Less accumulated depreciation				
	<u>13,638,402</u>	<u>729,570</u>	<u>(274,449)</u>	<u>14,156,523</u>
Capital assets, net	<u>\$ 15,760,395</u>	<u>\$ (665,121)</u>	<u>\$ (3,120)</u>	<u>\$ 15,029,154</u>

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

4. CAPITAL ASSETS (Continued)

Depreciation expense was charged to the governmental functions as follows:

General government	\$ 81,872
Police	30,839
Fire	<u>28,020</u>
Total depreciation expense	<u>\$ 140,731</u>

5. LONG - TERM DEBT

BUSINESS - TYPE ACTIVITIES

In February 2013, the Kentucky Bond Corporation issued Series 2013A Revenue Bonds for the City in order to refund all prior outstanding Water Fund and Sewer Fund revenue bonds. This current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt in the amount of \$25,293. The deferred amount on refunding is being amortized as a component of interest expense over the life of the new bond issue. The new issue will reduce debt service payments by \$1,962,458 and has a net economic gain of \$731,039. As part of the issuance, the City was required to deposit \$164,250 in a debt service reserve fund managed by the Kentucky Bond Corporation. Beginning January 1, 2039, the reserve funds will be used to reduce the City's monthly payment. The balance in the debt service reserve is \$213,739 at June 30, 2021. The annual requirements to amortize the Series 2013A Revenue Bonds as of June 30, 2021, are as follows:

June 30	Principal	Interest	Total
2022	\$ 217,083	\$ 122,371	\$ 339,454
2023	222,083	116,402	338,485
2024	225,000	110,294	335,294
2025	225,000	103,638	328,638
2026	229,167	96,326	325,493
2027-2031	1,054,167	372,511	1,426,678
2032-2036	914,583	206,135	1,120,718
2037-2040	<u>583,334</u>	<u>51,932</u>	<u>635,266</u>
	<u>\$ 3,670,417</u>	<u>\$ 1,179,609</u>	<u>\$ 4,850,026</u>

The following is a summary of the revenue bonds outstanding for the year ended June 30, 2021:

Revenue Bonds	Total Outstanding June 30, 2021	Sewer Fund Allocation June 30, 2021	Water Fund Allocation June 30, 2021
Water and Sewer Funds - \$5,475,000			
Kentucky Bond Corporation – 2013A Series			
due in monthly installments of \$12,917			
to \$21,364 through 2040, Interest at 2.0%-3.4%	<u>\$ 3,670,417</u>	<u>\$ 1,347,410</u>	<u>\$ 2,323,007</u>

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

5. LONG - TERM DEBT (Continued)

BUSINESS - TYPE ACTIVITIES (Continued)

During 2017, the City began construction on a project to install a one-million-gallon wet weather flow equalization basin, replace various wastewater treatment plant components and make improvements to the laboratory and office facilities of the waste water treatment plant. The project was completed during fiscal year 2019 at a total cost of \$5.65 million. The project was funded with a \$1 million Community Development Block Grant and a \$4.6 million Kentucky Infrastructure Authority federally assisted wastewater revolving loan. As part of the loan agreement, the City is entitled to principal forgiveness in the amount of 10% of the original loan amount, not to exceed \$415,600. Due to this provision, the City has recognized \$415,600 of principal forgiveness in prior years. The loan bears interest at .75% with a loan term of 30 years with principal payments that began in June of 2019. As of June 30, 2021 the loan had a balance of \$3,818,741. The annual requirements for the Kentucky Infrastructure Authority loan as of June 30, 2021, are as follows:

June 30	Principal	Interest	Total
2022	\$ 125,529	\$ 35,980	\$ 161,509
2023	126,472	34,786	161,258
2024	127,423	33,582	161,005
2025	128,380	32,369	160,749
2026	129,345	31,147	160,492
2027-2031	661,450	137,084	798,534
2032-2036	686,677	105,130	791,807
2037-2041	712,866	71,957	784,823
2042-2046	740,054	37,518	777,572
2047-2049	<u>380,545</u>	<u>5,437</u>	<u>385,982</u>
	<u>\$ 3,818,741</u>	<u>\$ 524,990</u>	<u>\$ 4,343,731</u>

The following is a summary of the changes in long-term debt for the year ended June 30, 2021:

	July 1, 2020	Additions	Retirements	June 30, 2021
W&S Bond 2013A	\$ 3,882,500	\$ -	\$ (212,083)	\$ 3,670,417
Direct Borrowing - KIA Loan - WWTP	<u>3,943,334</u>	<u>-</u>	<u>(124,593)</u>	<u>3,818,741</u>
	<u>\$ 7,825,834</u>	<u>\$ -</u>	<u>\$ (336,676)</u>	<u>\$ 7,489,158</u>

The Water and Sewer Funds are in compliance with all significant limitations and restrictions contained in the bond indenture. As of June 30, 2021, the amount reserved for bond principal and interest payments was \$213,739. Additionally, the City has designated \$50,985 for the Sewer Fund and \$268,584 for the Water Fund as a depreciation reserve.

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

5. LONG - TERM DEBT (Continued)

GOVERNMENTAL ACTIVITIES

During fiscal year 2015, the City of Liberty entered into a fifteen-year lease with Casey County Bank to pay off a revolving note plus additional expenses related to the Casey County Education and Learning Center. The lease bears interest at 2.5% and has quarterly interest due and semi-annual principal. The obligation is reported as general long-term debt.

The following is a summary of changes in general long-term debt for the year ended June 30, 2021:

	July 1, 2020	Additions	Retirements	June 30, 2021
Casey County Bank - 2015	\$ <u>595,985</u>	\$ <u>-</u>	\$ <u>(59,664)</u>	\$ <u>536,321</u>

The following is a summary of debt service requirements as of June 30, 2021:

June 30,	Principal	Interest	Total
2022	\$ 54,885	\$ 13,659	\$ 68,544
2023	56,258	12,287	68,545
2024	57,664	10,880	68,544
2025	59,106	9,439	68,545
2026	60,583	7,961	68,544
2027-2030	<u>247,825</u>	<u>16,315</u>	<u>264,140</u>
TOTAL	\$ <u>536,321</u>	\$ <u>70,541</u>	\$ <u>606,862</u>

6. PROPERTY TAX CALENDAR

Property taxes for fiscal year 2021 were levied in October 2020 on the assessed valuation of property located in Casey County as of the preceding January 1, the lien date. The due date and collection periods for all taxes, exclusive of vehicle taxes, are as follows:

<u>Description</u>	<u>Per K.R.S. 134.020</u>
1. Due date for payment of taxes	Upon receipt
2. Face value amount payment dates	Upon receipt to January 31
3. 10% delinquent date	February 1

Vehicle taxes are collected by the County Clerk of Casey County and are due and collected in the birth month of the licensee.

7. RETIREMENT PLAN

CERS

The City of Liberty is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Retirement Systems website.

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

7. RETIREMENT PLAN (Continued)

Plan Description – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of state legislature.

Contributions – For the year ended June 30, 2021, plan members were required to contribute 5% of wages for non-hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2021, participating employers contributed 24.06% of each employee’s wages for non-hazardous job classifications. The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described in Note 8. Plan members contributed 19.30% to the pension trust for non-hazardous job classifications. The contribution rate is equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

Plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% of wages to their own account for non-hazardous job classifications. Plan members also contribute 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member’s salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member’s account. Each member’s account is credited with a 4% employer pay credit for non-hazardous members. The employer pay credit represents a portion of the employer contribution.

For the year ended June 30, 2021, the City contributed \$194,367, or 100% of the required contribution. The contribution was allocated \$155,914 to the CERS pension fund and \$38,453 to the CERS insurance fund.

Benefits – CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years’ service.

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

7. RETIREMENT PLAN (Continued)

For retirement purposes, employees are grouped into three tiers based on hire date:

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

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2021, the City reported a liability of \$2,601,021 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, and rolled forward using generally accepted actuarial procedures. 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 entities, actuarially determined. At June 30, 2020, the City's proportionate share was .0339 percent, which was an increase of .002 percent from its proportion at June 30, 2019.

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

7. RETIREMENT PLAN (Continued)

For the year ended June 30, 2021, the City recognized pension expense of \$469,806. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 64,861	\$ -
Changes of assumptions	101,566	-
Net difference between projected and actual earnings on Plan investments	65,088	-
Changes in proportion and differences between City contributions and proportionate share of contributions	113,365	-
City contributions subsequent to the measurement date	<u>155,914</u>	<u>-</u>
Total	<u>\$ 500,794</u>	<u>\$ -</u>

The \$155,914 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,

2022	\$	165,212
2023	\$	116,160
2024	\$	37,366
2025	\$	26,142

Actuarial Assumptions – The total pension liability reported at June 30, 2020, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

Inflation	2.30%	
Salary increases	3.30% to 10.30%, varies by service, including inflation	
Investment rate of return	6.25%, net of Plan investment expense, including inflation	

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2020. The Mortality Table used for 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 MP-2014 Mortality Improvement Scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total pension liability was rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020.

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

7. RETIREMENT PLAN (Continued)

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 nominal real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	62.50%	
US Equity	18.75%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Special credit/high yield	15.00%	3.90%
Liquidity	14.50%	
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Diversifying Strategies	23.00%	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
Total	100.00%	3.96%
Long term inflation assumption		2.30%
Expected nominal return for portfolio		6.25%

Discount Rate – The discount rate used to measure the total pension liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 23-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

Sensitivity of the City'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 calculated using the discount rate of 6.25 percent, 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 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	Discount rate	City's proportionate share of net pension liability
1% decrease	5.25%	\$ 3,207,627
Current discount rate	6.25%	\$ 2,601,021
1% increase	7.25%	\$ 2,098,731

Payable to the Pension Plan – At June 30, 2021, the City reported a payable of \$17,450 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021. The payable includes both the pension and insurance contribution allocation.

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

7. RETIREMENT PLAN (Continued)

Departmental Allocations

Due to changes in payroll allocations, the sewer fund experienced a decrease in the allocation of the City's net pension and OPEB liabilities. The drop in the Sewer Fund's allocation of the net pension and OPEB liabilities resulted in a credit balance in retirement expense of \$15,568 at June 30, 2021.

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description – As more fully described in Note 7, the City of Liberty participates in the County Employees' Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

Contributions – As more fully described in Note 7, plan members contribute to CERS for non-hazardous job classifications. For the year ending June 30, 2021, the employer's contribution was 4.76% to the insurance trust for non-hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

For the year ended June 30, 2021, the City contributed \$38,453, or 100% of the required contribution for non-hazardous job classifications.

Benefits – CERS provides health insurance benefits to Plan employees and beneficiaries.

For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date Insurance eligibility Benefit	Before July 1, 2003 10 years of service credit required Set percentage of single coverage health insurance based on service credit accrued at retirement
Tier 1	Participation date Insurance eligibility Benefit	Before September 1, 2008 but after July 1, 2003 10 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 2	Participation date Insurance eligibility Benefit	After September 1, 2008 and before December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Tier 3	Participation date	After December 31, 2013
	Insurance eligibility	15 years of service credit required
	Benefit	Set dollar amount based on service credit accrued, increased annually

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2021, the City reported a liability for its proportionate share of the net OPEB liability of \$818,630.

The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019 and rolled forward using generally accepted actuarial procedures. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2020 the City's proportionate share was .0339 percent, which was an increase of .002 percent from its proportion at June 30, 2019.

For the year ended June 30, 2021, the City recognized OPEB expense of \$120,688. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 136,778	\$ 136,882
Changes of assumptions	142,393	866
Net difference between projected and actual earnings on Plan investments	27,210	-
Changes in proportion and differences between City contributions and proportionate share of contributions	39,094	612
City contributions subsequent to the measurement date	<u>58,544</u>	<u>-</u>
Total	<u>\$ 404,019</u>	<u>\$ 138,360</u>

The \$58,544 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. This includes an adjustment of \$20,091 related to the implicit subsidy, which is required to be recognized as a deferred outflow of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in expense as follows:

Year ending June 30,	
2022	\$ 54,692
2023	\$ 62,744
2024	\$ 47,300
2025	\$ 43,915
2026	\$ (1,536)

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Actuarial Assumptions – The total OPEB liability reported at June 30, 2020, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

Inflation	2.30%
Salary increases	3.30 to 10.30%, varies by service, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation
Healthcare trend	

Pre – 65: Initial trend starting at 6.40% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.

Post – 65: Initial trend starting at 2.90% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2019. The Mortality Table used for 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 MP-2014 Mortality Improvement Scale using a base year of 2010.

The actuarial assumption used in the June 30, 2019, valuation was based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total OPEB liability was rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020.

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	62.50%	
US Equity	18.75%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Special credit/high yield	15.00%	3.90%
Liquidity	14.50%	
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Diversifying Strategies	23.00%	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
Total	100.00%	3.96%
Long term inflation assumption		2.30%
Expected nominal return for portfolio		6.25%

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Discount Rate – The discount rate used to measure the total OPEB liability was 5.34% for non-hazardous classifications. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 2.45%, as reported in Fidelity Index’s “20 –Year Municipal GO AA Index”. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the City’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 calculated using the discount rate 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 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Discount rate		Proportionate share of net OPEB liability
1% decrease	4.34%	\$	1,051,699
Current discount rate	5.34%	\$	818,630
1% increase	6.34%	\$	627,203

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following presents the City’s proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

		Proportionate share of net OPEB liability
1% decrease	\$	633,824
Current trend rate	\$	818,630
1% increase	\$	1,042,896

OPEB plan fiduciary net position – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued financial report.

9. RISK MANAGEMENT

The City of Liberty 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. In addition to its general liability insurance, the City also carries commercial insurance for all other risks of loss such as worker’s compensation and employee health and accident insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

10. CONCENTRATIONS

The City has a concentration of revenue in the Water Fund and the Gas Fund. One customer generated approximately 64% of the Water Fund's service revenue and 65% of the accounts receivable at June 30, 2021. In addition, one industrial company generated approximately 29% of gas service charges and comprised 40% of the accounts receivable balance reported in the Gas Fund at June 30, 2021.

11. CONTINGENT LIABILITY

The City has booked an estimated liability of \$140,136, which is included in accrued liabilities on the financial statements, for amounts the City was potentially underbilled by their gas supplier. The amount accrued is an estimate. The actual amount the City owes its gas supplier is unknown.

12. GARBAGE FUND BUYOUT

On January 20, 2020, the City entered into a franchise agreement with Rumpke. The agreement is effective from February 1, 2020 through January 31, 2025 and calls for Rumpke to provide curbside solid waste collection for all residential and commercial units in the City of Liberty on an exclusive basis. Under the terms of the agreement Rumpke will pay the City of Liberty a quarterly franchise fee of 7% of Rumpke's gross receipts from residential and commercial trash pick-up. Rumpke will furnish all necessary personnel, tools, labor, equipment, fuel and transportation to complete its work. Consequently, on February 1, 2020, the City of Liberty ceased providing garbage services to the residents of the City of Liberty. The City Council voted to close the Garbage Fund in fiscal year 2021 and all remaining assets and liabilities were transferred to the General Fund.

13. COVID-19 PANDEMIC

Since early 2020, various restrictions have been placed on travel and business across the United States in response to the COVID-19 pandemic. The duration and pervasiveness of these restrictions are uncertain as of the date of these financial statements. The City is evaluating the impact of COVID-19 and related responses on the operations and finances of the City. Restrictions placed on the local businesses could negatively impact the City's revenue and expenses for an unknown period of time. At this time, a specific estimate of the impact could not reasonably be determined due to a number of unknown factors regarding the severity and duration of the event.

14. RESTATEMENT OF NET POSITION

Customer Deposits

The beginning net position of the Water Fund and Gas Fund has been restated to properly reflect the amount of customer deposits outstanding. The effect of this restatement on net position is as follows:

Business-type activities

Net Position, at beginning of year	\$ 8,117,742
Customer deposits	<u>123,268</u>
Net Position, at beginning of year, as restated	<u>\$ 8,241,010</u>

Water Fund

Net Position, at beginning of year	\$ 5,071,024
Customer deposits	<u>60,986</u>
Net Position, at beginning of year, as restated	<u>\$ 5,132,010</u>

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

14. RESTATEMENT OF NET POSITION (continued)

Customer Deposits (continued)

Gas Fund

Net Position, at beginning of year	\$ 388,294
Customer deposits	<u>62,282</u>
Net Position, at beginning of year, as restated	<u>\$ 450,576</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LIBERTY, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2021

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Taxes				
Property and motor vehicle taxes	\$ 275,500	\$ 289,312	\$ 297,565	\$ 8,253
Payment in lieu of taxes	12,500	12,898	13,658	760
	<u>288,000</u>	<u>302,210</u>	<u>311,223</u>	<u>9,013</u>
Licenses and permits				
Franchise fees	139,100	140,069	150,103	10,034
Insurance premiums	207,000	206,356	225,905	19,549
Building permits	500	1,015	1,015	-
	<u>346,600</u>	<u>347,440</u>	<u>377,023</u>	<u>29,583</u>
Fines and forfeitures				
Parking tickets/arrest fees	1,200	744	734	(10)
	<u>1,200</u>	<u>744</u>	<u>734</u>	<u>(10)</u>
Intergovernmental				
Base court revenue	7,050	4,335	5,142	807
Police incentive pay	20,000	22,100	20,513	(1,587)
Local economic assistance	2,600	2,216	2,441	225
Other grants	105,754	221,915	220,842	(1,073)
Fire equipment grant	11,000	12,700	12,700	-
	<u>146,404</u>	<u>263,266</u>	<u>261,638</u>	<u>(1,628)</u>
Charges for service				
Accident reports	800	600	680	80
	<u>800</u>	<u>600</u>	<u>680</u>	<u>80</u>
Other revenues				
Interest income	4,500	4,438	1,663	(2,775)
Management fees	109,000	109,000	109,000	-
Other revenues	26,325	27,373	29,725	2,352
	<u>139,825</u>	<u>140,811</u>	<u>140,388</u>	<u>(423)</u>
Other financing sources				
Proceeds from sale of assets	6,000	7,800	61,482	53,682
Transfers in, net	110,500	-	106,657	106,657
	<u>116,500</u>	<u>7,800</u>	<u>168,139</u>	<u>160,339</u>
Total revenues and other financing sources	<u>\$ 1,039,329</u>	<u>\$ 1,062,871</u>	<u>\$ 1,259,825</u>	<u>\$ 196,954</u>

CITY OF LIBERTY, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2021

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
General Government				
Salaries	\$ 101,300	\$ 100,769	\$ 100,975	\$ 206
Payroll taxes and employee benefits	28,900	27,369	23,694	(3,675)
KY ASAP grant	42,500	61,731	65,155	3,424
Planning and zoning expenses	6,000	5,798	5,798	-
Professional services	8,000	5,519	7,118	1,599
Utilities	7,200	6,834	6,773	(61)
Office supplies	7,730	6,939	6,859	(80)
Insurance	15,483	15,538	16,084	546
Lake Liberty expenses	550	523	452	(71)
Postage	1,100	1,183	1,183	-
Dues and subscriptions	200	200	200	-
Parks and recreation	30,000	15,850	13,981	(1,869)
Other expenses	<u>18,010</u>	<u>43,663</u>	<u>44,377</u>	<u>714</u>
	<u>266,973</u>	<u>291,916</u>	<u>292,649</u>	<u>733</u>
Public Safety - Police				
Salaries	240,000	237,843	224,935	(12,908)
Payroll taxes and employee benefits	126,700	108,263	111,288	3,025
Motor fuels	13,000	14,127	16,719	2,592
Utilities	5,000	5,730	5,445	(285)
Equipment	3,500	13,468	5,658	(7,810)
Vehicle repairs	6,500	6,296	5,208	(1,088)
Uniforms	2,000	1,905	1,997	92
Insurance	28,885	27,645	31,656	4,011
Miscellaneous	<u>19,250</u>	<u>13,234</u>	<u>9,628</u>	<u>(3,606)</u>
	<u>444,835</u>	<u>428,511</u>	<u>412,534</u>	<u>(15,977)</u>
Public Safety - Fire				
Labor	44,400	40,465	40,140	(325)
Repairs and maintenance	2,000	3,830	4,971	1,141
Equipment	10,000	21,255	13,780	(7,475)
Utilities	5,200	5,521	5,476	(45)
Insurance	7,491	6,810	7,491	681
Motor fuel	1,300	1,653	1,773	120
Miscellaneous	<u>6,500</u>	<u>4,331</u>	<u>4,411</u>	<u>80</u>
	<u>76,891</u>	<u>83,865</u>	<u>78,042</u>	<u>(5,823)</u>

CITY OF LIBERTY, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2021

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Street Department				
Street repairs	\$ 2,500	\$ 760	\$ 1,298	\$ 538
Repairs and maintenance	5,000	3,771	3,654	(117)
Utilities	63,000	61,385	61,310	(75)
Supplies	1,000	-	-	-
	<u>71,500</u>	<u>65,916</u>	<u>66,262</u>	<u>346</u>
Capital Outlay	<u>110,314</u>	<u>60,433</u>	<u>83,869</u>	<u>23,436</u>
Debt Service	<u>68,545</u>	<u>68,545</u>	<u>74,257</u>	<u>5,712</u>
Total expenditures	<u>\$ 1,039,058</u>	<u>\$ 999,186</u>	<u>\$ 1,007,613</u>	<u>\$ 8,427</u>

**CITY OF LIBERTY, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - NONHAZARDOUS
Last Eight Years**

Reporting Fiscal Year (Measurement Date)	2014 (2013)	2015 (2014)	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)
City's proportion of the net pension liability	0.0296%	0.0296%	0.0296%	0.0298%	0.0303%	0.0312%	0.0319%	0.0339%
City's proportionate share of the net pension liability (asset)	\$ 1,085,805	\$ 962,373	\$ 1,261,770	\$ 1,457,174	\$ 1,777,420	\$ 1,900,359	\$ 2,244,737	\$ 2,601,021
City's covered employee payroll	\$ 637,796	\$ 671,150	\$ 676,346	\$ 708,809	\$ 739,341	\$ 773,375	\$ 805,087	\$ 865,129
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	170.24%	143.39%	186.56%	205.58%	240.41%	245.72%	278.82%	300.65%
Plan fiduciary net position as a percentage of the total pension liability	61.22%	66.80%	59.97%	55.50%	53.32%	53.54%	50.45%	47.81%

The above schedule will present 10 years of historical data, once available.

**CITY OF LIBERTY, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF PENSION CONTRIBUTIONS - NONHAZARDOUS
Last Nine Fiscal Years**

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Contractually required employer contribution	\$ 80,490	\$ 93,431	\$ 87,992	\$ 88,308	\$ 103,135	\$ 111,984	\$ 130,585	\$ 166,970	\$ 155,914
Contributions relative to contractually required employer contribution	<u>80,490</u>	<u>93,431</u>	<u>87,992</u>	<u>88,308</u>	<u>103,135</u>	<u>111,984</u>	<u>130,585</u>	<u>166,970</u>	<u>155,914</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 637,796	\$ 671,150	\$ 676,346	\$ 708,809	\$ 739,341	\$ 773,375	\$ 805,087	\$ 865,129	\$ 807,843
Employer contributions as a percentage of covered-employee payroll	12.62%	13.92%	13.01%	12.46%	13.95%	14.48%	16.22%	19.30%	19.30%

The above schedule will present 10 years of historical data, once available.

**CITY OF LIBERTY, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - NONHAZARDOUS
Last Five Years**

Reporting Fiscal Year (Measurement Date)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)
City's proportion of the net OPEB liability	0.0298%	0.0303%	0.0312%	0.0319%	0.0339%
City's proportionate share of the net OPEB liability (asset)	\$ 478,827	\$ 610,460	\$ 553,985	\$ 536,695	\$ 818,630
City's covered employee payroll	\$ 708,809	\$ 739,341	\$ 773,375	\$ 805,087	\$ 865,129
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	67.55%	82.57%	71.63%	66.66%	94.63%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	52.39%	57.62%	60.44%	51.67%

The above schedule will present 10 years of historical data, once available.

**CITY OF LIBERTY, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF OPEB CONTRIBUTIONS - NONHAZARDOUS
Last Nine Fiscal Years**

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Contractually required employer contribution	\$ 44,199	\$ 35,020	\$ 33,954	\$ 32,889	\$ 34,971	\$ 36,349	\$ 42,348	\$ 41,180	\$ 38,453
Contributions relative to contractually required employer contribution	<u>44,199</u>	<u>35,020</u>	<u>33,954</u>	<u>32,889</u>	<u>34,971</u>	<u>36,349</u>	<u>42,348</u>	<u>41,180</u>	<u>38,453</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 637,796	\$ 671,150	\$ 676,346	\$ 708,809	\$ 739,341	\$ 773,375	\$ 808,057	\$ 865,129	\$ 807,843
Employer contributions as a percentage of covered-employee payroll	6.93%	5.22%	5.02%	4.64%	4.73%	4.70%	5.24%	4.76%	4.76%

The above schedule will present 10 years of historical data, once available.

CITY OF LIBERTY, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021

1. 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.

2. CHANGES OF ASSUMPTIONS

June 30, 2020 – Pension and OPEB – Nonhazardous

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

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

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

June 30, 2019 – Pension and OPEB Nonhazardous

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 – Nonhazardous

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 – Nonhazardous

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 – Nonhazardous

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.

CITY OF LIBERTY, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021

2. CHANGES OF ASSUMPTIONS (CONTINUED)

June 30, 2015 – Pension – Nonhazardous

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

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

June 30, 2014 – Pension – Nonhazardous

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 – Nonhazardous

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.

SUPPLEMENTARY INFORMATION

**CITY OF LIBERTY, KENTUCKY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2021**

	Cemetery Fund	Municipal Road Aid Fund	Total Governmental Funds	2020 Totals
ASSETS				
Cash	\$ 11,977	\$ -	\$ 11,977	\$ 15,159
Investments	63,957	-	63,957	62,505
Receivables, net	-	4,764	4,764	106,188
Due from other funds	-	24,699	24,699	-
	<u>\$ 75,934</u>	<u>\$ 29,463</u>	<u>\$ 105,397</u>	<u>\$ 183,852</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Due to other funds	\$ 4,786	\$ -	\$ 4,786	\$ 103,473
	<u>4,786</u>	<u>-</u>	<u>4,786</u>	<u>103,473</u>
Fund balances	<u>71,148</u>	<u>29,463</u>	<u>100,611</u>	<u>80,379</u>
Total liabilities and fund balances	<u>\$ 75,934</u>	<u>\$ 29,463</u>	<u>\$ 105,397</u>	<u>\$ 183,852</u>

CITY OF LIBERTY, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
for the year ended June 30, 2021

	<u>Cemetery Fund</u>	<u>Municipal Road Aid Fund</u>	<u>Totals</u>	<u>2020 Totals</u>
REVENUES				
Charges for services	\$ 6,000	\$ -	\$ 6,000	\$ 2,000
Intergovernmental	-	41,506	41,506	144,139
Other revenues	<u>3,140</u>	<u>-</u>	<u>3,140</u>	<u>4,339</u>
 Total revenues	 <u>9,140</u>	 <u>41,506</u>	 <u>50,646</u>	 <u>150,478</u>
 EXPENDITURES				
Current				
General government	10,870	-	10,870	13,777
Streets department	-	19,544	19,544	8,612
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>137,080</u>
 Total expenditures	 <u>10,870</u>	 <u>19,544</u>	 <u>30,414</u>	 <u>159,469</u>
 Excess (deficiency) of revenues over expenditures	 <u>(1,730)</u>	 <u>21,962</u>	 <u>20,232</u>	 <u>(8,991)</u>
 OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total other financing sources and uses	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
 Net change in fund balances	 (1,730)	 21,962	 20,232	 (8,991)
Fund balances-beginning	<u>72,878</u>	<u>7,501</u>	<u>80,379</u>	<u>89,370</u>
 Fund balances-ending	 <u>\$ 71,148</u>	 <u>\$ 29,463</u>	 <u>\$ 100,611</u>	 <u>\$ 80,379</u>



**INDEPENDENT AUDITORS' 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**

To the Mayor and City Council
City of 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 Liberty, Kentucky, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Liberty, Kentucky's basic financial statements, and have issued our report thereon dated January 25, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of 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 Liberty, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Liberty, Kentucky's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of 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 result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

RFH

RFH, PLLC
Lexington, Kentucky
January 25, 2022