

CITY OF LIBERTY
Liberty, Kentucky



FINANCIAL STATEMENTS
June 30, 2024

CONTENTS

Independent Auditors' Report.....	1-3
Management's Discussion and Analysis	4-11
Government-wide Financial Statements	
Statement of Net Position	12
Statement of Activities.....	13
Fund Financial Statements	
Balance Sheet – Governmental Funds	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	15
Statement of Net Position – Proprietary Funds.....	16
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds.....	17
Statement of Cash Flows – Proprietary Funds	18
Notes to Financial Statements.....	19-40
Required Supplementary Information	
Budget Information – Major Governmental Funds	41-43
Proportionate Share of the Net Pension Liability – Nonhazardous	44
Schedule of Pension Contributions – Nonhazardous.....	45
Proportionate Share of the Net OPEB Liability – Nonhazardous	46
Schedule of OPEB Contributions – Nonhazardous.....	47
Notes to Required Supplementary Information	48-50
Supplementary Information	
Combining Balance Sheet – Nonmajor Governmental Funds	51
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	52
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 <i>Government Auditing Standards</i>	53-54



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Liberty, Kentucky as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Liberty, Kentucky's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Liberty, Kentucky, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Liberty, Kentucky and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Liberty, Kentucky's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Liberty, Kentucky's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4–11 and 41–50 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Liberty, Kentucky basic financial statements. The accompanying combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2025, 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 City of Liberty, Kentucky's internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
February 14, 2025

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, 2024. Please read in conjunction with the auditor's report on page 1-3 and the City's financial statements, which begin on page 12.

FINANCIAL HIGHLIGHTS

- The City's net position increased in the governmental activities and business-type activities. The net position of the governmental activities increased by \$38,353, and the net position of the business-type activities increased by \$51,940, which was a 0.7 percent increase from the previous year.
- In the City's governmental activities, revenues increased by \$179,962 or 11.2 percent, and expenses increased by 9.0 percent to \$1,626,743. In the business-type activities, revenues decreased to \$3,182,346 which is a decrease of 4.2 percent, while expenses decreased by 8.5 percent to \$3,116,595.

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 Activities		Business-type Activities		Total Primary Government	
	<u>FY 2024</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2023</u>
Current and Other Assets	\$ 1,341,872	\$ 1,132,014	\$ 2,180,164	\$ 2,001,004	\$ 3,522,036	\$ 3,133,018
Capital Assets	2,291,278	2,360,038	13,338,490	13,979,162	15,629,768	16,339,200
Deferred Outflows	293,228	201,686	507,975	376,842	801,203	578,528
Total Assets and and Deferred Outflows	<u>3,926,378</u>	<u>3,693,738</u>	<u>16,026,629</u>	<u>16,357,008</u>	<u>19,953,007</u>	<u>20,050,746</u>
Long-Term Debt Outstanding	305,326	365,399	6,092,186	6,445,568	6,397,512	6,810,967
Lease Liability	8,682	-	-	-	8,682	-
Net Pension	843,770	798,501	1,414,392	1,423,770	2,258,162	2,222,271
Net OPEB	-	217,947	-	388,612	-	606,559
Deferred Inflows	396,960	133,470	665,415	237,985	1,062,375	371,455
Current Liabilities	<u>438,327</u>	<u>283,461</u>	<u>706,095</u>	<u>764,472</u>	<u>1,144,422</u>	<u>1,047,933</u>
Total Liabilities and Deferred Inflows	<u>1,993,065</u>	<u>1,798,778</u>	<u>8,878,088</u>	<u>9,260,407</u>	<u>10,871,153</u>	<u>11,059,185</u>
Net Position:						
Net Investment in						
Capital Assets	2,261,410	2,360,038	6,909,366	7,198,393	9,170,776	9,558,431
Restricted	235,849	203,833	258,286	237,783	494,135	441,616
Unrestricted	<u>(563,946)</u>	<u>(668,911)</u>	<u>(19,111)</u>	<u>(339,575)</u>	<u>(583,057)</u>	<u>(1,008,486)</u>
Total Net Position	<u>\$ 1,933,313</u>	<u>\$ 1,894,960</u>	<u>\$ 7,148,541</u>	<u>\$ 7,096,601</u>	<u>\$ 9,081,854</u>	<u>\$ 8,991,561</u>

The net position of the City's governmental activities increased from \$1,894,960 in 2023 to \$1,933,313 in 2024, which is an increase of \$38,353. The net position of the business-type activities increased from \$7,096,601 to \$7,148,541 in 2024, which is a 0.7 percent increase. The net position from one activity generally cannot be used to make up for any deficits in the other activities.

NET POSITION, continued

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>FY 2024</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2023</u>
Revenues						
<u>Program Revenues</u>						
Charges for Service	\$ 14,807	\$ 65,759	\$ 3,009,911	\$ 3,013,522	\$ 3,024,718	\$ 3,079,281
Operating Grants & Contributions	354,850	593,960	-	3,548	354,850	597,508
Capital Grants & Contributions	-	-	83,237	292,591	83,237	292,591
<u>General Revenue</u>						
Taxes	693,652	331,774	-	-	693,652	331,774
License fees	544,203	489,114	-	-	544,203	489,114
Other Grants and Contributions	3,136	1,911	-	-	3,136	1,911
Investment Earnings (loss)	15,655	9,870	51,363	13,793	67,018	23,663
Management fees	109,000	109,000	-	-	109,000	109,000
Miscellaneous	50,514	4,467	37,835	-	88,349	4,467
Total Revenue	<u>1,785,817</u>	<u>1,605,855</u>	<u>3,182,346</u>	<u>3,323,454</u>	<u>4,968,163</u>	<u>4,929,309</u>
Program Expenses						
General Government	747,301	474,280	-	-	747,301	474,280
Public Safety - Police	621,445	746,198	-	-	621,445	746,198
Public Safety - Fire	151,686	129,218	-	-	151,686	129,218
Streets Department	95,207	131,151	-	-	95,207	131,151
Interest on Debt	11,104	11,362	-	-	11,104	11,362
Utility	-	-	3,116,595	3,404,445	3,116,595	3,404,445
Total Program Expenses	<u>1,626,743</u>	<u>1,492,209</u>	<u>3,116,595</u>	<u>3,404,445</u>	<u>4,743,338</u>	<u>4,896,654</u>
Other Changes						
Transfers	13,811	-	(13,811)	-	-	-
Gain (loss) on sale of assets	(134,532)	-	-	5,720	(134,532)	5,720
Total Other Changes	<u>(120,721)</u>	<u>-</u>	<u>(13,811)</u>	<u>5,720</u>	<u>(134,532)</u>	<u>5,720</u>
Change In Net Position	<u>\$ 38,353</u>	<u>\$ 113,646</u>	<u>\$ 51,940</u>	<u>\$ (75,271)</u>	<u>\$ 90,293</u>	<u>\$ 38,375</u>

The City's total revenue increased by 0.8 percent and the total cost of all programs reflected a decrease of 3.1 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 \$3,182,346, or 4.2 percent, while total expenses decreased 8.5 percent. The decrease of revenues combined with the decrease of expenses and decrease in other changes increased net position by \$51,940. The City's major source of revenue in the business-type activities is charges for services, which increased to \$3,009,911. This revenue source makes up 94.6 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 2024</u>	<u>FY 2023</u>	<u>Change</u>
Taxes	\$ 693,652	\$ 331,774	\$ 361,878
Licenses and Permits	544,203	489,114	55,089
Intergovernmental	361,636	595,871	(234,235)
Charges for Services	14,372	10,820	3,552
Investment earnings (loss)	15,655	9,870	5,785
Other Revenues	<u>159,717</u>	<u>119,890</u>	<u>39,827</u>
Total Revenues	<u>1,789,235</u>	<u>1,557,339</u>	<u>231,896</u>
General Government	673,230	405,739	267,491
Public Safety	690,724	688,186	2,538
Streets Department	89,261	131,151	(41,890)
Capital Outlay	247,077	154,667	92,410
Debt Service	<u>98,795</u>	<u>68,544</u>	<u>30,251</u>
Total Expenditures	<u>1,799,087</u>	<u>1,448,287</u>	<u>350,800</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ (9,852)</u>	<u>\$ 109,052</u>	<u>\$ (118,904)</u>

Revenues for the City's governmental activities increased by 14.9 percent, while total expenditures increased by 24.2 percent. Governmental activities excess of revenues over expenditures before other financing sources (uses) decreased by \$118,904.

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	\$ 331,660	\$ 334,040	\$ 2,380
Licenses and Permits	461,126	495,061	33,935
Intergovernmental	332,884	310,811	(22,073)
Charges for Services	10,011	10,372	361
Investment Earnings (loss)	10,066	12,587	2,521
Other Revenues	162,309	159,514	(2,795)
Transfers in, net	6,500	2,525	(3,975)
Lease proceeds	-	43,009	43,009
Sale of Asset	-	-	-
Total Revenues and Other Financing Sources	<u>\$ 1,314,556</u>	<u>\$ 1,367,919</u>	<u>\$ 53,363</u>

Table A-5

General Fund - Expenditures and Other Financing Uses

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Government	\$ 289,194	\$ 284,373	\$ (4,821)
Public Safety - Police	573,852	565,084	(8,768)
Public Safety - Fire	98,864	95,830	(3,034)
Streets Department	65,230	65,459	229
Debt Service	83,669	98,795	15,126
Capital Outlay	<u>170,843</u>	<u>247,077</u>	<u>76,234</u>
Total Expenditures	<u>\$ 1,281,652</u>	<u>\$ 1,356,618</u>	<u>\$ 74,966</u>

In the General Fund, the City budgeted for a total of \$1,314,556 in revenues and other financing sources for 2024, but ended up having revenues of \$1,367,919 which put the City over the revenue budget by \$43,009. A total of \$1,281,652 was budgeted for expenses, and actual expenditures totaled \$1,356,618 at the end of 2024. The City was over budget on expenses by \$74,966, as detailed above.

CAPITAL ASSETS

As discussed in Table A-6, the City has a total of \$34,323,792 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 0.6 percent increase from last year's total investment of \$34,106,719.

The major capital additions in the governmental activities were fire department equipment for \$40,233, land for \$94,976 and a new retaining wall at the park for \$12,623. The business-type activities major capital additions were various water, gas and sewer equipment for \$77,126. The governmental activities had construction in progress of \$23,332 and the business-type activities also had construction in progress of \$264,578.

Table A-6

Capital Assets at Year End Without Depreciation

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>FY 2024</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2023</u>
Land & Improvements	\$1,843,798	\$1,819,248	\$ 104,272	\$ 104,272	\$ 1,948,070	\$ 1,923,520
Construction in Progress	23,332	-	264,578	173,355	287,910	173,355
Infrastructure	237,726	237,726	-	-	237,726	237,726
Buildings & Improvements	1,119,312	1,131,841	-	-	1,119,312	1,131,841
Vehicles & Equipment	1,234,569	1,188,380	-	-	1,234,569	1,188,380
Water & Sewer System	-	-	29,496,205	29,451,897	29,496,205	29,451,897
Total Capital Assets	<u>\$4,458,737</u>	<u>\$4,377,195</u>	<u>\$ 29,865,055</u>	<u>\$ 29,729,524</u>	<u>\$ 34,323,792</u>	<u>\$ 34,106,719</u>

DEBT

This year the City has \$6,809,998 in debt, a 5.7 percent decrease from last year's total of \$7,221,054.

Table A-7

Debt Outstanding at Year End

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>FY 2024</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2023</u>
Notes Payable	\$ 364,432	\$ 423,063	\$ 3,439,316	\$ 3,566,740	\$ 3,803,748	\$ 3,989,803
Revenue Bonds Payable	-	-	3,006,250	3,231,251	3,006,250	3,231,251
Total Debt Outstanding	<u>\$ 364,432</u>	<u>\$ 423,063</u>	<u>\$ 6,445,566</u>	<u>\$ 6,797,991</u>	<u>\$ 6,809,998</u>	<u>\$ 7,221,054</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected officials consider many factors when setting the fiscal year 2025 budget. Some of the factors are the local economy, expected grant money, and anticipated tax revenue.

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, 2024

	Primary Government		Totals
	Governmental Activities	Business-type Activities	
ASSETS			
Current assets			
Cash	\$ 733,922	\$ 767,178	\$ 1,501,100
Investments	141,592	823,622	965,214
Receivables, net	448,045	249,767	697,812
Grant receivables	-	41,720	41,720
Interest receivable	158	3,246	3,404
Prepaid assets	-	5,913	5,913
Internal balances	-	-	-
Total current assets	<u>1,323,717</u>	<u>1,891,446</u>	<u>3,215,163</u>
Noncurrent assets			
Restricted assets			
Cash	-	258,286	258,286
Capital assets			
Construction in progress	23,332	264,578	287,910
Land and improvements	858,626	104,272	962,898
Utility systems, net	-	12,969,640	12,969,640
Depreciable buildings, property, and equipment, net	1,379,453	-	1,379,453
Leased vehicles, net	29,867	-	29,867
Net OPEB asset	<u>18,155</u>	<u>30,432</u>	<u>48,587</u>
Total noncurrent assets	<u>2,309,433</u>	<u>13,627,208</u>	<u>15,936,641</u>
Total assets	<u>3,633,150</u>	<u>15,518,654</u>	<u>19,151,804</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension	208,749	349,922	558,671
Deferred outflows - OPEB	84,479	141,611	226,090
Defeasance on refunding	-	16,442	16,442
Total deferred outflows of resources	<u>293,228</u>	<u>507,975</u>	<u>801,203</u>
Total assets and deferred outflows of resources	<u>\$ 3,926,378</u>	<u>\$ 16,026,629</u>	<u>\$ 19,953,007</u>
LIABILITIES			
Current liabilities			
Accounts payable	98,690	125,718	\$ 224,408
Accrued liabilities	22,839	91,893	114,732
Customer deposits	-	89,771	89,771
Construction payable	-	33,720	33,720
Unearned revenue	252,421	-	252,421
Accrued interest payable	-	11,613	11,613
Current portion of lease obligations	5,271	-	5,271
Current portion of long-term obligations	<u>59,106</u>	<u>353,380</u>	<u>412,486</u>
Total current liabilities	<u>438,327</u>	<u>706,095</u>	<u>1,144,422</u>
Noncurrent liabilities			
Noncurrent portion of long-term obligations	305,326	6,092,186	6,397,512
Lease liability	8,682	-	8,682
Net pension liability	843,770	1,414,392	2,258,162
Net OPEB liability	-	-	-
Total noncurrent liabilities	<u>1,157,778</u>	<u>7,506,578</u>	<u>8,664,356</u>
Total liabilities	<u>1,596,105</u>	<u>8,212,673</u>	<u>9,808,778</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension	98,939	165,848	264,787
Deferred inflows - OPEB	<u>298,021</u>	<u>499,567</u>	<u>797,588</u>
Total deferred inflows of resources	<u>396,960</u>	<u>665,415</u>	<u>1,062,375</u>
NET POSITION			
Net investment in capital assets	2,261,410	6,909,366	9,170,776
Restricted for other purposes	235,849	258,286	494,135
Unrestricted	<u>(563,946)</u>	<u>(19,111)</u>	<u>(583,057)</u>
Total net position	<u>1,933,313</u>	<u>7,148,541</u>	<u>9,081,854</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 3,926,378</u>	<u>\$ 16,026,629</u>	<u>\$ 19,953,007</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, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary government							
Governmental activities							
General government	\$ 747,301	\$ 12,185	\$ 69,449	\$ -	\$ (665,667)	\$ -	\$ (665,667)
Public safety-Police	621,445	2,622	217,776	-	(401,047)	-	(401,047)
Public safety-Fire	151,686	-	16,800	-	(134,886)	-	(134,886)
Street department	95,207	-	50,825	-	(44,382)	-	(44,382)
Interest on long-term debt	11,104	-	-	-	(11,104)	-	(11,104)
Total governmental activities	1,626,743	14,807	354,850	-	(1,257,086)	-	(1,257,086)
Business-type activities							
Utility	3,116,595	3,009,911	-	83,237	-	(23,447)	(23,447)
Total business-type activities	3,116,595	3,009,911	-	83,237	-	(23,447)	(23,447)
Total primary government	\$ 4,743,338	\$ 3,024,718	\$ 354,850	\$ 83,237	(1,257,086)	(23,447)	(1,280,533)
General revenues							
Taxes							
Property taxes, levied for general purposes							
					334,040	-	334,040
Restaurant taxes							
					359,612	-	359,612
Licenses and permits							
Franchise							
					143,659	-	143,659
Insurance premiums							
					291,702	-	291,702
City stickers							
					55,400	-	55,400
ABC license fees							
					53,442	-	53,442
Grants and contributions							
not restricted to specific programs							
					3,136	-	3,136
Investment earnings (loss)							
					15,655	51,363	67,018
Management fees							
					109,000	-	109,000
Miscellaneous							
					50,514	37,835	88,349
Total general revenues							
					1,416,160	89,198	1,505,358
Transfers							
					13,811	(13,811)	-
Gain (loss) on sale of assets							
					(134,532)	-	(134,532)
Total general revenues, transfers and gain (loss) on sale of assets							
					1,295,439	75,387	1,370,826
Change in net position							
					38,353	51,940	90,293
Net position-beginning							
					1,894,960	7,096,601	8,991,561
NET POSITION-ENDING							
					\$ 1,933,313	\$ 7,148,541	\$ 9,081,854

The accompanying notes are an integral part of the financial statements

CITY OF LIBERTY, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2024

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 695,161	\$ 38,761	\$ 733,922
Investments	83,244	58,348	141,592
Receivables, net	394,035	54,010	448,045
Interest receivable	158	-	158
Due from other funds	-	96,901	96,901
 Total assets	 \$ 1,172,598	 \$ 248,020	 \$ 1,420,618
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 35,231	\$ 63,459	\$ 98,690
Accrued liabilities	22,839	-	22,839
Due to other funds	96,901	-	96,901
Unearned revenue	252,421	-	252,421
 Total liabilities	 407,392	 63,459	 470,851
 Deferred inflows of resources			
Unavailable revenue	45,098	-	45,098
 Total deferred inflows of resources	 45,098	 -	 45,098
 Fund balances			
Restricted	6,190	184,561	190,751
Unassigned	713,918	-	713,918
 Total fund balances	 720,108	 184,561	 904,669
 Total liabilities, deferred inflows of resources and fund balances	 \$ 1,172,598	 \$ 248,020	 \$ 1,420,618

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

Fund balances represented above	\$ 904,669
Capital and leased assets used in governmental activities are not financial resources and therefore are not reported in the funds	2,291,278
Long-term lease liability	(13,953)
Unavailable revenue is considered revenue for government-wide purposes	45,098
Net deferred inflows/outflows related to the long-term net pension and OPEB liability are not reported in the funds	(103,732)
Long-term liabilities, including notes payable, net pension liability, and net OPEB asset are not due and payable in the current period and therefore are not reported in the funds	(1,190,047)
 Net position of governmental activities	 \$ 1,933,313

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, 2024

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 334,040	\$ 359,612	\$ 693,652
Licenses and permits	495,061	49,142	544,203
Intergovernmental	310,811	50,825	361,636
Charges for service	10,372	4,000	14,372
Investment earnings (loss)	12,587	3,068	15,655
Other revenues	159,514	203	159,717
Total revenues	1,322,385	466,850	1,789,235
EXPENDITURES			
Current			
General government	284,373	388,857	673,230
Public safety - Police	565,084	29,810	594,894
Public safety - Fire	95,830	-	95,830
Streets department	65,459	23,802	89,261
Capital outlay	247,077	-	247,077
Debt service	98,795	-	98,795
Total expenditures	1,356,618	442,469	1,799,087
Excess (deficiency) of revenues over expenditures	(34,233)	24,381	(9,852)
OTHER FINANCING SOURCES (USES)			
Lease proceeds	43,009	-	43,009
Transfers in (out)	2,525	11,286	13,811
Total other financing sources and (uses)	45,534	11,286	56,820
Net change in fund balances	11,301	35,667	46,968
Fund balances-beginning	708,807	148,894	857,701
FUND BALANCES-ENDING	\$ 720,108	\$ 184,561	\$ 904,669
Reconciliation to government-wide change in net position:			
Net change in fund balances			\$ 46,968
add: capital outlay expenditures capitalized			247,077
add: debt service expenditures			98,795
less: unavailable revenue			(3,418)
less: loss on disposal of capital assets			(134,532)
less: depreciation on governmental activities capital assets			(168,163)
less: amortization on leased vehicles			(13,142)
less: lease proceeds			(43,009)
less: change in net pension liability			(5,310)
less: change in net OPEB liability			24,191
less: interest on long term debt			(11,104)
Change in net position governmental activities			\$ 38,353

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

CITY OF LIBERTY, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2024

	Business-type Activities			Totals
	Water Fund	Sewer Fund	Gas Fund	
ASSETS				
Current assets				
Cash	\$ 394,640	\$ 76,035	\$ 296,503	\$ 767,178
Investments	61,030	-	762,592	823,622
Receivables, net	109,790	89,587	50,390	249,767
Grant receivable	8,000	33,720	-	41,720
Interest receivable	198	-	3,048	3,246
Prepaid assets	1,971	1,971	1,971	5,913
Due from other funds	<u>309,623</u>	<u>-</u>	<u>-</u>	<u>309,623</u>
Total current assets	<u>885,252</u>	<u>201,313</u>	<u>1,114,504</u>	<u>2,201,069</u>
Noncurrent assets				
Restricted assets				
Cash	115,337	142,949	-	258,286
Capital assets:				
Construction in progress	33,000	231,578	-	264,578
Land	-	66,872	37,400	104,272
Depreciable fixed assets	14,082,042	14,571,059	843,104	29,496,205
Less accumulated depreciation	(7,851,986)	(8,091,185)	(583,394)	(16,526,565)
Net OPEB asset	<u>12,575</u>	<u>3,540</u>	<u>14,317</u>	<u>30,432</u>
Total noncurrent assets	<u>6,390,968</u>	<u>6,924,813</u>	<u>311,427</u>	<u>13,627,208</u>
Total assets	<u>7,276,220</u>	<u>7,126,126</u>	<u>1,425,931</u>	<u>15,828,277</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	144,593	40,710	164,619	349,922
Deferred outflows - OPEB	58,515	16,476	66,620	141,611
Defeasance on refunding	<u>10,406</u>	<u>6,036</u>	<u>-</u>	<u>16,442</u>
Total deferred outflows of resources	<u>213,514</u>	<u>63,222</u>	<u>231,239</u>	<u>507,975</u>
Total assets and deferred outflows of resources	<u>\$ 7,489,734</u>	<u>\$ 7,189,348</u>	<u>\$ 1,657,170</u>	<u>\$ 16,336,252</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 43,705	\$ 69,514	\$ 12,499	\$ 125,718
Construction payable	-	33,720	-	33,720
Accrued liabilities	36,235	5,515	50,143	91,893
Due to other funds	-	309,623	-	309,623
Customer deposits	47,727	-	42,044	89,771
Accrued interest payable	5,626	5,987	-	11,613
Current portion of long-term obligations	<u>142,402</u>	<u>210,978</u>	<u>-</u>	<u>353,380</u>
Total current liabilities	<u>275,695</u>	<u>635,337</u>	<u>104,686</u>	<u>1,015,718</u>
Noncurrent liabilities				
Noncurrent portion of long-term obligations	1,760,253	4,331,933	-	6,092,186
Net pension liability	584,447	164,550	665,395	1,414,392
Net OPEB liability	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total noncurrent liabilities	<u>2,344,700</u>	<u>4,496,483</u>	<u>665,395</u>	<u>7,506,578</u>
Total liabilities	<u>2,620,395</u>	<u>5,131,820</u>	<u>770,081</u>	<u>8,522,296</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension	68,530	19,295	78,023	165,848
Deferred inflows - OPEB	<u>206,428</u>	<u>58,120</u>	<u>235,019</u>	<u>499,567</u>
Total deferred inflows of resources	<u>274,958</u>	<u>77,415</u>	<u>313,042</u>	<u>665,415</u>
NET POSITION				
Net investment in capital assets	4,370,807	2,241,449	297,110	6,909,366
Restricted for debt service	115,337	142,949	-	258,286
Unrestricted	<u>108,237</u>	<u>(404,285)</u>	<u>276,937</u>	<u>(19,111)</u>
Total net position	<u>4,594,381</u>	<u>1,980,113</u>	<u>574,047</u>	<u>7,148,541</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 7,489,734</u>	<u>\$ 7,189,348</u>	<u>\$ 1,657,170</u>	<u>\$ 16,336,252</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, 2024

	Business-type Activities			Totals
	Water Fund	Sewer Fund	Gas Fund	
Operating revenues				
Charges for services	\$ 1,205,159	\$ 817,189	\$ 987,563	\$ 3,009,911
Other revenues	-	17,090	-	17,090
Total operating revenues	<u>1,205,159</u>	<u>834,279</u>	<u>987,563</u>	<u>3,027,001</u>
Operating expenses				
Salaries and wages	290,423	75,905	293,721	660,049
Casual labor	6,838	6,839	6,839	20,516
Gas purchases	-	-	163,152	163,152
Payroll taxes	21,746	5,649	22,503	49,898
Retirement	(49,511)	(25,727)	93,141	17,903
Uniforms and laundry	2,941	602	4,362	7,905
Maintenance and repairs	364,673	148,385	53,800	566,858
Motor fuel	11,818	962	8,359	21,139
Office expense and postage	10,797	5,929	6,902	23,628
Legal and professional	17,353	34,053	7,752	59,158
Utilities	94,275	68,454	9,406	172,135
Insurance	91,715	45,387	78,571	215,673
Pretreatment expenses	-	15,894	-	15,894
Management fees	32,716	10,286	66,000	109,002
Sludge hauling	34,853	10,182	-	45,035
Training and certifications	1,737	-	6,400	8,137
Other expense	2,097	1,683	3,857	7,637
Depreciation	<u>283,612</u>	<u>503,802</u>	<u>21,607</u>	<u>809,021</u>
Total operating expenses	<u>1,218,083</u>	<u>908,285</u>	<u>846,372</u>	<u>2,972,740</u>
Operating income (loss)	(12,924)	(74,006)	141,191	54,261
Nonoperating revenues (expenses)				
Investment earnings (loss)	12,073	4,727	34,563	51,363
Interest expense	<u>(69,973)</u>	<u>(73,882)</u>	<u>-</u>	<u>(143,855)</u>
Income (loss) before capital contributions and transfers	<u>(70,824)</u>	<u>(143,161)</u>	<u>175,754</u>	<u>(38,231)</u>
Capital contributions and transfers				
Tap fees	9,840	-	10,905	20,745
Grant revenues	8,000	75,237	-	83,237
Transfers in (out)	<u>41,519</u>	<u>(45,274)</u>	<u>(10,056)</u>	<u>(13,811)</u>
Change in net position	<u>(11,465)</u>	<u>(113,198)</u>	<u>176,603</u>	<u>51,940</u>
Total net position-beginning	<u>4,605,846</u>	<u>2,093,311</u>	<u>397,444</u>	<u>7,096,601</u>
TOTAL NET POSITION-ENDING	<u>\$ 4,594,381</u>	<u>\$ 1,980,113</u>	<u>\$ 574,047</u>	<u>\$ 7,148,541</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, 2024**

	Business-type Activities			
	Water Fund	Sewer Fund	Gas Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 1,201,631	\$ 819,407	\$ 1,009,329	\$ 3,030,367
Payments to suppliers	(627,047)	(288,884)	(177,094)	(1,093,025)
Payments for interfund services (payment in lieu of taxes)	(32,716)	(10,286)	(66,000)	(109,002)
Payments for employee services and benefits	(377,568)	(105,897)	(645,937)	(1,129,402)
Net cash provided (used) by operating activities	<u>164,300</u>	<u>414,340</u>	<u>120,298</u>	<u>698,938</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal payments on capital debt	(142,403)	(210,021)	-	(352,424)
Capital contributions	9,840	41,517	10,905	62,262
Purchases of capital assets	(37,436)	(150,770)	(4,540)	(192,746)
Interest paid on capital debt	(69,806)	(73,785)	-	(143,591)
Net cash provided (used) by capital and related financing activities	<u>(239,805)</u>	<u>(393,059)</u>	<u>6,365</u>	<u>(626,499)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Net transfers in (out)	<u>45,487</u>	<u>(45,277)</u>	<u>(214)</u>	<u>(4)</u>
Net cash provided (used) by noncapital financing activities	<u>45,487</u>	<u>(45,277)</u>	<u>(214)</u>	<u>(4)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends	11,905	4,727	33,577	50,209
Purchase of investments	(2,254)	-	(33,281)	(35,535)
Net cash provided (used) by investing activities	<u>9,651</u>	<u>4,727</u>	<u>296</u>	<u>14,674</u>
Net increase (decrease) in cash and cash equivalents	(20,367)	(19,269)	126,745	87,109
Cash and cash equivalents-beginning of the year	<u>530,344</u>	<u>238,253</u>	<u>169,758</u>	<u>938,355</u>
CASH AND CASH EQUIVALENTS-END OF THE YEAR	<u>\$ 509,977</u>	<u>\$ 218,984</u>	<u>\$ 296,503</u>	<u>\$ 1,025,464</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (12,924)	\$ (74,006)	\$ 141,191	\$ 54,261
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation expense	283,612	503,802	21,607	809,021
Net pension adjustment	(72,205)	(29,386)	32,684	(68,907)
Net OPEB adjustment	(39,622)	(13,886)	(10,490)	(63,998)
Change in assets and liabilities				
Receivables, net	(3,528)	(14,872)	21,766	3,366
Prepaid assets	(129)	(129)	(129)	(387)
Accounts and other payables	5,341	42,776	2,444	50,561
Accrued expenses	3,755	41	(88,775)	(84,979)
Net cash provided by operating activities	<u>\$ 164,300</u>	<u>\$ 414,340</u>	<u>\$ 120,298</u>	<u>\$ 698,938</u>

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

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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, 2024

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.

Alcoholic Beverage Control (ABC) Fund – A non-major special revenue fund that accounts for funds received from alcoholic beverage regulatory fees. These funds are to be used to cover the estimated costs of police, regulatory, and administrative expenses related to the sale of alcoholic beverages in the City.

Tourism Fund – A non-major special revenue fund used to account for revenues received from restaurant tax.

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.

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, 2024

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.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For City property taxes, available means expected to be received within sixty days of the fiscal year end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before they can be recognized.

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.

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.

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.

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.

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Revenues and Receivables

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

G. Unearned Revenue

Unearned revenue represents the amount for which revenue recognition criteria have not been met. In subsequent periods, when the incurrence of qualifying expenditures has been made, the liability for the unearned revenue is removed and the revenue is recognized.

H. Unavailable Revenue

Unavailable revenue represents the amount for which a valid receivable is not collected within the period of availability after year end. These amounts are recorded as deferred inflows of resources in the governmental funds.

I. 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, 2024, fund balances are composed of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable	\$ -	\$ -	\$ -
Restricted:			
Opioid settlement	6,190	-	6,190
ABC fund	-	16,511	16,511
Road surface repairs	-	106,665	106,665
Cemetery fund	-	61,385	61,385
Unassigned	713,918	-	713,918
Total fund balances	\$ 720,108	\$ 184,561	\$ 904,669

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. 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

K. 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.

L. 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.

M. 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.

N. 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, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Leases

The City follows Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease payable and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. See note 4 and 7.

P. Subscription-based Information Technology Arrangements

The City follows Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based Information Technology Arrangements*. GASB Statement No. 96 requires recognition of a right-to-use subscription asset – and a corresponding subscription liability for subscription-based information technology arrangements (SBITA) that were previously classified as operating expenses. It establishes uniform guidance for SBITA accounting based on the foundational principle that SBITA are financings of the right to use vendor-provided information technology assets. Government entities are required to recognize a subscription liability and an intangible right-to-use subscription asset. The City currently does not have any SBITAs.

Q. Management's Review of Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through February 14, 2025, 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, 2024, 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, 2024

2. CASH AND INVESTMENTS (Continued)

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, totaled \$2,724,597 and the bank balances totaled \$2,731,029. As of June 30, 2024, approximately \$945,247 of the City's deposits are insured by FDIC insurance and/or SIPC insurance, and approximately \$1,785,782 of the City's deposits are collateralized by the custodial banks in the City's name.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2024, 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
- Fresno California Water System Revenue Series A2
- Louisiana Local Government Monroe Refunding
- Maine Health and Education Facilities Authority Revenue
- Maricopa County Arizona University
- Massachusetts Health and Education Northeast University
- Michigan Financial School Loan Revolving Fund
- New Hampshire State Federal Highway Grant Anticipation
- New Orleans Louisiana Public Improvement General Obligation Series A
- Village of Skokie Illinois Series 2018A
- Stratford Connecticut General Obligation 2013
- Twinsburg Ohio
- Walnut California Energy Center
- Washington County School District

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, 2024, 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	\$ 702,203	\$ 9,415	\$ 692,788	\$ -	\$ -
Money market funds	5,623	5,623	-	-	-
Mutual funds	173,161	173,161	-	-	-
Municipal bonds	<u>84,227</u>	<u>-</u>	<u>25,386</u>	<u>31,234</u>	<u>27,607</u>
	<u>\$ 965,214</u>	<u>\$ 188,199</u>	<u>\$ 718,174</u>	<u>\$ 31,234</u>	<u>\$ 27,607</u>

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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, 2024:

<u>Investments</u>	<u>Fair Value Measurements Using</u>			
	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Money market funds	\$ 5,623	\$ 5,623	\$ -	\$ -
Mutual funds	173,161	173,161	-	-
Municipal bonds	<u>84,227</u>	<u>-</u>	<u>84,227</u>	<u>-</u>
	<u>\$ 263,011</u>	<u>\$ 178,784</u>	<u>\$ 84,227</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:

	General Fund	Nonmajor Funds	Governmental Funds Total	
Governmental Funds:				
Taxes	\$ 13,499	\$ 30,800	\$ 44,299	
Licenses, permits, billings	117,610	13,446	131,056	
Intergovernmental	<u>271,656</u>	<u>9,764</u>	<u>281,420</u>	
Gross receivables	402,765	54,010	456,775	
Less: allowance for uncollectible	<u>(8,730)</u>	<u>-</u>	<u>(8,730)</u>	
Net receivables	<u>\$ 394,035</u>	<u>\$ 54,010</u>	<u>\$ 448,045</u>	
Business-type Activities:	Water Fund	Sewer Fund	Gas Fund	Business-Type Activities Total
Customer	\$ 119,749	\$ 95,287	\$ 108,226	\$ 323,262
Other	-	26,694	-	26,694
Less: allowance for uncollectible	<u>(9,959)</u>	<u>(32,394)</u>	<u>(57,836)</u>	<u>(100,189)</u>
Net receivables	<u>\$ 109,790</u>	<u>\$ 89,587</u>	<u>\$ 50,390</u>	<u>\$ 249,767</u>

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

4. CAPITAL ASSETS

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

	Balance June 30, 2023	Additions/ Transfers	Deductions/ Transfers	Balance June 30, 2024
Governmental activities:				
Capital assets not depreciated:				
Construction in progress	\$ -	\$ 23,332	\$ -	\$ 23,332
Land	<u>879,602</u>	<u>94,976</u>	<u>(115,952)</u>	<u>858,626</u>
Totals	<u>879,602</u>	<u>118,308</u>	<u>(115,952)</u>	<u>881,958</u>
Capital assets that are depreciated:				
Land improvements	939,645	45,527	-	985,172
Buildings and improvements	1,131,841	-	(12,529)	1,119,312
Infrastructure	237,726	-	-	237,726
Vehicles	808,334	-	-	808,334
Equipment	380,046	40,233	(37,053)	383,226
Leased vehicle	<u>-</u>	<u>43,009</u>	<u>-</u>	<u>43,009</u>
Totals	<u>3,497,592</u>	<u>128,769</u>	<u>(49,582)</u>	<u>3,576,779</u>
Total capital assets	<u>4,377,194</u>	<u>247,077</u>	<u>(165,534)</u>	<u>4,458,737</u>
Accumulated depreciation:				
Land improvements	499,454	46,199	-	545,653
Buildings and improvements	612,020	33,163	-	645,183
Infrastructure	21,603	5,943	-	27,546
Vehicles	692,965	27,643	-	720,608
Equipment	<u>191,114</u>	<u>55,215</u>	<u>(31,002)</u>	<u>215,327</u>
Totals	<u>2,017,156</u>	<u>168,163</u>	<u>(31,002)</u>	<u>2,154,317</u>
Accumulated amortization:				
Leased vehicle	<u>-</u>	<u>13,142</u>	<u>-</u>	<u>13,142</u>
Totals	<u>-</u>	<u>13,142</u>	<u>-</u>	<u>13,142</u>
Total accumulated depreciation and amortization	<u>2,017,156</u>	<u>181,305</u>	<u>(31,002)</u>	<u>2,167,459</u>
Depreciable capital assets, net	<u>1,480,436</u>	<u>(52,536)</u>	<u>(80,584)</u>	<u>1,409,320</u>
Capital assets, net	<u>\$ 2,360,038</u>	<u>\$ 65,772</u>	<u>\$ (196,536)</u>	<u>\$ 2,291,278</u>

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

4. CAPITAL ASSETS (Continued)

	Balance June 30, 2023	Additions/ Transfers	Deductions/ Transfers	Balance June 30, 2024
Business-type activities				
Capital assets not depreciated:				
Land	\$ 104,272	\$ -	\$ -	\$ 104,272
Construction in progress	<u>173,358</u>	<u>91,220</u>	<u>-</u>	<u>264,578</u>
Totals	<u>277,630</u>	<u>91,220</u>	<u>-</u>	<u>368,850</u>
Capital assets that are depreciated:				
Water plant	14,059,604	22,438	-	14,082,042
Sewer plant	14,553,729	50,150	(32,820)	14,571,059
Gas lines & equipment	<u>838,564</u>	<u>4,540</u>	<u>-</u>	<u>843,104</u>
Totals	<u>29,451,897</u>	<u>77,126</u>	<u>(32,820)</u>	<u>29,496,205</u>
Total capital assets	<u>29,729,527</u>	<u>168,346</u>	<u>(32,820)</u>	<u>29,865,055</u>
Less accumulated depreciation	<u>15,750,358</u>	<u>809,021</u>	<u>(32,820)</u>	<u>16,526,565</u>
Capital assets, net	<u>\$ 13,979,169</u>	<u>\$ (640,675)</u>	<u>\$ (32,820)</u>	<u>\$ 13,338,490</u>

Depreciation expense was charged to the governmental functions as follows:

General government	\$ 78,067
Police	28,297
Fire	55,856
Streets	<u>5,943</u>
Total depreciation expense	<u>\$ 168,163</u>

5. INTERFUND ACTIVITY

Interfund transactions at June 30, 2024, consisted of the following due to/from other funds and transfers in/out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$ -	\$ 96,901	\$ 13,520	\$ 10,995
Nonmajor Gov. Funds	96,901	-	11,286	-
Gas Fund	-	-	-	10,056
Water Fund	309,623	-	53,937	12,418
Sewer Fund	<u>-</u>	<u>309,623</u>	<u>-</u>	<u>45,274</u>
	<u>\$ 406,524</u>	<u>\$ 406,524</u>	<u>\$ 78,743</u>	<u>\$ 78,743</u>

Due To/From Other Funds

The City's interfund balances are anticipated to be repaid over a period of time. Some of the interfund balances will not be repaid within one year of the date of these financial statements. The City is unable to identify which balances will not be repaid in the next fiscal year. The interfund balances will be repaid as resources become available.

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

5. INTERFUND ACTIVITY (Continued)

Interfund Transfers

Transfers are typically used to move unrestricted revenues collected in one fund to finance various programs accounted for in another fund in accordance with budgetary authorizations.

6. 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 \$258,286 at June 30, 2024. The annual requirements to amortize the Series 2013A Revenue Bonds as of June 30, 2024, are as follows:

June 30	Principal	Interest	Total
2025	\$ 225,000	\$ 103,638	\$ 328,638
2026	229,167	96,326	325,493
2027	237,083	88,878	325,961
2028	221,250	81,173	302,423
2029	197,083	73,982	271,065
2030-2034	965,000	272,045	1,237,045
2035-2039	841,250	110,763	952,013
2040-2041	<u>90,417</u>	<u>3,738</u>	<u>94,155</u>
	<u>\$ 3,006,250</u>	<u>\$ 830,543</u>	<u>\$ 3,836,793</u>

The following is a summary of the revenue bonds outstanding for the year ended June 30, 2024:

Revenue Bonds	Total Outstanding June 30, 2024	Sewer Fund Allocation June 30, 2024	Water Fund Allocation June 30, 2024
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>\$ 3,006,250</u>	<u>\$ 1,103,595</u>	<u>\$ 1,902,655</u>

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

6. 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 \$4.60 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, 2024 the loan had a balance of \$3,439,316. The City is also required to deposit \$11,700 into a replacement reserve account each year until the reserve balance reaches \$117,000. The balance in the replacement reserve is \$76,050 at June 30, 2024. The annual requirements for the Kentucky Infrastructure Authority loan as of June 30, 2024, are as follows:

June 30	Principal	Interest	Total
2025	\$ 128,380	\$ 32,369	\$ 160,749
2026	129,345	31,147	160,492
2027	130,317	29,916	160,233
2028	131,296	28,676	159,972
2029	132,283	27,426	159,709
2030-2034	676,472	118,055	794,527
2035-2039	702,273	85,375	787,648
2040-2044	729,057	51,449	780,506
2045-2049	<u>679,893</u>	<u>16,228</u>	<u>696,121</u>
	<u>\$ 3,439,316</u>	<u>\$ 420,641</u>	<u>\$ 3,859,957</u>

The following is a summary of the changes in long-term debt for the year ended June 30, 2024:

	July 1, 2023	Additions	Retirements	June 30, 2024
W&S Bond 2013A	\$ 3,231,250	\$ -	\$ (225,000)	\$ 3,006,250
Direct Borrowing - KIA Loan - WWTP	<u>3,566,740</u>	<u>-</u>	<u>(127,424)</u>	<u>3,439,316</u>
	<u>\$ 6,797,990</u>	<u>\$ -</u>	<u>\$ (352,424)</u>	<u>\$ 6,445,566</u>

The Water and Sewer Funds are in compliance with all significant limitations and restrictions contained in the bond indenture. As of June 30, 2024, the amount reserved for bond principal and interest payments was \$182,236. Additionally, the City has designated \$53,609 for the Sewer Fund and \$273,109 for the Water Fund as a depreciation reserve and \$76,050 for the Sewer Fund is restricted as a replacement reserve.

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

6. LONG - TERM DEBT (Continued)

GOVERNMENTAL ACTIVITIES

During fiscal year 2015, the City of Liberty entered into a fifteen-year note with Casey County Bank to pay off a revolving note plus additional expenses related to the Casey County Education and Learning Center. The note 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, 2024:

	July 1, 2023	Additions	Retirements	June 30, 2024
Casey County Bank - 2015	\$ 423,063	\$ -	\$ (58,631)	\$ 364,432

The following is a summary of debt service requirements as of June 30, 2024:

June 30,	Principal	Interest	Total
2025	\$ 59,106	\$ 9,439	\$ 68,545
2026	60,583	7,961	68,544
2027	62,098	6,447	68,545
2028	63,650	4,894	68,544
2029	65,242	3,303	68,545
2030	<u>53,753</u>	<u>1,672</u>	<u>55,425</u>
TOTAL	\$ 364,432	\$ 33,716	\$ 398,148

7. LEASE LIABILITIES

Governmental Activities

On July 31, 2023, the City entered into a lease agreement with Don Franklin Somerset Inc. The agreement allows the City to enter into separate individual lease agreements for vehicles as needed. The lease term for the vehicle leases is 3 years. The interest rate for the vehicle lease is 5%. The City entered into a lease agreement for the vehicles for \$43,009. The balance of the liability related to the vehicle leases as of June 30, 2024, totaled \$13,949.

Annual requirements to maturity for all governmental long-term lease obligations are as follows:

Year ended	Principal	Interest	Total
2025	\$ 5,271	\$ 1,031	\$ 6,302
2026	<u>8,680</u>	<u>145</u>	<u>8,825</u>
	<u>\$ 14,401</u>	<u>\$ 1,176</u>	<u>\$ 15,127</u>

8. PROPERTY TAX CALENDAR

Property taxes for fiscal year 2024 were levied in October 2023 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.

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

9. 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 Public Pensions Authority administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Public Pensions Authority website.

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, 2024, 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, 2024, participating employers contributed 23.34% 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 10. Plan members contributed 23.34% 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 Public Pensions Authority 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, 2024, the City contributed \$240,790, or 100% of the required contribution. The contribution was allocated \$240,790 to the CERS pension fund and \$0 to the CERS insurance fund.

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

9. RETIREMENT PLAN (Continued)

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.

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

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old and 4 years of service
	Reduced retirement	At least 5 years service and 55 years old or 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the 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, 2024, the City reported a liability of \$2,258,162 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022, 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, 2023, the City's proportionate share was .0352 percent, which was an increase of .0045 percent from its proportion at June 30, 2022.

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

9. RETIREMENT PLAN (Continued)

For the year ended June 30, 2024, the City recognized pension expense of \$177,191. At June 30, 2024, 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	\$ 116,901	\$ 6,136
Changes of assumptions	-	206,962
Net difference between projected and actual earnings on Plan investments	-	30,801
Changes in proportion and differences between City contributions and proportionate share of contributions	200,980	20,888
City contributions subsequent to the measurement date	<u>240,790</u>	<u>-</u>
Total	<u>\$ 558,671</u>	<u>\$ 264,787</u>

The \$240,790 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, 2025. 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,		
2025	\$	16,820
2026	\$	7,724
2027	\$	50,411
2028	\$	(21,861)

Actuarial Assumptions – The total pension liability reported at June 30, 2023, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

Inflation	2.50%	
Salary increases	3.30% to 10.30%, varies by service, including inflation	
Investment rate of return	6.50%, 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 2013-2022, projected with the ultimate rates from MP-2020 Mortality Improvement Scale using a base year of 2023. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from MP-2020 Mortality Improvement Scale using a base year of 2010.

The actuarial assumption used in the June 30, 2023, valuation was based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2022. The total pension liability was rolled-forward from the valuation date (June 30, 2022) to the plan's fiscal year ending June 30, 2023.

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

9. 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
Equity	60.00%	
Public Equity	50.00%	5.90%
Private Equity	10.00%	11.73%
Liquidity	20.00%	
Core Fixed Income	10.00%	2.45%
Specialty Credit	10.00%	3.65%
Cash	0.00%	1.39%
Inflation Protected	20.00%	
Real Estate	7.00%	4.99%
Real Return	13.00%	5.15%
Total	100.00%	5.75%
Long term inflation assumption		2.50%
Expected nominal return for portfolio		8.25%

Discount Rate – The discount rate used to measure the total pension liability was 6.50%. 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 closed 30-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 6.50%, 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 (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	Discount rate	City's proportionate share of net pension liability
1% decrease	5.50%	\$ 2,851,066
Current discount rate	6.50%	\$ 2,258,162
1% increase	7.50%	\$ 1,765,436

Payable to the Pension Plan – At June 30, 2024, the City reported a payable of \$34,563 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2024. The payable includes both the pension and insurance contribution allocation.

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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

Plan Description – As more fully described in Note 9, 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 9, plan members contribute to CERS for non-hazardous job classifications. For the year ending June 30, 2024, the employer’s contribution was 0.00% 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 Public Pensions Authority are financed through employer contributions and investment earnings.

For the year ended June 30, 2024, the City contributed \$0, 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
Tier 3	Participation date Insurance eligibility Benefit	After December 31, 2013 15 years of service credit required 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, 2024, the City reported a liability (asset) for its proportionate share of the net OPEB liability of \$(48,587).

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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

The net OPEB liability (asset) was measured as of June 30, 2023, and the total OPEB liability (asset) used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022 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, 2023 the City's proportionate share was .0352 percent, which was an increase of .0045 percent from its proportion at June 30, 2022.

For the year ended June 30, 2024, the City recognized OPEB expense of \$(78,351). At June 30, 2024, 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	\$ 33,874	\$ 689,889
Changes of assumptions	95,616	66,635
Net difference between projected and actual earnings on Plan investments	-	11,276
Changes in proportion and differences between City contributions and proportionate share of contributions	80,730	29,788
City contributions subsequent to the measurement date	<u>15,870</u>	<u>-</u>
Total	<u>\$ 226,090</u>	<u>\$ 797,588</u>

The \$15,870 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, 2025. This includes an adjustment of \$15,870 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,	
2025	\$ (144,142)
2026	\$ (189,936)
2027	\$ (136,242)
2028	\$ (117,048)

Actuarial Assumptions – The total pension liabilities in the June 30, 2023, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

Inflation	2.50%
Salary increases	3.30 to 10.30%, varies by service, including inflation
Investment rate of return	6.50%, net of Plan investment expense, including inflation
Healthcare trend	
Pre – 65:	Initial trend starting at 6.80% at January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post – 65:	Initial trend starting at 8.50% in January 1, 2025, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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

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 2013-2022, projected with the ultimate rates from MP-2020 Mortality Improvement Scale using a base year of 2023. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from MP-2020 Mortality Improvement Scale using a base year of 2010.

The actuarial assumption used in the June 30, 2023, valuation was based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2022. The total OPEB liability was rolled-forward from the valuation date (June 30, 2022) to the plan's fiscal year ending.

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
Equity	60.00%	
Public Equity	50.00%	5.90%
Private Equity	10.00%	11.73%
Liquidity	20.00%	
Core Fixed Income	10.00%	2.45%
Specialty Credit	10.00%	3.65%
Cash	0.00%	1.39%
Inflation Protected	20.00%	
Real Estate	7.00%	4.99%
Real Return	13.00%	5.15%
Total	100.00%	5.75%
Long term inflation assumption		2.50%
Expected nominal return for portfolio		8.25%

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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

Discount Rate – The discount rate used to measure the total OPEB liability (asset) was 5.70% 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 closed 24-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.50%, and a municipal bond rate of 3.86%, 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 (Asset) 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 (asset)
1% decrease	4.93%	\$ 91,179
Current discount rate	5.93%	\$ (48,587)
1% increase	6.93%	\$ (165,624)

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability (Asset) 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 (asset)
1% decrease	\$ (155,730)
Current trend rate	\$ (48,587)
1% increase	\$ 83,028

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

11. 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.

12. CONCENTRATIONS

The City has a concentration of revenue in the Water Fund and the Gas Fund. One customer generated approximately 62% of the Water Fund’s service revenue and 63% of the accounts receivable at June 30, 2024. In addition, one industrial company generated approximately 24% of gas service charges and comprised 35% of the accounts receivable balance reported in the Gas Fund at June 30, 2024.

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

13. CONTINGENT LIABILITY

The City has booked an estimated liability of \$22,576, 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.

14. RECLASSIFICATION

During the year ending June 30, 2024, the City determined that the Tourism Fund should be classified as a special revenue fund rather than a fiduciary fund. The Tourism Fund is now included as part of nonmajor governmental funds. No restatement of fund balance was necessary.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LIBERTY, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2024

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Taxes				
Property and motor vehicle taxes	\$ 312,400	\$ 318,160	\$ 319,291	\$ 1,131
Payment in lieu of taxes	13,500	13,500	14,749	1,249
	<u>325,900</u>	<u>331,660</u>	<u>334,040</u>	<u>2,380</u>
Licenses and permits				
Franchise fees	137,000	140,702	143,659	2,957
Insurance premiums	263,000	261,724	291,702	29,978
City stickers	59,000	55,400	55,400	-
ABC license fees	2,000	3,300	4,300	1,000
	<u>461,000</u>	<u>461,126</u>	<u>495,061</u>	<u>33,935</u>
Intergovernmental				
Base court revenue	6,900	7,470	7,634	164
Police incentive pay	31,300	25,321	24,709	(612)
Local economic assistance	2,000	3,542	3,136	(406)
Other grants	258,700	279,751	258,532	(21,219)
Fire equipment grant	11,000	16,800	16,800	-
	<u>309,900</u>	<u>332,884</u>	<u>310,811</u>	<u>(22,073)</u>
Charges for service				
Accident reports	900	721	722	1
Building permits	500	7,500	7,750	250
Parking tickets/arrest fees	2,000	1,790	1,900	110
	<u>3,400</u>	<u>10,011</u>	<u>10,372</u>	<u>361</u>
Investment earnings (loss)				
Investment earnings (loss)	7,300	10,066	12,587	2,521
	<u>7,300</u>	<u>10,066</u>	<u>12,587</u>	<u>2,521</u>
Other revenues				
Management fees	109,000	109,000	109,000	-
Other revenues	23,300	53,309	50,514	(2,795)
	<u>132,300</u>	<u>162,309</u>	<u>159,514</u>	<u>(2,795)</u>
Total revenues	<u>\$ 1,239,800</u>	<u>\$ 1,308,056</u>	<u>\$ 1,322,385</u>	<u>\$ 14,329</u>

CITY OF LIBERTY, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2024

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
General government				
Salaries	\$ 92,700	\$ 94,709	\$ 94,644	\$ (65)
Payroll taxes and employee benefits	31,578	30,380	38,862	8,482
KY ASAP grant	54,000	50,671	45,962	(4,709)
Planning and zoning expenses	6,250	6,624	6,624	-
Professional services	7,800	9,555	9,555	-
Utilities	8,000	8,523	8,264	(259)
Office supplies	8,150	809	1,979	1,170
Insurance	13,280	11,588	11,588	-
Lake Liberty expenses	600	-	702	702
Postage	250	596	596	-
Dues and subscriptions	210	210	210	-
Parks and recreation	23,000	33,146	19,149	(13,997)
Other expenses	18,510	13,093	12,898	(195)
Maintenance and repairs	5,000	29,290	33,340	4,050
	<u>269,328</u>	<u>289,194</u>	<u>284,373</u>	<u>(4,821)</u>
Public safety - police				
Salaries	324,100	311,051	312,544	1,493
Payroll taxes and employee benefits	142,250	162,116	161,694	(422)
Motor fuels	27,300	18,944	18,321	(623)
Utilities	7,900	6,950	6,849	(101)
Equipment	6,600	7,110	6,446	(664)
Vehicle repairs	6,000	7,274	6,632	(642)
Uniforms	2,300	5,286	4,689	(597)
Insurance	24,700	42,569	35,111	(7,458)
Travel and lodging	-	-	1,376	1,376
Miscellaneous	7,500	12,552	11,422	(1,130)
	<u>548,650</u>	<u>573,852</u>	<u>565,084</u>	<u>(8,768)</u>
Public safety - fire				
Labor	54,400	48,970	48,970	-
Repairs and maintenance	6,700	6,423	6,423	-
Equipment	24,800	25,081	21,883	(3,198)
Utilities	6,300	6,477	6,385	(92)
Insurance	7,120	6,951	6,951	-
Motor fuel	3,900	2,481	2,737	256
Miscellaneous	6,000	2,481	2,481	-
	<u>109,220</u>	<u>98,864</u>	<u>95,830</u>	<u>(3,034)</u>

CITY OF LIBERTY, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2024

	Enacted Budget	Amended Budget	Actual	Variance
Street department				
Street repairs	\$ 1,500	\$ 404	\$ 510	\$ 106
Repairs and maintenance	5,000	-	-	-
Utilities	67,200	64,826	64,949	123
	<u>73,700</u>	<u>65,230</u>	<u>65,459</u>	<u>229</u>
 Capital outlay	 <u>120,060</u>	 <u>170,843</u>	 <u>247,077</u>	 <u>76,234</u>
 Debt service	 <u>68,544</u>	 <u>83,669</u>	 <u>98,795</u>	 <u>15,126</u>
 Total expenditures	 <u>\$ 1,189,502</u>	 <u>\$ 1,281,652</u>	 <u>\$ 1,356,618</u>	 <u>\$ 74,966</u>
 Other financing sources (uses)				
Lease proceeds	\$ -	\$ -	\$ 43,009	\$ 43,009
Transfers in (out), net	10,000	6,500	2,525	(3,975)
Total other financing sources (uses)	<u>\$ 10,000</u>	<u>\$ 6,500</u>	<u>\$ 45,534</u>	<u>\$ 39,034</u>

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

Reporting Fiscal Year (Measurement Date)	2015 (2014)	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)	2024 (2023)
City's proportion of the net pension liability	0.0296%	0.0296%	0.0298%	0.0303%	0.0312%	0.0319%	0.0339%	0.0316%	0.0307%	0.0352%
City's proportionate share of the net pension liability (asset)	\$ 962,373	\$ 1,261,770	\$ 1,457,174	\$ 1,777,420	\$ 1,900,359	\$ 2,244,737	\$ 2,601,021	\$ 2,016,467	\$ 2,222,271	\$ 2,258,162
City's covered employee payroll	\$ 671,150	\$ 676,346	\$ 708,809	\$ 739,341	\$ 773,375	\$ 805,087	\$ 865,129	\$ 807,843	\$ 850,051	\$ 1,021,561
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	143.39%	186.56%	205.58%	240.41%	245.72%	278.82%	300.65%	249.61%	261.43%	221.05%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	59.97%	55.50%	53.32%	53.54%	50.45%	47.81%	57.33%	52.42%	57.48%

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

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required employer contribution	\$ 87,992	\$ 88,308	\$ 103,135	\$ 111,984	\$ 130,585	\$ 166,970	\$ 155,914	\$ 193,642	\$ 239,045	\$ 240,790
Contributions relative to contractually required employer contribution	<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>	<u>193,642</u>	<u>239,045</u>	<u>240,790</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 676,346	\$ 708,809	\$ 739,341	\$ 773,375	\$ 805,087	\$ 865,129	\$ 807,843	\$ 850,051	\$ 1,021,561	\$ 1,021,561
Employer contributions as a percentage of covered-employee payroll	13.01%	12.46%	13.95%	14.48%	16.22%	19.30%	19.30%	22.78%	23.40%	23.57%

**CITY OF LIBERTY, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) - NONHAZARDOUS
Last Eight Years**

Reporting Fiscal Year (Measurement Date)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)	2024 (2023)
City's proportion of the net OPEB liability (asset)	0.0298%	0.0303%	0.0312%	0.0319%	0.0339%	0.0316%	0.0307%	0.0352%
City's proportionate share of the net OPEB liability (asset)	\$ 478,827	\$ 610,460	\$ 553,985	\$ 536,695	\$ 818,630	\$ 605,349	\$ 606,559	\$ (48,587)
City's covered employee payroll	\$ 708,809	\$ 739,341	\$ 773,375	\$ 805,087	\$ 865,129	\$ 807,843	\$ 850,051	\$ 1,021,561
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%	74.93%	71.36%	-4.76%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	unavailable	52.39%	57.62%	60.44%	51.67%	62.91%	60.95%	104.23%

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

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

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required employer contribution	\$ 33,954	\$ 32,889	\$ 34,971	\$ 36,349	\$ 42,348	\$ 41,180	\$ 38,453	\$ 35,447	\$ 34,631	\$ -
Contributions relative to contractually required employer contribution	<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>	<u>35,447</u>	<u>34,631</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 676,346	\$ 708,809	\$ 739,341	\$ 773,375	\$ 808,057	\$ 865,129	\$ 807,843	\$ 850,051	\$ 1,021,561	\$ 1,031,663
Employer contributions as a percentage of covered-employee payroll	5.02%	4.64%	4.73%	4.70%	5.24%	4.76%	4.76%	4.17%	3.39%	0.00%

CITY OF LIBERTY, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2024

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, 2023 – 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, 2023, for pension:

- The rate of inflation was increased from 2.30% to 2.50%.
- The salary productivity assumption was reduced by .20%, resulting in no change in the salary increase assumption for long-service employees of 3.30% in the non-hazardous funds.
- The individual rates of salary increases were increased during the select period for the CERS funds.
- The investment return assumption was increased from 6.25% to 6.50%.
- The Tier 3 cash balance interest crediting rate assumption was increased to 6.75% for the CERS pension funds.

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2023, for OPEB:

- The rate of inflation was increased from 2.30% to 2.50%.
- The salary productivity assumption was reduced by .20%, resulting in no change in the salary increase assumption for long-service employees of 3.30% in the non-hazardous funds.
- The individual rates of salary increases were increased during the select period for the CERS funds.
- The investment return assumption was increased from 6.25% to 6.50%.
- The initial healthcare trend rate for pre-65 was changed from 6.20% to 6.8%. The initial healthcare trend rate for post-65 was changed from 9.00% to 8.50%.

June 30, 2022 – 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, 2022, for CERS pension.

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2022, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 6.30% to 6.40%.

CITY OF LIBERTY, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2024

2. CHANGES OF ASSUMPTIONS (CONTINUED)

June 30, 2021 – 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, 2021, for CERS pension.

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

- The initial healthcare trend rate for pre-65 was changed from 6.40% to 6.30%. The initial healthcare trend rate for post-65 was changed from 2.90% to 6.30%.

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 and OPEB – 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, 2024

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.

SUPPLEMENTARY INFORMATION

**CITY OF LIBERTY, KENTUCKY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2024**

	<u>Cemetery Fund</u>	<u>Municipal Road Aid Fund</u>	<u>ABC Fund</u>	<u>Tourism Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash	\$ 3,037	\$ -	\$ 3,065	\$ 32,659	\$ 38,761
Investments	58,348	-	-	-	58,348
Receivables, net	-	9,764	13,446	30,800	54,010
Due from other funds	-	96,901	-	-	96,901
	<u>-</u>	<u>96,901</u>	<u>-</u>	<u>-</u>	<u>96,901</u>
Total assets	<u>\$ 61,385</u>	<u>\$ 106,665</u>	<u>\$ 16,511</u>	<u>\$ 63,459</u>	<u>\$ 248,020</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ 63,459	\$ 63,459
Due to other funds	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,459</u>	<u>63,459</u>
Fund balances	<u>61,385</u>	<u>106,665</u>	<u>16,511</u>	<u>-</u>	<u>184,561</u>
Total liabilities and fund balances	<u>\$ 61,385</u>	<u>\$ 106,665</u>	<u>\$ 16,511</u>	<u>\$ 63,459</u>	<u>\$ 248,020</u>

CITY OF LIBERTY, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
for the year ended June 30, 2024

	<u>Cemetery Fund</u>	<u>Municipal Road Aid Fund</u>	<u>ABC Fund</u>	<u>Tourism Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ 359,612	\$ 359,612
Licenses and permits	-	-	49,142	-	49,142
Intergovernmental	-	50,825	-	-	50,825
Charges for services	4,000	-	-	-	4,000
Investment earnings (loss)	3,068	-	-	-	3,068
Other revenues	203	-	-	-	203
	<u>7,271</u>	<u>50,825</u>	<u>49,142</u>	<u>359,612</u>	<u>466,850</u>
EXPENDITURES					
Current					
General government	13,254	-	15,991	359,612	388,857
Public safety - Police	-	-	29,810	-	29,810
Streets department	-	23,802	-	-	23,802
	<u>13,254</u>	<u>23,802</u>	<u>45,801</u>	<u>359,612</u>	<u>442,469</u>
Excess (deficiency) of revenues over expenditures	<u>(5,983)</u>	<u>27,023</u>	<u>3,341</u>	<u>-</u>	<u>24,381</u>
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	<u>11,286</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,286</u>
Total other financing sources and uses	<u>11,286</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,286</u>
Net change in fund balances	5,303	27,023	3,341	-	35,667
Fund balances-beginning	<u>56,082</u>	<u>79,642</u>	<u>13,170</u>	<u>-</u>	<u>148,894</u>
Fund balances-ending	<u>\$ 61,385</u>	<u>\$ 106,665</u>	<u>\$ 16,511</u>	<u>\$ -</u>	<u>\$ 184,561</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 City of Liberty, Kentucky, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise City of Liberty, Kentucky's basic financial statements, and have issued our report thereon dated February 14, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Liberty, Kentucky's internal control over financial reporting (internal control) as a basis for designing 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 City of Liberty, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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
February 14, 2025