

CITY OF WEST LIBERTY, KENTUCKY

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

June 30, 2024



WELLS & COMPANY, P.S.C.

Certified Public Accountants

865 South Mayo Trail
Paintsville, Kentucky 41240-1215

(606) 789-3588

Fax (606) 789-3326

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITOR’S REPORT	1
AUDITED FINANCIAL STATEMENTS	
Statement Of Net Position	4
Statement Of Activities	5
Balance Sheet – Governmental Funds.....	6
Reconciliation Of The Balance Sheet Of Governmental Funds To The Statement Of Net Position.....	7
Statement Of Revenues, Expenditures, And Changes In Fund Balances – Governmental Funds.....	8
Reconciliation Of The Statement Of Revenues, Expenditures, And Changes In Fund Balances Of Governmental Funds To The Statement Of Activities	9
Statement Of Net Position – Business - Type Activity	10
Statement Of Revenues, Expenses And Changes In Fund Net Position – Business - Type Activity	12
Statement Of Cash Flows – Business - Type Activity	13-14
Notes To Financial Statements.....	15-36
AUDITOR’S REPORTS	
Independent Auditor’s Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	37-38
Independent Auditor’s Report On Compliance For Each Major Federal Program And Report On Internal Control Over Compliance Required By The Uniform Guidance.....	39-41
Schedule Of Findings And Questioned Costs.....	42-43
Schedule Of Prior Audit Findings.....	44
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund	45-47
Budgetary Comparison Schedule – Tourism And Planning Commission Fund	48
Schedule Of The City’s Proportionate Share Of The Net Position Liability (CERS).....	49
Schedule Of City Pension Contributions (CERS).....	50

TABLE OF CONTENTS

	<u>Page No.</u>
Schedule Of The City's Proportionate Share Of The Net OPEB Liability (CERS)	51
Schedule Of City OPEB Contributions (CERS).....	52
Notes To Required Supplementary Information (CERS).....	53-55
SUPPLEMENTARY AND OTHER INFORMATION	
Combining Balance Sheet – Non-Major Funds.....	56
Combining Statement Of Revenues, Expenditures, And Changes In Fund Balances – Non-Major Funds.....	57
Schedule Of Operating Expenses – Business - Type Activity	58
Schedule Of Expenditures Of Federal Awards.....	59
Notes To Schedule Of Expenditures Of Federal Awards.....	60



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INDEPENDENT AUDITOR'S REPORT

The Honorable Kyle Risner, Mayor
Members of the City Council
City of West Liberty, Kentucky

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Liberty, Kentucky, as of June 30, 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 West Liberty, Kentucky and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 45-48 and the County Employees' Retirement System's Schedules of the Proportionate Share of the Net Position Liability and Contributions, on pages 49 and 50, respectively, and the County Employees' Retirement System's Schedules of the Proportionate Share of the Net OPEB Liability and Contributions, on pages 51 and 52, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited

procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of West Liberty, Kentucky's basic financial statements. The combining and individual non-major fund financial statements, schedule of operating expenses for business-type activities, and the schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, schedule of operating expenses for business-type activities, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2024 on our consideration of the City of West Liberty, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of West Liberty, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of West Liberty, Kentucky's internal control over financial reporting and compliance.

Wells & Company, PSC

Certified Public Accountants

Paintsville, Kentucky

August 26, 2024

CITY OF WEST LIBERTY, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2024

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 781,772	\$ 861,409	\$ 1,643,181
Certificates of deposit	272,305	-	272,305
Taxes receivable	6,375	-	6,375
Accounts receivable, net	-	244,203	244,203
Other receivables	16,424	163,646	180,070
Unbilled revenues	-	112,045	112,045
Inventory	-	120,489	120,489
Prepaid expenses	6,181	-	6,181
Net OPEB asset	44,551	34,876	79,427
Capital assets:			
Land and construction-in-progress	302,836	1,625,374	1,928,210
Other capital assets, net of accumulated depreciation	2,920,490	12,747,219	15,667,709
Total Assets	4,350,934	15,909,261	20,260,195
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions & OPEB	732,521	573,452	1,305,973
Total deferred outflows of resources	732,521	573,452	1,305,973
LIABILITIES			
Accounts payable	33,585	306,608	340,193
Accrued payroll	18,109	16,446	34,555
Accrued payroll taxes	8,555	6,915	15,470
Accrued vacation	29,815	40,405	70,220
Accrued interest	-	25,776	25,776
Other accrued liabilities	24,987	23,616	48,603
Long-term liabilities:			
Due within one year			
Current portion of long-term debt	90,288	237,870	328,158
Due in more than one year			
Net pension liability	2,070,552	1,620,929	3,691,481
Construction advances	-	261,486	261,486
Noncurrent portion of long-term debt	432,773	3,522,374	3,955,147
Total Liabilities	2,708,664	6,062,425	8,771,089
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions & OPEB	932,959	730,366	1,663,325
Deferred inflows related to lease	13,283	-	13,283
Total deferred inflows of resources	946,242	730,366	1,676,608
NET POSITION			
Net investment in capital assets	2,700,265	7,997,489	10,697,754
Restricted for:			
Depreciation	-	205,390	205,390
Fire service	51,758	-	51,758
Highways and streets	81,502	-	81,502
Tourism	273,904	-	273,904
911 dispatch	6,179	-	6,179
Debt service	-	110,766	110,766
Unrestricted	(1,685,059)	1,376,277	(308,782)
Total Net Position	\$ 1,428,549	\$ 9,689,922	\$ 11,118,471

See accompanying notes to basic financial statements.

CITY OF WEST LIBERTY, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 553,705	\$ -	\$ -	\$ -	\$ (553,705)	\$ -	\$ (553,705)
Public safety	1,395,554	198,469	21,240	26,834	(1,149,011)	-	(1,149,011)
Streets	459,455	-	-	-	(459,455)	-	(459,455)
Tourism and planning	389,243	-	-	-	(389,243)	-	(389,243)
Interest on long-term debt	19,769	-	-	-	(19,769)	-	(19,769)
Total governmental activities	<u>2,817,726</u>	<u>198,469</u>	<u>21,240</u>	<u>26,834</u>	<u>(2,571,183)</u>	<u>-</u>	<u>(2,571,183)</u>
Business-type activities:							
Water, Sewer, Gas	3,782,183	3,098,490	-	1,052,050	-	368,357	368,357
Total business-type activities	<u>3,782,183</u>	<u>3,098,490</u>	<u>-</u>	<u>1,052,050</u>	<u>-</u>	<u>368,357</u>	<u>368,357</u>
Total primary government	\$ 6,599,909	\$ 3,296,959	\$ 21,240	\$ 1,078,884	(2,571,183)	368,357	(2,202,826)
General revenues:							
Property taxes					222,488	-	222,488
Fire taxes					29,042	-	29,042
Insurance premium taxes					550,302	-	550,302
Occupational taxes and licenses					998,612	-	998,612
Motor vehicle taxes					20,836	-	20,836
Restaurant taxes					312,273	-	312,273
Other taxes					23,997	-	23,997
Licenses and permits					900	-	900
Administrative					27,227	-	27,227
Intergovernmental revenue					130,685	-	130,685
Interest income					4,638	5,905	10,543
Miscellaneous					139,239	-	139,239
Transfers:					35,045	(6,295)	28,750
Total general revenues and transfers					<u>2,495,284</u>	<u>(390)</u>	<u>2,494,894</u>
Change in net position					(75,899)	367,967	292,068
Net position - beginning of year					<u>1,504,448</u>	<u>9,321,955</u>	<u>10,826,403</u>
Net position - end of year					\$ 1,428,549	\$ 9,689,922	\$ 11,118,471

See accompanying notes to basic financial statements.

**CITY OF WEST LIBERTY, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2024**

	<u>General Fund</u>	<u>Tourism and Planning</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 515,657	\$ 173,827	\$ 92,288	\$ 781,772
Certificate of deposit	126,508	100,325	45,472	272,305
Receivables:				
Other	443	-	2,698	3,141
Prepaid expenses	1,181	-	5,000	6,181
	<u>1,181</u>	<u>-</u>	<u>5,000</u>	<u>6,181</u>
Total Assets	<u>\$ 643,789</u>	<u>\$ 274,152</u>	<u>\$ 145,458</u>	<u>\$ 1,063,399</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 30,264	\$ -	\$ 3,321	\$ 33,585
Accrued payroll	17,966	143	-	18,109
Accrued payroll taxes	8,450	105	-	8,555
Accrued vacation	29,815	-	-	29,815
Other accrued liabilities	22,289	-	2,698	24,987
	<u>22,289</u>	<u>-</u>	<u>2,698</u>	<u>24,987</u>
Total Liabilities	<u>108,784</u>	<u>248</u>	<u>6,019</u>	<u>115,051</u>
Fund Balances:				
Restricted for:				
Public safety	-	-	6,179	6,179
Streets	-	-	81,502	81,502
Tourism	-	273,904	-	273,904
Other	128,369	-	-	128,369
Assigned to:				
Public safety	-	-	51,758	51,758
Unassigned:				
General fund	406,636	-	-	406,636
	<u>406,636</u>	<u>-</u>	<u>-</u>	<u>406,636</u>
Total Fund Balances	<u>535,005</u>	<u>273,904</u>	<u>139,439</u>	<u>948,348</u>
Total Liabilities and Fund Balances	<u>\$ 643,789</u>	<u>\$ 274,152</u>	<u>\$ 145,458</u>	<u>\$ 1,063,399</u>

See accompanying notes to basic financial statements.

CITY OF WEST LIBERTY, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2024

7

Fund Balances - Total Governmental Funds	\$ 948,348
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Governmental capital-assets	8,675,531
Less: accumulated depreciation	(5,452,205)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
	(523,061)
Pension & OPEB contributions after measurement date are reported as a deferred outflow of resources.	
	224,755
Net pension & net OPEB liability is not due and payable in the current period and, therefore, is not reported in governmental funds.	
	(2,026,001)
Deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore are not reported in the governmental funds, as follows:	
Deferred pension & OPEB outflows of resources	507,766
Deferred pension & OPEB inflows of resources	(932,959)
Deferred lease inflows of resources	(13,283)
Tax and other receivables are not available to pay for current-period expenditures and therefore are deferred in the funds.	
	<u>19,658</u>
Net Position of Governmental Activities	<u>\$ 1,428,549</u>

See accompanying notes to basic financial statements.

CITY OF WEST LIBERTY, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	<u>General Fund</u>	<u>Tourism and Planning</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes:				
Property	\$ 225,792	\$ -	\$ -	\$ 225,792
Insurance premium	550,302	-	-	550,302
Occupational taxes and licenses	998,612	-	-	998,612
Motor vehicle	-	-	20,836	20,836
Telecom	12,850	-	-	12,850
Fire	-	-	29,042	29,042
Restaurant	-	312,273	-	312,273
Motel	-	11,147	-	11,147
E-911	51,127	-	-	51,127
Shelter income	-	1,935	-	1,935
Wireless collections	-	-	147,342	147,342
Administrative	27,227	-	-	27,227
Licenses and permits	900	-	-	900
Intergovernmental revenues	5,935	-	136,250	142,185
Rental income	13,533	-	-	13,533
Fines and forfeits	6,414	-	-	6,414
Interest income	3,218	257	1,163	4,638
Grants	9,740	-	26,834	36,574
Miscellaneous revenues	113,112	1,745	2,500	117,357
Total revenues	<u>2,018,762</u>	<u>327,357</u>	<u>363,967</u>	<u>2,710,086</u>
Expenditures:				
Current:				
General government	522,085	-	-	522,085
Public safety	1,260,192	-	83,660	1,343,852
Streets	322,374	-	34,098	356,472
Tourism and planning	-	356,653	-	356,653
Debt service:				
Principal retirement	-	-	123,548	123,548
Interest	-	-	19,769	19,769
Capital outlay	<u>35,904</u>	<u>51,404</u>	<u>105,501</u>	<u>192,809</u>
Total expenditures	<u>2,140,555</u>	<u>408,057</u>	<u>366,576</u>	<u>2,915,188</u>
Excess (deficiency) of revenues over expenditures	(121,793)	(80,700)	(2,609)	(205,102)
Other financing sources (uses):				
Operating transfers in	133,823	-	143,317	277,140
Operating transfers out	(82,731)	-	(188,114)	(270,845)
Proceeds from sale of capital assets	-	-	28,750	28,750
Total other financing sources (uses)	<u>51,092</u>	<u>-</u>	<u>(16,047)</u>	<u>35,045</u>
Net change in fund balances	(70,701)	(80,700)	(18,656)	(170,057)
Fund balances(deficit) - beginning of year	<u>605,706</u>	<u>354,604</u>	<u>158,095</u>	<u>1,118,405</u>
Fund balances - end of year	<u>\$ 535,005</u>	<u>\$ 273,904</u>	<u>\$ 139,439</u>	<u>\$ 948,348</u>

See accompanying notes to basic financial statements.

**CITY OF WEST LIBERTY, KENTUCKY
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES
 OF GOVERNMENTAL FUNDS TO THE STATEMENT
 OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2024**

Net Change in Fund Balances - Total Governmental Funds **\$(170,057)**

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

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:

Capital asset purchases capitalized	192,809
Depreciation expense	(328,312)

The net effect of various miscellaneous transactions involving capital assets: -

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Increase/(decrease) in property taxes	(3,304)
---------------------------------------	---------

Changes in pension & OPEB expense are reported only in the statement of activities. 109,417

Proceeds of long-term debt are recorded as an other financing source for governmental funds but it is not recorded in the statement of activities. Proceeds of long-term debt are liabilities. -

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of activities:

Loans payable	<u>123,548</u>
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Change in Net Position of Governmental Activities **\$ (75,899)**

CITY OF WEST LIBERTY, KENTUCKY
 STATEMENT OF NET POSITION
 BUSINESS-TYPE ACTIVITY
 JUNE 30, 2024

	<u>Water, Sewer, Gas</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 545,253
Restricted cash and cash equivalents	316,156
Accounts receivable (net of allowance for doubtful accounts, \$24,485)	244,203
Unbilled receivables	112,045
Grant receivables	163,646
Inventory	<u>120,489</u>
Total current assets	<u>1,501,792</u>
Non-current assets:	
Net OPEB asset	<u>34,876</u>
Total non-current assets	<u>34,876</u>
Utility Plant:	
Plant in service	30,765,041
Less accumulated depreciation	<u>(17,903,908)</u>
	12,861,133
Construction work in progress	<u>1,511,460</u>
Net utility plant	<u>14,372,593</u>
Total assets	<u>15,909,261</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	419,674
Deferred outflows related to OPEB	<u>153,778</u>
Total deferred outflows of resources	<u>573,452</u>

See accompanying notes to basic financial statements.

CITY OF WEST LIBERTY, KENTUCKY
STATEMENT OF NET POSITION (Continued)
BUSINESS-TYPE ACTIVITY
JUNE 30, 2024

	<u>Water, Sewer, Gas</u>
LIABILITIES	
Current liabilities:	
Accounts payable	251,446
Retainage payable	55,162
Accrued payroll	16,446
Accrued payroll taxes	6,915
Accrued vacation	40,405
Accrued interest payable	25,776
Other accrued liabilities	23,616
Current portion of long-term liabilities	<u>237,870</u>
Total current liabilities	<u>657,636</u>
Long-term liabilities:	
Net pension liability	1,620,929
Construction advances	261,486
Long-term debt	<u>3,760,244</u>
	5,642,659
Less current portion	<u>(237,870)</u>
Total long-term liabilities	<u>5,404,789</u>
Total liabilities	<u>6,062,425</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow related to pensions	176,118
Deferred inflows related to OPEB	<u>554,248</u>
Total deferred inflows of resources	<u>730,366</u>
NET POSITION:	
Net investment in capital assets	7,997,489
Restricted for:	
Debt service	110,766
Depreciation	205,390
Unrestricted	<u>1,376,277</u>
Total net position	<u>\$ 9,689,922</u>

See accompanying notes to basic financial statements.

**CITY OF WEST LIBERTY, KENTUCKY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
BUSINESS-TYPE ACTIVITY
YEAR ENDED JUNE 30, 2024**

	<u>Water, Sewer, Gas</u>
Operating revenues:	
Sewer revenues	\$ 1,067,611
Water revenues	1,330,240
Gas revenues	643,576
Other operating revenues	<u>57,063</u>
Total operating revenues	3,098,490
Cost of sales - gas purchases	<u>518,541</u>
Net operating revenues	<u>2,579,949</u>
Operating expenses:	
Sewer	1,339,127
Water	1,553,410
Gas	<u>276,570</u>
Total operating expenses	<u>3,169,107</u>
Utility operating income (loss)	<u>(589,158)</u>
Non-operating revenues (expenses):	
Interest income	5,905
Interest expense	<u>(94,535)</u>
Total non-operating revenues (expenses)	<u>(88,630)</u>
Net income (loss) before contributions from (to)	(677,788)
Contributions in aid of construction	1,052,050
Transfers to General Fund	<u>(6,295)</u>
Total contributions and transfers	1,045,755
Change in net position	367,967
Net position, beginning of year	<u>9,321,955</u>
Net position, end of year	<u>\$ 9,689,922</u>

See accompanying notes to basic financial statements.

**CITY OF WEST LIBERTY, KENTUCKY
STATEMENT OF CASH FLOWS
BUSINESS-TYPE ACTIVITY
YEAR ENDED JUNE 30, 2024**

	<u>Water, Sewer, Gas</u>
Cash flows from operating activities:	
Cash inflows:	
Payments received from customers	\$ 3,126,154
Total cash provided	<u>3,126,154</u>
Cash outflows:	
Payments for salaries and benefits	1,145,531
Payments to suppliers for goods and services	<u>1,779,561</u>
Total cash used	<u>2,925,092</u>
Net cash provided (used) by operating activities	<u>201,062</u>
Cash flows from noncapital financing activities:	
Transfers to General Fund Debt Service Fund	<u>(6,295)</u>
Net cash provided (used) by noncapital financing activities	<u>(6,295)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(1,467,641)
Capital contributions received	888,404
Proceeds from construction loan	261,486
Principal payments on debt	(238,480)
Interest paid on long-term debt	<u>(95,751)</u>
Net cash provided (used) by capital and related financing activities	<u>(651,982)</u>
Cash flows from investing activities:	
Interest received	<u>5,905</u>
Net cash provided (used) by investing activities	<u>5,905</u>
Net cash inflow (outflow) from all activities	(451,310)
Cash and cash equivalents at beginning of period	<u>1,312,719</u>
Cash and cash equivalents at end of period	<u>\$ 861,409</u>

See accompanying notes to basic financial statements.

STATEMENT OF CASH FLOWS (Continued)
BUSINESS-TYPE ACTIVITY
YEAR ENDED JUNE 30, 2024

	<u>Water, Sewer, Gas</u>
Reconciliation of utility operating income to net cash provided by operating activities:	
Utility operating income	\$ (589,158)
Depreciation	772,259
(Increase) decrease in:	
Accounts receivable	18,143
Unbilled revenue	9,521
Inventory	309
Deferred outflows of resources	(199,642)
Increase (decrease) in:	
Accounts payable	(5,458)
Accrued liabilities and other liabilities	286
Net pension & net OPEB liability	(364,228)
Deferred inflows of resources	559,030
Net cash provided (used) by operating activities	\$ 201,062
Schedule of cash:	
Beginning of period:	
Unrestricted cash and cash equivalents	\$ 1,010,616
Restricted cash and cash equivalents	302,103
	<u>\$ 1,312,719</u>
End of period:	
Unrestricted cash and cash equivalents	\$ 545,253
Restricted cash and cash equivalents	316,156
	<u>\$ 861,409</u>

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Narrative Profile

The City of West Liberty, Kentucky (the City) was established in 1840. The City operates under Council-Mayor form of government and provides the following service as authorized by its charter: public safety, highway and street, public works, recreation, community development, and general administrative services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB). As permitted by generally accepted accounting principals, the City's Proprietary Funds has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations. The more significant accounting policies of the City are described below.

A. Financial Reporting Entity

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

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

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

The City of West Liberty Public Properties Corporation (the Corporation) was established as a nonprofit corporation pursuant to a resolution of the City Council to act as an agency and instrumentality of the City. The purpose of the corporation was to finance the cost of construction of the City Hall building which is leased to the General Fund of the City. The Corporation financed the costs related to the project by issuance of \$448,000 first mortgage revenue bonds dated January 16, 1991 and demand notes totaling \$94,956 at the Commercial Bank of West Liberty. The City has agreed to lease the facilities from the Corporation with minimum annual rentals equal to the funding requirements of the bonds and notes. As of June 30, 2024, the bonds and notes have been fully paid. Therefore, no amounts are shown for rent relating to the lease of the City Hall building. The General Fund has the option each year to renew the lease.

B. Basis of Presentation

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Fund Financial Statements:

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

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

General Fund –

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

Debt Service Fund –

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

Municipal Road Aid Fund –

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

Tourism and Planning Commission Fund –

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CMRS Fund –

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

Fire Tax Fund –

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

Police Incentive Fund –

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

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

Water, Sewer, and Gas Fund –

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

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

C. Measurement Focus/Basis of Accounting

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

D. Budgetary Control

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

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

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

E. Cash and Investments

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

F. Prepaid Items

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

G. Inventory of Supplies

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

H. Interfund Activity

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Bond Discounts

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

J. Capital Assets

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

Assets capitalized, not including infrastructure assets, have an original cost of \$5,000 or more and over three years of useful life. Infrastructure assets capitalized have an original cost of \$25,000 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

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

K. Compensated Absences

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

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

L. Net Position

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

M. Interest Payable

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Accounts Receivable

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

O. Estimates

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

P. Fund Equity

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

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

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

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

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

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

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

Q. Encumbrances

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

R. Unbilled Receivables

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Deferred Outflows/Inflows Of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the City has deferred outflows of resources that relate to pension plan and OPEB reporting, see notes 12 and 13.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow or resources (revenue) until that time. The City has deferred inflows of resources that relate to pension plan and OPEB reporting, see notes 12 and 13. Also, the City has deferred inflows related to being a lessor of office space, see Note 4.

T. Pensions & OPEB

For purposes of measuring the net pension and net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the County Employee’s Retirement System (CERS) and additions to/deductions from CERS’ fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2. DEPOSITS AND INVESTMENTS

Under Kentucky Revised Statutes the City is allowed to invest in obligations of the U. S. Treasury and U. S. agencies, repurchase agreements, obligations of the Commonwealth of Kentucky and its agencies, insured savings and loans, or interest bearing deposits of insured national or state banks. The deposits in excess of insurance coverage must be fully collateralized.

The City invests surplus cash at local banks in the form of certificates of deposits, savings accounts, and money market accounts. This investment call subjects the City to custodial credit risk; however, the City considers this risk immaterial, and as such, the City does not have a formal investment policy to deal with such risk.

The City of West Liberty, Kentucky, categorizes deposits at local financial institutions to give an indication of the level of risk assumed by the City at fiscal year end. The categories are described as follows:

- Category 1 – Insured or collateralized with securities held by the City or by its agent in the City’s name.
- Category 2 – Collateralized with securities held by the pledging financial institution’s trust department or agent in the City’s name.
- Category 3 – Uncollateralized.

Deposits categorized by level of risk at June 30, 2024 are as follows:

<u>Account</u>	<u>Bank Balance</u>	<u>Category</u>			<u>Carrying Amount</u>
		<u>1</u>	<u>2</u>	<u>3</u>	
Cash	<u>\$1,977,482</u>	<u>\$349,361</u>	<u>\$1,628,121</u>	<u>\$ -</u>	<u>\$1,915,486</u>

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

The City's deposits and investments are also subject to risks such as interest rate risk and concentration of credit risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a deposit or investment. Deposits and investments held for longer periods are subject to increased risk of adverse interest rate changes. The City has attempted to address this risk by maintaining its deposits in accounts that continually adjust the interest rate to the market. Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City has addressed this risk by maintaining its deposits at financial institutions that are insured by the FDIC and by requiring additional collateral to cover deposits in excess of that amount.

NOTE 3. PROPERTY TAXES

Property taxes for fiscal year 2023 were levied on \$359,255,582 the assessed valuation of property and bank deposits located in Morgan County as of the preceding January 1, the lien date. Delinquent taxes are considered fully collectible and therefore no allowance for uncollected taxes is provided. A reserve for uncollectible property taxes is recorded for the amount uncollected at year end. The due date and collection periods for property taxes are as follows:

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

NOTE 4. LEASE

The City leases office space to the Commonwealth of Kentucky at an annual amount of \$13,533. The current lease runs from July 1, 2022 to June 30, 2025 with an imputed 3.0% interest rate. The City recognized \$12,796 of lease revenue and \$737 of interest revenue for fiscal year end June 30, 2024.

NOTE 5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2024, consisted of the following:

Governmental Activities

	<u>Balance</u> <u>July 1, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2024</u>
Capital assets, not being depreciated:				
Land and land improvements	\$ 302,836	\$ -	\$ -	\$ 302,836
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>302,836</u>	<u>-</u>	<u>-</u>	<u>302,836</u>
Capital assets, being depreciated:				
Buildings and improvements	1,435,923	-	-	1,435,923
Improvements other than buildings	1,404,813	-	-	1,404,813

NOTE 5. CAPITAL ASSETS (Continued)

	<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2024</u>
Infrastructure	1,543,294	69,125	-	1,612,419
Automobiles and trucks	1,537,787	-	140,000	1,397,787
Machinery and equipment	<u>2,398,069</u>	<u>123,684</u>	<u>-</u>	<u>2,521,753</u>
Total capital assets being depreciated	8,319,886	192,809	140,000	8,372,695
Less accumulated depreciation for:				
Buildings and improvements	(546,954)	(29,093)	-	(576,047)
Improvements other than buildings	(930,407)	(45,900)	-	(976,307)
Infrastructure	(1,147,503)	(77,436)	-	(1,224,939)
Automobiles and trucks	(771,159)	(83,245)	(140,000)	(714,404)
Machinery and equipment	<u>(1,867,870)</u>	<u>(92,638)</u>	<u>-</u>	<u>(1,960,508)</u>
Total accumulated depreciation	<u>(5,263,893)</u>	<u>(328,312)</u>	<u>(140,000)</u>	<u>(5,452,205)</u>
Total capital assets being depreciated, net	<u>3,055,993</u>	<u>(135,503)</u>	<u>-</u>	<u>2,920,490</u>
Governmental activities capital assets, net	<u>\$3,358,829</u>	<u>\$ (135,503)</u>	<u>\$ -</u>	<u>\$3,223,326</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 51,862
Public safety	123,917
Tourism and planning	32,590
Streets	<u>119,943</u>
Total	<u>\$ 328,312</u>

Business-Type Activities

	<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2024</u>
Capital assets, not being depreciated:				
Land and land improvements	\$ 113,914	\$ -	\$ -	\$ 113,914
Construction in progress	<u>142,762</u>	<u>1,368,698</u>	<u>-</u>	<u>1,511,460</u>
Total capital assets, not being depreciated	<u>256,676</u>	<u>1,368,698</u>	<u>-</u>	<u>1,625,374</u>
Capital assets, being depreciated:				
Leasehold improvements	1,000	-	-	1,000
Machinery and equipment	1,253,858	111,381	-	1,365,239
Water plant and water system	12,759,299	-	-	12,759,299
Sewer plant and sewer system	15,251,530	195,808	-	15,447,338
Gas system	<u>1,078,251</u>	<u>-</u>	<u>-</u>	<u>1,078,251</u>
Total capital assets being depreciated	30,343,938	307,189	-	30,651,127
Less accumulated depreciation for:				
Leasehold improvements	(1,000)	-	-	(1,000)
Machinery and equipment	(1,053,948)	(50,813)	-	(1,104,761)
Water plant and water system	<u>(7,541,093)</u>	<u>(299,286)</u>	<u>-</u>	<u>(7,840,379)</u>

NOTE 5. CAPITAL ASSETS (Continued)

	<u>Balance</u> <u>July 1, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2024</u>
Sewer plant and sewer system	(8,275,683)	(400,595)	-	(8,676,278)
Gas system	(259,925)	(21,565)	-	(281,490)
Total accumulated depreciation	<u>(17,131,649)</u>	<u>(772,259)</u>	<u>-</u>	<u>(17,903,908)</u>
Total capital assets being depreciated, net	<u>13,212,289</u>	<u>(465,070)</u>	<u>-</u>	<u>12,747,219</u>
Total utilities capital assets, net	<u>\$13,468,965</u>	<u>\$ 903,628</u>	<u>\$ -</u>	<u>\$14,372,593</u>

NOTE 6: LONG-TERM DEBT

Business –Type Activities:

The Water, Sewer, and Gas Proprietary Fund presently has three revenue bond issues outstanding. The City issues revenue bonds for the acquisition and construction of major capital facilities.

- 1) 2001 Series (A) - \$1,000,000 Water and Sewer revenue bonds, maturing through November 1, 2041, with interest at 3.25%.
- 2) 2019 Series (C) - \$1,875,000 Water and Sewer revenue bond, maturing through February 1, 2044, with interest at variable rates.
- 3) 2020 Series (D) - \$590,000 Gas revenue bonds, maturing through February 1, 2040, with interest at variable rates.

Principal payments are due annually for 2001 Series (A) bond on November 1, and interest payments are due semi-annually on May 1, and November 1. Principal payments are due annually for 2020 Series (D) and 2019 Series (C) bonds on February 1 and interest payments are due semi-annually on February 1, and August 1.

Total bond interest expense for the year ended June 30, 2024, amounted to \$80,934.

The Water, Sewer, and Gas Proprietary Fund notes payable at June 30, 2024 consisted of the following:

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

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

NOTE 6. LONG-TERM DEBT (Continued)

On November 6, 2019, the City entered into a lease agreement for \$1,875,000 with the Kentucky Bond Corporation in conjunction with the Series 2019C bond issue for the refunding of called Series 1988, 1998, 2001B, 2006, and 2007 water and sewer revenue bonds. The term of the lease is 25 years with monthly payments of principal and interest made into a sinking fund with the Bank of New York. Principal payments from the sinking fund are due February 1 and interest payments from the sinking fund are due semi-annually on February 1, and August 1.

On July 30, 2020, the City entered into a lease agreement for \$590,000 with the Kentucky Bond Corporation in conjunction with the Series 2020D bond issue for the refunding of called Series 2010, gas revenue bond. The term of the lease is 20 years with monthly payments of principal and interest made into a sinking fund with the Bank of New York. Principal payments from the sinking fund are due February 1 and interest payments from the sinking fund are due semi-annually on February 1, and August 1.

Changes in long-term obligations for the year ended June 30, 2024, are as follows:

<u>Business – type Activities</u>	<u>Balance 6/30/2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2024</u>	<u>Due Within One Year</u>
Bond payable – 2001 issue (A)	\$ 647,000	\$ -	\$ (25,000)	\$ 622,000	\$ 26,000
Bond payable – 2019 issue	1,630,000	-	(85,000)	1,545,000	90,000
Bond payable – 2020 issue	530,000	-	(25,000)	505,000	30,000
Note payable – KIA (F11-04)	579,081	-	(45,653)	533,428	46,111
Note payable – KIA (A11-11)	600,120	-	(45,304)	554,816	45,759
Note payable - excavator	8,561	-	(8,561)	-	-
Note payable – water dept pickup	3,962	-	(3,962)	-	-
Compensated absences	38,914	1,491	-	40,405	-
Net pension liability	1,532,096	88,833	-	1,620,929	-
Net OPEB liability	418,185	-	(453,061)	(34,876)	-
Total business-type activities	<u>\$5,987,919</u>	<u>\$ 90,324</u>	<u>\$(691,541)</u>	<u>\$5,386,702</u>	<u>\$237,870</u>

The City has pledged future water, sewer, and gas revenues, net of specified operating expenses, to repay these revenue bonds.

Principal and interest payments to be made on all long-term debt at June 30, 2024, for each of the next five years and thereafter are as follows:

<u>Year Ending 6/30</u>	<u>Bonds</u>	<u>Notes</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total</u>
2025	\$ 146,000	\$ 91,870	\$ 237,870	\$ 90,883	\$ 328,753
2026	147,000	92,791	239,791	86,358	326,149
2027	153,000	93,721	246,721	81,726	328,447
2028	148,000	94,660	242,660	77,052	319,712
2029	155,000	95,609	250,609	72,228	322,837
2030-2034	662,000	492,618	1,154,618	291,331	1,445,949

NOTE 6. LONG-TERM DEBT (Continued)

<u>Year Ending</u> <u>6/30</u>	<u>Bonds</u>	<u>Notes</u>	<u>Total</u> <u>Principal</u>	<u>Total</u> <u>Interest</u>	<u>Total</u>
2035-2039	756,000	126,975	882,975	173,864	1,056,839
2040-2044	505,000	-	505,000	2,238	507,238
	<u>\$2,672,000</u>	<u>\$1,088,244</u>	<u>\$3,760,244</u>	<u>\$ 875,680</u>	<u>\$4,635,924</u>

Advances for Construction

On May 22, 2023, the City entered into a loan assistance agreement (F20-006) with the Kentucky Infrastructure Authority (KIA) to provide financing for a water quality improvement project.

The total loan assistance is \$300,000. The loan contract carries a 1.5% interest rate. Debt service requirements to maturity have not been presented for this obligation because construction has not been completed and all financing has yet to be received. Total assistance received through June 30, 2024 was \$261,486.

Governmental Activities:

The City's notes payable at June 30, 2024 consisted of the following:

- 1) On June 11, 2012, the City borrowed \$350,089 at 4.9% interest from Commercial Bank for the construction of the new fire station. The loan was refinanced on February 26, 2013. The loan has an interest rate of 4.20% with a monthly payment of \$2,653 and matures February 26, 2028.
- 2) On December 27, 2021, the City borrowed \$26,799 at 6.47% interest from KS State Bank for the purchase of a 4 ton asphalt hotbox trailer. The agreement provides for 60 monthly payments of \$524 to be made beginning January 27, 2022 with final payment due on December 27, 2026.
- 3) On March 15, 2022, the City borrowed \$564,126 at 2.91% interest from Community First National Bank for the purchase of a Saber FR 7010 fire engine. The agreement provides for 117 monthly payments of \$5,585 to be made beginning July 15, 2022 with final payment due on March 15, 2032.

Changes in long-term obligations for the year ended June 30, 2024, are as follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>6/30/2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2024</u>	<u>Due Within</u> <u>One Year</u>
Note payable – street pickup	\$ 8,280	\$ -	\$ (8,280)	\$ -	\$ -
Note payable – fire station	101,579	-	(57,447)	44,132	30,567
Note payable – asphalt trailer	19,646	-	(5,168)	14,478	5,513
Note payable – fire engine	517,104	-	(52,653)	464,451	54,208
Compensated absences	32,621	-	(2,806)	29,815	-
Net pension liability	2,047,567	22,985	-	2,070,552	-
Net OPEB liability	558,882	-	(603,433)	(44,551)	-
Total governmental activities	<u>\$3,285,679</u>	<u>\$ 22,985</u>	<u>\$ (729,787)</u>	<u>\$2,578,877</u>	<u>\$ 90,288</u>

NOTE 6. LONG-TERM DEBT (Continued)

Repayment of principal and interest maturities is principally made from various taxes collected. Also, for governmental activities, the pension obligations and other post-employment benefit obligations are generally liquidated by the general fund.

Principal and interest payments to be made on all long-term debt at June 30, 2024, for each of the next five years and thereafter are as follows:

<u>Year Ending</u> <u>6/30</u>	<u>Bonds</u>	<u>Notes</u>	<u>Total</u> <u>Principal</u>	<u>Total</u> <u>Interest</u>	<u>Total</u>
2025	\$ -	\$ 90,288	\$ 90,288	\$ 14,860	\$ 105,148
2026	-	75,255	75,255	11,770	87,025
2027	-	60,543	60,543	9,625	70,168
2028	-	59,155	59,155	7,869	67,024
2029	-	60,902	60,902	6,122	67,024
2030-2032	-	176,918	176,918	7,399	184,317
	<u>\$ -</u>	<u>\$ 523,061</u>	<u>\$ 523,061</u>	<u>\$ 57,645</u>	<u>\$ 580,706</u>

Compliance with Bond Ordinances

The bond ordinances contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds and minimum revenue bond coverages. Funds held in the various reserves at June 30, 2023 required by the revenue bond ordinances are reported in the accompanying financial statements as restricted cash and CD's.

NOTE 7. INTERFUND TRANSFERS AND RECEIVABLES

The following is a schedule of interfund transfers:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	CMRS Fund	Reimbursement	\$ 127,528
General Fund	Water & Sewer	Reimbursement	6,295
Gas	Water & Sewer	Reimbursement	87,932
Debt Service Fund	General Fund	Debt Service	82,731
Debt Service Fund	Fire Tax Fund	Debt Service	60,586
Subtotal – Fund Financial Statements			365,072
Less: Fund Eliminations			(365,072)
Total Transfers – Government-Wide Statement of Activities			<u>\$ -</u>

NOTE 8. RESTRICTIONS ON CASH

Sinking Reserve Funds for Bond Retirement

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

Proprietary Funds Bond Sinking Funds in the amount of \$80,611 is being held by the Bank of New York in an interest bearing account.

Proprietary Funds Debt Service Reserve Fund in the amount of \$30,155 is being held in an interest bearing account at the Commercial Bank of West Liberty.

Reserve for Depreciation

"Depreciation Funds" are being maintained as required in various bond documents. These Proprietary Funds are required to be deposited into separate accounts for the purpose of maintaining the water and sewer systems. Certificates of Deposit have also been purchased for water and sewer depreciation reserves. The total amounts deposited in these accounts for Water Depreciation, for Waste Water Depreciation, and Gas Depreciation is \$205,390.

NOTE 9. RISK MANAGEMENT

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

NOTE 10. COMMITMENTS AND CONTINGENCIES

Litigation

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

NOTE 11. SUBSEQUENT EVENT

Management has evaluated and has not recognized any subsequent events through August 26, 2024, the date the financial statements were available to be issued.

NOTE 12. DEFINED PENSION

General Information about the Pension Plan

Plan Description

Employees of the City of West Liberty, Kentucky are provided with pensions through a cost-sharing multiple-employer defined benefit plan administered by the County Employee’s Retirement System. Section 61.645 of the Kentucky Revised Statutes grants to CERS Board of Trustees and the Kentucky Legislature the authority to review administration, benefit terms, investments, and funding of the plan. The plan, created under Kentucky Revised Statute (KRS) 78.520, provides for retirement, disability, and death benefits to plan members. CERS issues a publicly available financial report that can be obtained at kyret.ky.gov.

Benefits Provided

CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years’ service. For retirement purposes, employees are grouped into three tiers, based on hire date:

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

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

Contributions

Per State Statutes, contribution requirements of the active employees are established and may be amended by the CERS Board. Employees hired before 9/1/08 are required to contribute 5.00 percent of their annual pay and employees hired after 9/1/08 are required to contribute 6.00 percent of their annual pay. The City’s contractually required contribution rate for the year ended June 30, 2024, was 23.34 percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of

NOTE 12. DEFINED PENSION (Continued)

benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$400,704 for the year ended June 30, 2024.

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

At June 30, 2024, the City reported a liability of \$3,691,481 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 that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2023, the City's proportion was 0.058 percent, which was an increase of .008 from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the City recognized pension expense of \$430,575. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 191,101	\$ 10,031
Changes of assumptions	-	338,327
Net difference between projected and actual earnings on pension plan investments	-	50,353
Changes in proportion and differences between City contributions and proportionate share of contributions	363,955	2,378
City contributions subsequent to the measurement date	<u>400,704</u>	<u>-</u>
Total	<u>\$ 955,760</u>	<u>\$ 401,089</u>

\$400,704 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2025	\$ 79,102
2026	28,192
2027	82,409
2028	(35,736)
2029	-
Thereafter	-

NOTE 12. DEFINED PENSION (Continued)

Actuarial Methods and Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2023 are as follows:

Inflation	2.50%
Payroll Growth Rate	2.00% for CERS non-hazardous
Salary Increases	3.30% to 10.30%, varies by service for CERS non-hazardous
Investment Rate of Return	6.50% for CERS non-hazardous

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for non-disabled retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the 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 the MP-2020 mortality improvement scale using a base year of 2010.

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	60.00%	
Public Equity	50.00%	5.90%
Private Equity	10.00%	11.73%
Fixed Income	20.00%	
Fixed Income	10.00%	2.45%
Cash	0.00%	1.39%
Specialty Credit	10.00%	3.65%
Inflation Protected	20.00%	
Real Estate	7.00%	4.99%
Real Return	13.00%	<u>5.15%</u>
Expected Real Rate	100.00%	5.75%
Long Term Inflation Assumption		<u>2.50%</u>
Expected Nominal Return for Portfolio		8.25%

NOTE 12. DEFINED PENSION (Continued)

Discount Rate

The projection of cash flows used to determine the discount rate of 6.50% for CERS Non-hazardous and CERS Hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statue as amended by House Bill 362 (passed in 2018) over the remaining 28 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the Annual Comprehensive Financial Report (ACFR).

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

The following presents the City’s proportionate share of the Net Pension Liability using the discount rate of 6.50%, 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 one percentage-point lower (5.50%) or one percentage-point higher (7.50%) than the current rate:

	<u>1.0% Decrease (5.50%)</u>	<u>Current Discount Rate (6.50%)</u>	<u>1.0% Increase (7.50%)</u>
City’s proportionate share of the net pension liability	\$4,660,718	\$3,691,481	\$2,886,009

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued KRS 2023 Comprehensive Annual Financial Report at kyret.ky.gov.

Payable to the Pension Plan

At June 30, 2024, the City reported a payable of \$38,238 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.

NOTE 13. OPEB PLAN

General Information about the OPEB plan

Plan Description and Benefits Provided

The City of West Liberty, Kentucky participates in the County Employees Retirement System (CERS) Insurance Fund, a multiple-employer defined benefit Other Post-Employment Benefits (OPEB) plan for members that cover all regular full-time members employed by the City. The plan provides for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

NOTE 13. OPEB PLAN (Continued)

Contributions

The City's contractually required contribution rate for the year ended June 30, 2024, was 0.00 percent of covered payroll. Contributions to the OPEB plan from the City were \$0 for the year ended June 30, 2024.

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

At June 30, 2024, the City reported a liability of (\$79,427) for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on the City's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2023, the City's proportion was 0.058 percent, which was an increase of 0.008 from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the City recognized OPEB expense of \$149,519. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 55,373	\$ 1,127,784
Changes of assumptions	156,307	108,930
Net difference between projected and actual earnings On OPEB plan investments	-	18,433
Changes in proportion and differences between City contributions and proportionate share of contributions	138,533	7,089
City contributions subsequent to the measurement date	-	-
Total	<u>\$ 350,213</u>	<u>\$ 1,262,236</u>

NOTE 13. OPEB PLAN (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year ended June 30:

2025	\$ (221,874)
2026	(285,940)
2027	(215,563)
2028	(188,646)
2029	-
Thereafter	-

Actuarial Methods and Assumptions

A summary of the actuarial methods and assumptions used in determining the total OPEB liability as of June 30, 2023 are as follows:

Inflation	2.50%
Payroll Growth Rate	2.00% for CERS non-hazardous
Salary Increase	3.30% to 10.30%, varies by service for CERS non-hazardous
Investment Rate of Return	6.50% for CERS non-hazardous
Healthcare Trend Rates	
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% at January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Non-Hazardous Systems, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010
Post-retirement (non-disabled)	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
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

NOTE 13. OPEB 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 real rate of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	60.00%	
Public Equity	50.00%	5.90%
Private Equity	10.00%	11.73%
Fixed Income	20.00%	
Core Fixed Income	10.00%	2.45%
Cash	0.00%	1.39%
Specialty Credit	10.00%	3.65%
Inflation Protected	20.00%	
Real Estate	7.00%	4.99%
Real Return	13.00%	<u>5.15%</u>
Expected Real Rate	100.00%	5.75%
Long Term Inflation Assumption		<u>2.50%</u>
Expected Nominal Return for Portfolio		8.25%

Sensitivity of the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend

	<u>1.0% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1.0% Increase</u>
City's proportionate share of the net OPEB liability	(\$254,577)	(\$79,427)	\$135,729

NOTE 13. OPEB PLAN (Continued)

Discount Rate

Single discount rates of 5.93% for CERS non-hazardous system was used to measure the total OPEB liability as of June 30, 2023. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.50%, and a municipal bond rate of 3.86%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2023. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan’s fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plan trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the ACFR.

Sensitivity of the Employer’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the City’s proportionate share of the Net OPEB Liability using the discount rate of 5.93%, as well as what the City’s proportionate share of the Net OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower (4.93%) or one percentage-point higher (6.93%) than the current rate:

	<u>1.0% Decrease</u> <u>(4.93%)</u>	<u>Current Discount</u> <u>Rate (5.93%)</u>	<u>1.0% Increase</u> <u>(6.93%)</u>
City’s proportionate share of the net OPEB liability	\$149,054	(\$79,427)	(\$270,752)

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued KRS 2023 Comprehensive Annual Financial Report at kyret.ky.gov.

AUDITOR'S REPORTS



WELLS & COMPANY, P.S.C.

Certified Public Accountants

865 South Mayo Trail
Paintsville, Kentucky 41240-1215

(606) 789-3588

Fax (606) 789-3326

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Honorable Kyle Risner, Mayor
Members of the City Council
City of West Liberty, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Liberty, Kentucky, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City of West Liberty, Kentucky's basic financial statements and have issued our report thereon dated August 26, 2024, which included an explanatory paragraph regarding the omission of required Management Discussion and Analysis.

Report On Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of West Liberty, Kentucky's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of West Liberty, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of West Liberty, Kentucky's internal control.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a material weakness.

Report On Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of West Liberty, Kentucky's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of West Liberty, Kentucky's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wells - Company, PSC

Certified Public Accountants

Paintsville, Kentucky

August 26, 2024



WELLS & COMPANY, P.S.C.

Certified Public Accountants

865 South Mayo Trail
Paintsville, Kentucky 41240-1215

(606) 789-3588
Fax (606) 789-3326

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

The Honorable Kyle Risner, Mayor
Members of the City Council
City of West Liberty, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of West Liberty, Kentucky's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City of West Liberty, Kentucky's major federal programs for the year ended June 30, 2024. The City of West Liberty, Kentucky's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of West Liberty, Kentucky complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of West Liberty, Kentucky and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of West Liberty, Kentucky's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of West Liberty, Kentucky's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of West Liberty, Kentucky's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of West Liberty, Kentucky's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City of West Liberty, Kentucky's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of West Liberty, Kentucky's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of West Liberty, Kentucky's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

City of West Liberty, Kentucky

August 26, 2024

Page 3

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Wells & Company, PSC

Certified Public Accountants

Paintsville, Kentucky

August 26, 2024

**CITY OF WEST LIBERTY, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: *unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditor's report issued on compliance for major federal programs: *unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major federal programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
23.002	Appalachian Area Development

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes no

**CITY OF WEST LIBERTY, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
YEAR ENDED JUNE 30, 2024**

SECTION II - FINANCIAL STATEMENT FINDINGS

2024 – 001 Segregation of Duties

Condition: Presently, the City has an absence of appropriate segregation of duties consistent with appropriate internal control objectives.

Criteria: The City should have appropriate segregation of duties to provide reasonable assurance that the safeguarding of assets and financial records be maximized.

Cause: Due to its small size and budget restrictions the City has limited options for establishing an adequate segregation of duties.

Effect: An improper segregation of duties can subject the City to intentional or unintentional losses due to errors or irregularities.

Recommendation: The City should continue to review the internal control structure and segregate duties where possible.

Views of Responsible Officials: Management of the City concurs with the finding and will continue strong oversight.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

**CITY OF WEST LIBERTY, KENTUCKY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2024**

There were no findings and recommendations for the year ended June 30, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF WEST LIBERTY, KENTUCKY
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2024**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Property taxes	\$ 220,000	\$ 220,000	\$ 225,792	\$ 5,792
Taxes on insurance premiums	480,000	531,130	550,302	19,172
Occupational taxes and licenses	796,126	796,126	998,612	202,486
E911	47,000	47,000	51,127	4,127
Unloading license	1,900	1,900	900	(1,000)
Law enforcement fees	5,500	5,500	5,935	435
Telecom tax	12,000	12,000	12,850	850
Interest	-	-	3,218	3,218
Rent	23,000	23,000	13,533	(9,467)
Fines and forfeits	-	-	6,414	6,414
Administrative	187,000	187,000	27,227	(159,773)
Grants	-	-	9,740	9,740
Other receipts	9,182	9,182	113,112	103,930
Total revenues	<u>1,781,708</u>	<u>1,832,838</u>	<u>2,018,762</u>	<u>185,924</u>
Expenditures:				
General government:				
Health and life insurance	97,400	97,400	82,976	14,424
Insurance	24,000	24,000	25,232	(1,232)
Dues and subscriptions	2,500	2,500	16,887	(14,387)
Materials and supplies	10,000	10,000	8,421	1,579
Mayor and city council fees	16,000	16,000	7,231	8,769
Other expenses	15,420	15,420	19,945	(4,525)
Office expenses	12,000	12,000	10,058	1,942
Professional fees	25,000	25,000	10,926	14,074
Postage	2,800	2,800	2,090	710
Repairs and maintenance	42,000	42,000	33,123	8,877
Retirement	44,500	44,500	41,517	2,983
Salaries and wages	183,893	183,893	220,118	(36,225)
Payroll taxes	16,000	16,000	18,356	(2,356)
Telephone and utilities	30,000	30,000	18,528	11,472
Travel and training	2,500	2,500	6,677	(4,177)
Capital outlays	-	-	-	-
Total General Government	<u>524,013</u>	<u>524,013</u>	<u>522,085</u>	<u>1,928</u>

CITY OF WEST LIBERTY, KENTUCKY
 BUDGETARY COMPARISON SCHEDULE (Continued)
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Police:				
Automobile	31,000	31,000	32,256	(1,256)
Health and life insurance	56,000	56,000	54,479	1,521
Insurance	49,000	49,000	44,186	4,814
Dues and subscriptions	7,000	7,000	8,520	(1,520)
Materials and supplies	40,000	40,000	39,122	878
Other expenses	1,270	1,270	664	606
Office expenses	5,000	5,000	4,657	343
Professional fees	7,000	7,000	4,630	2,370
Repairs and maintenance	15,000	15,000	18,288	(3,288)
Retirement	75,000	75,000	83,226	(8,226)
Salaries and wages	300,000	300,000	329,639	(29,639)
Payroll tax	28,000	28,000	29,017	(1,017)
Telephone and utilities	34,500	34,500	30,490	4,010
Travel and training	10,000	10,000	15,158	(5,158)
Uniform allowance	3,500	3,500	6,001	(2,501)
Capital outlays	52,000	52,000	31,281	20,719
Total Police	714,270	714,270	731,614	(17,344)
Fire:				
Automobile	2,500	2,500	2,414	86
Insurance	18,000	18,000	21,314	(3,314)
Materials and supplies	13,000	13,000	23,237	(10,237)
Other expenses	5,340	5,340	3,199	2,141
Repairs and maintenance	8,700	8,700	8,778	(78)
Telephone and utilities	10,400	10,400	12,290	(1,890)
Travel and training	5,000	5,000	5,000	-
Capital outlays	-	-	-	-
Total Fire	62,940	62,940	76,232	(13,292)
Dispatch:				
Automobile	1,200	1,200	1,085	115
Health and life insurance	62,000	62,000	58,384	3,616
Insurance	6,500	6,500	5,900	600
Dues and subscriptions	1,100	1,100	10,133	(9,033)
Other expenses	3,520	3,520	4,587	(1,067)
Office expenses	2,500	2,500	2,828	(328)
Professional fees	10,000	10,000	4,059	5,941
Repairs and maintenance	15,000	15,000	5,830	9,170

CITY OF WEST LIBERTY, KENTUCKY
 BUDGETARY COMPARISON SCHEDULE (Continued)
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Retirement	73,000	73,000	65,261	7,739
Salaries and wages	275,000	275,000	280,526	(5,526)
Payroll tax	22,000	22,000	22,413	(413)
Telephone and utilities	24,000	24,000	18,132	5,868
Travel and training	2,000	2,000	2,850	(850)
Uniform allowance	4,000	4,000	1,639	2,361
Total Dispatch	<u>501,820</u>	<u>501,820</u>	<u>483,627</u>	<u>18,193</u>
Street:				
Automobile	12,000	12,000	8,701	3,299
Health and life insurance	23,000	23,000	23,459	(459)
Insurance	10,500	10,500	16,498	(5,998)
Other expenses	5,870	5,870	7,565	(1,695)
Materials and supplies	45,000	45,000	21,194	23,806
Repairs and maintenance	25,000	25,000	3,915	21,085
Retirement	32,000	32,000	34,732	(2,732)
Salaries and wages	115,861	115,861	144,130	(28,269)
Payroll tax	10,000	10,000	11,158	(1,158)
Utilities and telephone	58,000	58,000	49,120	8,880
Uniform allowance	1,500	1,500	1,902	(402)
Capital outlays	-	51,130	4,623	46,507
Total Street	<u>338,731</u>	<u>389,861</u>	<u>326,997</u>	<u>62,864</u>
Total expenditures	<u>2,141,774</u>	<u>2,192,904</u>	<u>2,140,555</u>	<u>52,349</u>
Excess (deficiency) of revenues over expenditures	(360,066)	(360,066)	(121,793)	133,575
Other Financing Sources/(Uses):				
Operating transfers in	236,258	236,258	133,823	(102,435)
Operating transfers out	(85,888)	(85,888)	(82,731)	3,157
Proceeds from borrowing	-	-	-	-
Total Other Financing Sources/(Uses)	<u>150,370</u>	<u>150,370</u>	<u>51,092</u>	<u>(99,278)</u>
Net change in fund balance	<u>\$ (209,696)</u>	<u>\$ (209,696)</u>	(70,701)	<u>\$ 138,995</u>
Fund balance - beginning of year			<u>605,706</u>	
Fund balance - end of year			<u>\$ 535,005</u>	

CITY OF WEST LIBERTY, KENTUCKY
 BUDGETARY COMPARISON SCHEDULE
 TOURISM AND PLANNING COMMISSION FUND
 FOR THE YEAR ENDED JUNE 30, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Restaurant tax	\$ 230,000	\$ 230,000	\$ 312,273	\$ 82,273
Motel tax	8,000	8,000	11,147	3,147
Shelter income	1,100	1,100	1,935	835
Other receipts	1,100	1,100	1,745	645
Grants	-	-	-	-
Interest income	100	100	257	157
	<u>240,300</u>	<u>240,300</u>	<u>327,357</u>	<u>87,057</u>
Total revenues				
Expenditures:				
Administrative	15,000	15,000	15,889	(889)
Donations	120,000	120,000	173,149	(53,149)
Materials and supplies	14,000	14,000	8,201	5,799
Other expenses	13,545	13,545	15,510	(1,965)
Office expenses	100	100	44	56
Salaries and wages	17,000	17,000	24,263	(7,263)
Sponsored events	45,000	45,000	100,078	(55,078)
Repairs and maintenance	20,000	20,000	19,519	481
Capital outlays	195,655	195,655	51,404	144,251
	<u>440,300</u>	<u>440,300</u>	<u>408,057</u>	<u>32,243</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	(200,000)	(200,000)	(80,700)	54,814
Other financing sources/(uses):				
Operating transfers in/(out)	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources/(uses)				
Net change in fund balance	<u>\$ (200,000)</u>	<u>\$ (200,000)</u>	(80,700)	<u>\$ 119,300</u>
Fund balance - beginning of year			<u>354,604</u>	
Fund balance - end of year			<u>\$ 273,904</u>	

**CITY OF WEST LIBERTY, KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY (CERS)
JUNE 30, 2024**

	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>
City's proportion of the net pension liability (asset)	0.048393%	0.047458%	0.046297%
City's proportionate share of the net pension liability (asset)	\$ 1,570,000	\$ 2,040,481	\$ 2,279,512
City's covered-employee payroll	\$ 1,107,267	\$ 1,104,432	\$ 1,189,202
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	141.79%	184.75%	191.68%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	59.97%	55.50%
	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
City's proportion of the net pension liability (asset)	0.048062%	0.047700%	0.049135%
City's proportionate share of the net pension liability (asset)	\$ 2,813,217	\$ 2,905,136	\$ 3,455,686
City's covered-employee payroll	\$ 1,206,464	\$ 1,264,786	\$ 1,281,650
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	233.18%	229.69%	269.63%
Plan fiduciary net position as a percentage of the total pension liability	53.30%	53.54%	50.45%
	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>
City's proportion of the net pension liability (asset)	0.048978%	0.049786%	0.049518%
City's proportionate share of the net pension liability (asset)	\$ 3,756,572	\$ 3,174,248	\$ 3,579,663
City's covered-employee payroll	\$ 1,301,305	\$ 1,389,811	\$ 1,669,974
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	288.68%	228.39%	214.35%
Plan fiduciary net position as a percentage of the total pension liability	47.81%	57.33%	52.42%
	<u>6/30/2024</u>		
City's proportion of the net pension liability (asset)	0.057531%		
City's proportionate share of the net pension liability (asset)	\$ 3,691,481		
City's covered-employee payroll	\$ 1,716,812		
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	215.02%		
Plan fiduciary net position as a percentage of the total pension liability	57.48%		

**CITY OF WEST LIBERTY, KENTUCKY
SCHEDULE OF CITY PENSION CONTRIBUTIONS (CERS)
JUNE 30, 2024**

	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>
Contractually required contribution	\$ 141,177	\$ 137,170	\$ 165,894
Contributions in relation to the contractually required contribution	<u>141,177</u>	<u>137,170</u>	<u>165,894</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,107,267	\$ 1,104,432	\$ 1,189,202
Contributions as a percentage of covered-employee payroll	12.75%	12.42%	13.95%
	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
Contractually required contribution	\$ 174,696	\$ 205,148	\$ 247,358
Contributions in relation to the contractually required contribution	<u>174,696</u>	<u>205,148</u>	<u>247,358</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,206,464	\$ 1,264,786	\$ 1,281,650
Contributions as a percentage of covered-employee payroll	14.48%	16.22%	19.30%
	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>
Contractually required contribution	\$ 251,152	\$ 316,599	\$ 390,774
Contributions in relation to the contractually required contribution	<u>251,152</u>	<u>316,599</u>	<u>390,774</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,301,305	\$ 1,389,811	\$ 1,669,974
Contributions as a percentage of covered-employee payroll	19.30%	22.78%	23.40%
	<u>6/30/2024</u>		
Contractually required contribution	\$ 400,704		
Contributions in relation to the contractually required contribution	<u>400,704</u>		
Contribution deficiency (excess)	<u>\$ -</u>		
City's covered-employee payroll	\$ 1,716,812		
Contributions as a percentage of covered-employee payroll	23.34%		

**CITY OF WEST LIBERTY, KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY (CERS)
JUNE 30, 2024**

	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
City's proportion of the net OPEB liability (asset)	0.048062%	0.047700%	0.049123%
City's proportionate share of the net OPEB liability (asset)	\$ 966,211	\$ 846,886	\$ 826,227
City's covered-employee payroll	\$ 1,206,464	\$ 1,264,786	\$ 1,281,650
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	80.09%	66.96%	64.47%
Plan fiduciary net position as a percentage of the total OPEB liability	52.40%	57.62%	60.44%
	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>
City's proportion of the net OPEB liability (asset)	0.048963%	0.049774%	0.049509%
City's proportionate share of the net OPEB liability (asset)	\$ 1,182,308	\$ 952,898	\$ 977,067
City's covered-employee payroll	\$ 1,301,305	\$ 1,389,811	\$ 1,669,974
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	90.86%	68.56%	58.50%
Plan fiduciary net position as a percentage of the total OPEB liability	51.67%	62.91%	60.95%
	<u>6/30/2024</u>		
City's proportion of the net OPEB liability (asset)	0.057528%		
City's proportionate share of the net OPEB liability (asset)	\$ (79,427)		
City's covered-employee payroll	\$ 1,716,812		
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-4.63%		
Plan fiduciary net position as a percentage of the total OPEB liability	104.23%		

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

**CITY OF WEST LIBERTY, KENTUCKY
SCHEDULE OF CITY OPEB CONTRIBUTIONS (CERS)
JUNE 30, 2024**

	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
Contractually required contribution	\$ 56,704	\$ 56,704	\$ 61,007
Contributions in relation to the contractually required contribution	<u>56,704</u>	<u>56,704</u>	<u>61,007</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,206,464	\$ 1,264,786	\$ 1,281,650
Contributions as a percentage of covered-employee payroll	4.70%	5.26%	4.76%
	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>
Contractually required contribution	\$ 61,942	\$ 57,955	\$ 56,612
Contributions in relation to the contractually required contribution	<u>61,942</u>	<u>57,955</u>	<u>56,612</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,301,305	\$ 1,389,811	\$ 1,669,974
Contributions as a percentage of covered-employee payroll	4.76%	4.17%	3.39%
	<u>6/30/2024</u>		
Contractually required contribution	\$ -		
Contributions in relation to the contractually required contribution	<u>-</u>		
Contribution deficiency (excess)	<u>\$ -</u>		
City's covered-employee payroll	\$ 1,716,812		
Contributions as a percentage of covered-employee payroll	0.00%		

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

**CITY OF WEST LIBERTY, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CERS)
FOR THE YEAR ENDED JUNE 30, 2024**

53

NOTE A – GENERAL INFORMATION

Contributions

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

Payroll

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

NOTE B – CHANGES OF ASSUMPTIONS

June 30, 2023 – Pension and OPEB – Non-hazardous

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

- The initial healthcare trend rate for pre-65 was changed from 6.20% to 6.80%, which gradually decreases to an ultimate trend rate of 4.05% over a period of 13 years. The initial healthcare trend rate for post-65 was changed from 9.00% to 8.50%, which gradually decreases to an ultimate trend rate of 4.05% over a period of 13 years.
- The assumed rate of return was increased from 6.25% to 6.50%.
- The assumed rate of inflation was increased from 2.30% to 2.50%.

June 30, 2022 – Pension and OPEB – Non-hazardous

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

- The initial healthcare trend rate for pre-65 was changed from 6.30% to 6.20%, which gradually decreases to an ultimate trend rate of 4.05% over a period of 13 years. The initial healthcare trend rate for post-65 was changed from 6.30% to 9.00%, which gradually decreases to an ultimate trend rate of 4.05% over a period of 13 years.

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2022, for pension.

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

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

NOTE B – CHANGES OF ASSUMPTIONS (Continued)

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

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

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

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

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

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

June 30, 2019 – Pension and OPEB Non-hazardous

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

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

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

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

June 30, 2017 – Pension – Non-hazardous

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

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

NOTE B – CHANGES OF ASSUMPTIONS (Continued)

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

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

June 30, 2015 – Pension – Non-hazardous

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

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

June 30, 2014 – Pension – Non-hazardous

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

June 30, 2013 – Pension – Non-hazardous

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

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

CITY OF WEST LIBERTY, KENTUCKY
 COMBINING BALANCE SHEET
 NON-MAJOR FUNDS
 JUNE 30, 2024

	Special Revenue Funds					Total Non-Major Governmental Funds
	Debt Service Fund	Fire Tax Fund	Police Incentive Fund	Municipal Road Aid Fund	CMRS Fund	
ASSETS						
Cash and cash equivalents	\$ -	\$ 6,286	\$ -	\$ 81,502	\$ 4,500	\$ 92,288
Certificate of deposit	-	45,472	-	-	-	45,472
Receivables	-	-	2,698	-	-	2,698
Prepaid expense	-	-	-	-	5,000	5,000
Total Assets	<u>\$ -</u>	<u>\$ 51,758</u>	<u>\$ 2,698</u>	<u>\$ 81,502</u>	<u>\$ 9,500</u>	<u>\$ 145,458</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 3,321	\$ 3,321
Other accrued liabilities	-	-	2,698	-	-	2,698
Total Liabilities	<u>-</u>	<u>-</u>	<u>2,698</u>	<u>-</u>	<u>3,321</u>	<u>6,019</u>
Fund Balances:						
Restricted for:						
Public safety	-	-	-	-	6,179	6,179
Streets	-	-	-	81,502	-	81,502
Assigned to:						
Public safety	-	51,758	-	-	-	51,758
Total Fund Balances	<u>-</u>	<u>51,758</u>	<u>-</u>	<u>81,502</u>	<u>6,179</u>	<u>139,439</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 51,758</u>	<u>\$ 2,698</u>	<u>\$ 81,502</u>	<u>\$ 9,500</u>	<u>\$ 145,458</u>

CITY OF WEST LIBERTY, KENTUCKY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NON-MAJOR FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Special Revenue Funds					Total Non-Major Governmental Funds
	Debt Service Fund	Fire Tax Fund	Police Incentive Fund	Municipal Road Aid Fund	CMRS Fund	
Revenues:						
Taxes	\$ -	\$ 29,042	\$ -	\$ 20,836	\$ -	\$ 49,878
Wireless collections	-	-	-	-	147,342	147,342
Intergovernmental revenues	-	11,500	34,849	82,153	7,748	136,250
Grants	-	-	-	-	26,834	26,834
Other receipts	-	-	-	-	2,500	2,500
Interest income	-	472	-	670	21	1,163
Total revenues	-	41,014	34,849	103,659	184,445	363,967
Expenditures:						
Public safety	-	12,311	34,849	-	36,500	83,660
Streets	-	-	-	34,098	-	34,098
Capital outlays	-	6,561	-	69,125	29,815	105,501
Debt service:						
Principal retirement	123,548	-	-	-	-	123,548
Interest	19,769	-	-	-	-	19,769
Total expenditures	143,317	18,872	34,849	103,223	66,315	366,576
Excess (deficiency) of revenues over expenditures	(143,317)	22,142	-	436	118,130	(2,609)
Other financing sources (uses):						
Operating transfers in	143,317	-	-	-	-	143,317
Operating transfers out	-	(60,586)	-	-	(127,528)	(188,114)
Proceeds from sale of capital assets	-	28,750	-	-	-	28,750
Total other financing sources/(uses)	143,317	(31,836)	-	-	(127,528)	(16,047)
Net change in fund balances	-	(9,694)	-	436	(9,398)	(18,656)
Fund balances - beginning of year	-	61,452	-	81,066	15,577	158,095
Fund balances - end of year	\$ -	\$ 51,758	\$ -	\$ 81,502	\$ 6,179	\$ 139,439

**CITY OF WEST LIBERTY, KENTUCKY
SCHEDULE OF OPERATING EXPENSES
BUSINESS-TYPE ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2024**

	<u>SEWER</u>	<u>WATER</u>	<u>GAS</u>	<u>TOTAL</u>
Automobile	\$ 8,701	\$ 12,546	\$ 3,329	\$ 24,576
Chemicals	44,239	169,536	-	213,775
Depreciation	410,764	325,591	35,904	772,259
Dues and Subscriptions	1,318	9,438	2,600	13,356
Health and Life Insurance	39,290	66,854	21,296	127,440
Insurance	49,632	39,305	9,047	97,984
Materials and Supplies	92,634	84,607	21,954	199,195
Miscellaneous	622	3,304	744	4,670
Office Expenses	632	1,116	62	1,810
Postage	-	-	-	-
Professional Fees	4,961	7,887	12,288	25,136
Repairs and Maintenance	163,298	130,320	20,067	313,685
Retirement	54,031	85,576	31,520	171,127
Wages and Benefits	281,967	402,160	95,464	779,591
Payroll Taxes	23,903	31,714	8,034	63,651
Telephone and Utilities	133,184	172,099	10,573	315,856
Testing	21,120	5,501	-	26,621
Travel and Training	6,527	1,368	2,626	10,521
Uniform Allowance	2,304	4,488	1,062	7,854
TOTAL OPERATING EXPENSES	<u>\$ 1,339,127</u>	<u>\$ 1,553,410</u>	<u>\$ 276,570</u>	<u>\$ 3,169,107</u>

CITY OF WEST LIBERTY, KENTUCKY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2024

FEDERAL GRANTOR/PASS - THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	PASSED THROUGH TO SUBRECIPIENTS	TOTAL FEDERAL EXPENDITURES
<u>U.S. DEPARTMENT OF THE TREASURY</u>				
Pass-through program from Kentucky Dept for Local Government Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	-	350,658
Pass-through program from Kentucky Infrastructure Authority Coronavirus State and Local Fiscal Recovery Funds	21.027	21CWW162	-	223,696
Total Coronavirus State and Local Fiscal Recovery Funds			-	574,354
Total U.S. Department of the Treasury			-	574,354
<u>APPALACHIAN REGIONAL COMMISSION</u>				
Pass-through program from Rural Utilities Service Appalachian Area Development	23.002	KY-19814	-	828,354
Total Appalachian Regional Commission			-	828,354
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>				
Pass-through program from Kentucky Infrastructure Authority Capitalization Grants for Drinking Water State Revolving Funds	66.468	F20-006	-	261,486
Total U.S. Environmental Protection Agency			-	261,486
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 1,664,194

CITY OF WEST LIBERTY, KENTUCKY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED June 30, 2024

NOTE A. – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City of West Liberty, Kentucky under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of West Liberty, Kentucky, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of West Liberty, Kentucky.

NOTE B. – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE C – INDIRECT COST RATE

The City of West Liberty, Kentucky has not adopted an indirect cost rate and has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE D – FEDERAL LOANS AND LOAN GUARANTEE PROGRAMS OUTSTANDING:

The City of West Liberty, Kentucky received funding from the Environmental Protection Agency passed through the Kentucky Infrastructure Authority for CFDA #66.468 Capitalization Grants for Drinking Water State Revolving Funds in fiscal year ending June 30, 2024. The balance of the loan outstanding at June 30, 2024 is \$261,486.