

FOR Casey County, Kentucky  
Area Served

P.S.C. KY. NO. 1

4<sup>th</sup> Revised SHEET NO. 1

CANCELLING P.S.C. KY. NO. 1

3<sup>rd</sup> Revised SHEET NO. 1

City of Liberty  
(Name of Municipal Utility)

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RATES AND CHARGES

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MONTHLY WHOLESALE WATER RATE:

First 10,000,000 Gallons	\$27,500.00	Minimum Bill	(I)
Over 10,000,000 Gallons	2.75	Per 1,000 Gallons	(I)

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DATE OF ISSUE 05 / 30 / 2023

Month / Date / Year

DATE EFFECTIVE 07 / 01 / 2023

Month / Date / Year

ISSUED BY \_\_\_\_\_

(Signature of Officer)

TITLE Mayor *How Hall*

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. N/A DATED N/A

**WATER PURCHASE CONTRACT**

This contract for the sale and purchase of water is entered into as of the 14<sup>th</sup> day of February, 2023, between the City of Liberty KY

P.O. Box 127, Liberty KY 42539  
(Address)

hereinafter referred to as the "Seller" and the East Casey Co. Water District

P.O. Box 56, Liberty KY  
(Address)

hereinafter referred to as the "Purchaser",

WITNESSETH:

Whereas, the Purchaser is organized and established under the provisions of Kentucky Revised Statutes of the Code of 74, for the purpose of constructing and operating a water supply distribution system serving water users within the area described in plans now on file in the office of the Purchaser and to accomplish this purpose, the Purchaser will require a supply of treated water, and

Whereas, the Seller owns and operates a water supply distribution system with a capacity currently capable of serving the present customers of the Seller's system and the estimated number of water users to be served by the said Purchaser as shown in the plans of the system now on file in the office of the Purchaser, and

Whereas, by Motion No. 2 enacted on the 13 day of February, 2023 by the Seller, the sale of water to the Purchaser in accordance with the provisions of the said Water Purchase Contract was approved, and the execution of this contract carrying out the said Water Purchase Contract by the Mayor, and attested by the Secretary, was duly authorized, and

Whereas, by Motion of the Board of Directors of the Purchaser, enacted on the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, the purchase of water from the Seller in accordance with the terms set forth in the said Water Purchase Contract was approved, and the execution of this contract by the Chairman, and attested by the Secretary was duly authorized;

Now, therefore, in consideration of the foregoing and the mutual agreements hereinafter set forth,

A. The Seller Agrees:

1. (Quality and Quantity) To furnish the Purchaser at the point of delivery hereinafter specified, during the term of this contract or any renewal or extension thereof, potable treated water meeting applicable purity standards of the KY DOW

in such quantity as may be required by the Purchaser not to exceed n/a gallons per month.

Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to U.S. Department of Agriculture, Clearance Officer STOP 7602, 1400 Independence Avenue, S. W., Washington, D. C. 20250-7602. Please DO NOT RETURN this form to this address. Forward to the local USDA office only. You are not required to respond to this collection of information unless it displays a currently valid OMB control number.

C. It is further mutually agreed between the Seller and the Purchaser as follows:

1. (Term of Contract) That this contract shall extend for a term of 45 years from the date of the initial delivery of any water as shown by the first bill submitted by the Seller to the Purchaser and, thereafter may be renewed or extended for such term, or terms, as may be agreed upon by the Seller and Purchaser.

2. (Delivery of Water) That N/A days prior to the estimated date of completion of construction of the Purchaser's water supply distribution system, the Purchaser will notify the Seller in writing the date for the initial delivery of water.

3. (Water for Testing) When requested by the Purchaser the Seller will make available to the contractor at the point of delivery, or other point reasonably close thereto, water sufficient for testing, flushing, and trench filling the system of the Purchaser during construction, irrespective of whether the metering equipment has been installed at that time, at a flat charge of \$ N/A which will be paid by the contractor or, on his failure to pay, by the Purchaser.

4. (Failure to Deliver) That the Seller will, at all times, operate and maintain its system in an efficient manner and will take such action as may be necessary to furnish the Purchaser with quantities of water required by the Purchaser. Temporary or partial failures to deliver water shall be remedied with all possible dispatch. In the event of an extended shortage of water, or the supply of water available to the Seller is otherwise diminished over an extended period of time, the supply of water to Purchaser's consumers shall be reduced or diminished in the same ratio or proportion as the supply to Seller's consumers is reduced or diminished.

5. (Modification of Contract) That the provisions of this contract pertaining to the schedule of rates to be paid by the Purchaser for water delivered are subject to modification at the end of every 1 year period. Any increase or decrease in rates shall be based on a demonstrable increase or decrease in the costs of performance hereunder, but such costs shall not include increased capitalization of the Seller's system. Other provisions of this contract may be modified or altered by mutual agreement.

6. (Regulatory Agencies) That this contract is subject to such rules, regulations, or laws as may be applicable to similar agreements in this State and the Seller and Purchaser will collaborate in obtaining such permits, certificates, or the like, as may be required to comply therewith.

7. (Miscellaneous) That the construction of the water supply distribution system by the Purchaser is being financed by a loan made or insured by, and/or a grant from, the United States of America, acting through Rural Development of the United States Department of Agriculture, and the provisions here of pertaining to the undertakings of the Purchaser are conditioned upon the approval, in writing, of the State Director of Rural Development.

8. (Successor to the Purchaser) That in the event of any occurrence rendering the Purchaser incapable of performing under this contract, any successor of the Purchaser, whether the result of legal process, assignment, or otherwise, shall succeed to the rights of the Purchaser hereunder.

2. (Point of Delivery and Pressure) That water will be furnished at a reasonably constant pressure calculated at

greater than 60 psi from an existing 6 inch main supply at a point located  
various meters

If a greater pressure than that normally available at the point of delivery is required by the Purchaser, the cost of providing such greater pressure shall be borne by the Purchaser. Emergency failures of pressure or supply due to main supply line breaks, power failure, flood, fire and use of water to fight fire, earthquake or other catastrophe shall excuse the Seller from this provision for such reasonable period of time as may be necessary to restore service.

3. (Metering Equipment) To furnish, install, operate, and maintain at its own expense at point of delivery, the necessary metering equipment, including a meter house or pit, and required devices of standard type for properly measuring the quantity of water delivered to the Purchaser and to calibrate such metering equipment whenever requested by the Purchaser but not more frequently than once every twelve (12) months. A meter registering not more than two percent (2%) above or below the test result shall be deemed to be accurate.

The previous readings of any meter disclosed by test to be inaccurate shall be corrected for the ~~60~~ 6 months previous to such test in accordance with the percentage of inaccuracy found by such tests. If any meter fails to register for any period, the amount of water furnished during such period shall be deemed to be the amount of water delivered in the corresponding period immediately prior to the failure, unless Seller and Purchaser shall agree upon a different amount. The metering equipment shall be read on

regular intervals (monthly). An appropriate official of the Purchaser at all reasonable times shall have access to the meter for the purpose of verifying its readings.

4. (Billing Procedure) To furnish the Purchaser at the above address not later than the 5th day of each month, with an itemized statement of the amount of water furnished the Purchaser during the preceding month.

**B. The Purchaser Agrees:**

1. (Rates and Payment Date) To pay the Seller, not later than the 10th day of each month, for water delivered in accordance with the following schedule of rates:

- a. \$ \_\_\_\_\_ for the first \_\_\_\_\_ gallons, which amount shall also be the minimum rate per month.
- b. \$ 2.55 cents per 1000 gallons for water in excess of \_\_\_\_\_ gallons but less than \_\_\_\_\_ gallons.
- c. \$ \_\_\_\_\_ cents per 1000 gallons for water in excess of \_\_\_\_\_ gallons.

2. (Connection Fee) To pay as an agreed cost, a connection fee to connect the Seller's system with the system of the Purchaser, the sum of \_\_\_\_\_ dollars which shall cover any and all costs of the Seller for installation of the metering equipment and \_\_\_\_\_.

Page 3 of 4

In witness whereof, the parties hereto, acting under authority of their respective governing bodies, have caused this contract to be duly executed in 4 counterparts, each of which shall constitute an original.

Seller:

City Of Liberty

By Harv Harv

Title Mayor

Attest:

Bridgett Blake  
Secretary

Purchaser:

East Casey Co. Water District

By Rich Dunn

Title Chairman

Attest:

Megan Palmer  
Secretary

This contract is approved on behalf of Rural Development this \_\_\_\_\_ day of \_\_\_\_\_,

By \_\_\_\_\_

Title \_\_\_\_\_

NOTICE

The City of Liberty ("Liberty Water") plans to file with the Public Service Commission, no later than May 31, 2023, a proposed rate schedule, to be effective July 1, 2023, that will increase the wholesale rate charged to East Casey County Water District as follows:

	<u>Current Rate</u>	<u>Proposed Rate</u>	<u>\$ Change</u>	<u>% Change</u>
First 10,000,000 Gallons (Min. Bill)	\$25,000.00	\$27,500.00	\$2,500.00	10.0% Increase
Over 10,000,000 Gallons (per 1,000 gallons)	2.55	2.75	0.20	7.8% Increase

Water flowing through the meter(s) before the effective date will be charged at the current rates while water flowing through the meter(s) on and after the effective date will be charged at the proposed rates.

This filing may be examined at the Liberty Mayor's office located at 518 Middleburg Street in Liberty, Kentucky.

This filing may also be examined at the offices of the Public Service Commission located at 211 Sower Boulevard in Frankfort, Kentucky, Monday – Friday from 8:00 am – 4:30 pm or on the PSC website at <http://psc.ky.gov>.

Comments regarding this filing may be submitted by mail to the Public Service Commission, Post Office Box 615, Frankfort KY 40602; or through its website at <http://psc.ky.gov>.

The rates contained in this notice are the rates proposed by Liberty but the Public Service Commission may order rates that differ from the proposed rates.

Intervention may be requested by submitting a timely written request for intervention by mail to the Public Service Commission, Post Office Box 615, Frankfort, KY 40602. The request for intervention must establish the grounds for the request including the status and interest of the party.

If the Public Service Commission does not receive a written request for intervention within thirty (30) days of the providing this notice, the Public Service Commission may take final action on the filing.



**CITY OF LIBERT, KENTUCKY  
 AMENDED WATER & SEWER RATE ORDINANCE  
 ORDINANCE NO. 23-O-02**

**AN ORDINANCE OF THE CITY COUNCIL OF THE  
 CITY OF LIBERTY, KENTUCKY AMENDING RATES  
 AND CHARGES FOR WATER SERVICE SUPPLIED  
 BY THE CITY OF LIBERTY'S COMBINED AND  
 CONSOLIDATED WATER AND SEWER SYSTEM**

WHEREAS, it is necessary that the water and sewer rate schedule be amended and changed; and

WHEREAS, it is necessary that a new rate schedule be enacted by ordinance that will also show the effect of changes on a range of typical water and sewer billings; and

WHEREAS, it is necessary that the wholesale water rate schedule between the City of Liberty and East Casey Water District be amended and changed; and

WHEREAS, those changes are necessary to pay expenses required to finance the water and sewer systems current daily operations and improvements; and

WHEREAS, the old rate schedules have been amended by [~~Ordinance 2012-0-02~~] [~~Ordinance 2015-0-03~~] Ordinance 2021

THEREFORE BE IT ORDAINED by the City Council of Liberty that the following rates for water and sewer services are effective [~~July 1, 2015~~] July 1, 2021 July 1, 2023 as follows:

1. Commencing with the billing period corresponding to the month of [~~July 1, 2015~~] July 1, 2021, the City's rates and charges for water and sewer services shall be as follows:

Water rates in town:

<u>Usage</u>	<u>new rates</u>			<u>existing rates</u>
First 2,000 gallons	<del>\$14.66 (15/16)</del>	<del>\$15.89 (16/17)</del>	<del>\$16.86 (17/18)</del>	\$12.22 Min. Bill
Next 4,000 gallons	<del>\$6.37 (15/16)</del>	<del>\$6.90 (16/17)</del>	<del>\$7.33 (17/18)</del>	\$5.31 per 1,000 gallons
Next 4,000 gallons	<del>\$5.87 (15/16)</del>	<del>\$6.36 (16/17)</del>	<del>\$6.75 (17/18)</del>	\$4.89 per 1,000 gallons
Next 10,000 gallons	<del>\$5.10 (15/16)</del>	<del>\$5.53 (16/17)</del>	<del>\$5.87 (17/18)</del>	\$4.25 per 1,000 gallons
Next 80,000 gallons	<del>\$4.60 (15/16)</del>	<del>\$4.98 (16/17)</del>	<del>\$5.29 (17/18)</del>	\$3.83 per 1,000 gallons
Over 100,000 gallons	<del>\$2.30 (15/16)</del>	<del>\$2.50 (16/17)</del>	<del>\$2.65 (17/18)</del>	\$1.92 per 1,000 gallons

Water rates in town:

Usage	new rates	existing rates
First 2,000 gallons	\$ <u>18.21</u>	\$ <u>16.86</u> Min. Bill
Next 4,000 gallons	\$ <u>7.92</u>	\$ <u>7.33</u> per 1,000 gallons
Next 4,000 gallons	\$ <u>7.29</u>	\$ <u>6.75</u> per 1,000 gallons
Next 10,000 gallons	\$ <u>6.34</u>	\$ <u>5.87</u> per 1,000 gallons
Next 80,000 gallons	\$ <u>5.71</u>	\$ <u>5.29</u> per 1,000 gallons
Over 100,000 gallons	\$ <u>2.86</u>	\$ <u>2.65</u> per 1,000 gallons

Sewer rates in town:

Usage	new rates	existing rates
First 2,000 gallons	<del>[\$14.59 (15/16) \$15.81 (16/17) \$16.78 (17/18)]</del>	<del>\$12.16 per 1,000 gallons]</del>
Next 4,000 gallons	<del>[\$6.44 (15/16) \$6.98 (16/17) \$7.41 (17/18)]</del>	<del>\$5.37 per 1,000 gallons]</del>
Next 4,000 gallons	<del>[\$5.88 (15/16) \$6.37 (16/17) \$6.76 (17/18)]</del>	<del>\$4.90 per 1,000 gallons]</del>
Next 10,000 gallons	<del>[\$5.21 (15/16) \$5.64 (16/17) \$5.99 (17/18)]</del>	<del>\$4.34 per 1,000 gallons]</del>
Next 80,000 gallons	<del>[\$4.62 (15/16) \$5.01 (16/17) \$5.31 (17/18)]</del>	<del>\$3.85 per 1,000 gallons]</del>
Over 100,000 gallons	<del>[\$2.33 (15/16) \$2.52 (16/17) \$2.68 (17/18)]</del>	<del>\$1.94 per 1,000 gallons]</del>

Sewer rates in town:

Usage	new rates
First 1,000 gallons	\$18.25 minimum
1,001 -3,000 gallons	\$11.50 per thousand
3,001-30,000 gallons	\$11.00 per thousand
30,001 – 100,000 gallons	\$10.00 per thousand
Over 100,001 gallons	\$9.00 per thousand

East Casey Water District:

Usage	new rates	existing rates
Over 10,000,000 gallons	\$25,000.00 minimum bill	\$23,800.00 minimum bill
All Over	\$2.55 per thousand 1,000 gallons	\$2.38 per thousand 1,000 gallons

Usage	new rates	existing rates
Over 10,000,000 gallons	\$27,500 minimum bill	\$25,000.00 minimum bill
All Over	\$2.75 per thousand 1,000 gallons	\$2.55 per thousand 1,000 gallons

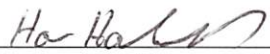


2. That all other rates and charges not specifically mentioned herein shall remain as presently effective.
3. That all ordinances and parts thereof and resolutions of the City in conflict with the provisions of this Ordinance are hereby repealed to the extent of such conflict.
4. That this Ordinance shall become effective upon its adoption and the publication thereof.

Introduced and given first reading March 13, 2023

Given second reading and adopted April 10, 2023

CITY OF LIBERTY, KENTUCKY

  
\_\_\_\_\_  
Mayor, Dr. Housam I. Haaddad, Mayor

ATTEST

  
\_\_\_\_\_  
City Clerk, Bridgett Blake

**CERTIFICATE**

I, the undersigned, duly authorized and acting as the City Clerk of the City of Liberty, Kentucky, hereby certify that the forgoing is a true and correct copy of an Ordinance amending the City's charges for Water and Sewer services passed and adopted by the Liberty City Council at a regularly called meeting on April 10, 2023, at which a quorum was present and voting throughout the said meeting.

Dated this 12<sup>th</sup>, day of April 2023.

CITY OF LIBERTY, KENTUCKY

  
\_\_\_\_\_  
City Clerk, Bridgett Blake

**CITY OF LIBERTY**  
**Liberty, Kentucky**

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**FINANCIAL STATEMENTS**  
**June 30, 2022**

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Liberty, Kentucky, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Liberty, Kentucky, as of June 30, 2022, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Liberty, Kentucky to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules, and other post-employment benefits (OPEB) schedules on pages 4–11 and 43–51 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

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

### **Prior-Year Comparative Information**

We have previously audited the City of Liberty, Kentucky's financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated January 25, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2023, on our consideration of the City of Liberty, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Liberty, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Liberty, Kentucky's internal control over financial reporting and compliance.

**RFH**

RFH, PLLC  
Lexington, Kentucky  
January 26, 2023

**City of Liberty, Kentucky**  
**Management's Discussion and Analysis**

Our discussion and analysis of the City of Liberty's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2022. Please read in conjunction with the auditor's report on page 1-3 and the City's financial statements, which begin on page 12.

**FINANCIAL HIGHLIGHTS**

- The City's net position increased in the governmental activities and decreased in the business-type activities. The net position of the governmental activities increased by \$21,305, and the net position of the business-type activities decreased by \$362,791, which was a 4.8 percent decrease from the previous year.
- In the City's governmental activities, revenues increased by \$79,609, or 7.0 percent, and expenses increased by 3.0 percent to \$1,206,621. In the business-type activities, revenues increased to \$2,958,861 which is an increase of 14.1 percent, while expenses increased by 4.2 percent to \$3,321,652.

**OVERVIEW OF THIS ANNUAL REPORT**

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

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

## **GOVERNMENT – WIDE FINANCIAL STATEMENTS**

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

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

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

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

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

## **FUND FINANCIAL STATEMENTS**

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

The City has two kinds of funds:

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

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



## NET POSITION

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

**Table A-1**

**Condensed Statement of Net Position**

	<b>Governmental</b>		<b>Business-type</b>		<b>Total Primary</b>	
	<b>Activities</b>		<b>Activities</b>		<b>Government</b>	
	<u>FY 2022</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2021</u>
Current and Other Assets	\$ 1,262,248	\$ 736,648	\$ 2,253,229	\$ 2,221,764	\$ 3,515,477	\$ 2,958,412
Capital Assets	2,351,178	2,411,286	14,304,972	15,029,154	16,656,150	17,440,440
Deferred Outflows	<u>198,507</u>	<u>276,249</u>	<u>456,443</u>	<u>647,349</u>	<u>654,950</u>	<u>923,598</u>
Total Assets and and Deferred Outflows	<u>3,811,933</u>	<u>3,424,183</u>	<u>17,014,644</u>	<u>17,898,267</u>	<u>20,826,577</u>	<u>21,322,450</u>
Long-Term Debt Outstanding	423,990	481,436	6,797,990	7,146,546	7,221,980	7,627,982
Net Pension	628,441	794,121	1,388,026	1,806,900	2,016,467	2,601,021
Net OPEB	188,660	249,937	416,689	568,693	605,349	818,630
Deferred Inflows	219,671	42,243	485,180	96,117	704,851	138,360
Current Liabilities	<u>569,857</u>	<u>96,437</u>	<u>754,887</u>	<u>745,348</u>	<u>1,324,744</u>	<u>841,785</u>
Total Liabilities and Deferred Inflows	<u>2,030,619</u>	<u>1,664,174</u>	<u>9,842,772</u>	<u>10,363,604</u>	<u>11,873,391</u>	<u>12,027,778</u>
Net Position:						
Net Investment in						
Capital Assets	2,351,178	2,411,286	7,176,430	7,558,781	9,527,608	9,970,067
Restricted	118,681	100,611	225,500	213,739	344,181	314,350
Unrestricted	<u>(688,545)</u>	<u>(751,888)</u>	<u>(230,058)</u>	<u>(237,857)</u>	<u>(918,603)</u>	<u>(989,745)</u>
Total Net Position	<u>\$ 1,781,314</u>	<u>\$ 1,760,009</u>	<u>\$ 7,171,872</u>	<u>\$ 7,534,663</u>	<u>\$ 8,953,186</u>	<u>\$ 9,294,672</u>

The net position of the City's governmental activities increased from \$1,760,009 in 2021 to \$1,781,314 in 2022, which is an increase of \$21,305. The net position of the business-type activities decreased from \$7,534,663 to \$7,171,872 in 2022, which is a 4.8 percent decrease. The net position from one activity generally cannot be used to make up for any deficits in the other activities.

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

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<u>FY 2022</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2021</u>
<b>Revenues</b>						
<u>Program Revenues</u>						
Charges for Service	\$ 9,780	\$ 8,429	\$ 2,942,293	\$ 2,564,215	\$ 2,952,073	\$ 2,572,644
Operating Grants & Contributions	334,200	278,118	24,089	3,010	358,289	281,128
Capital Grants & Contributions	20,700	22,585	-	-	20,700	22,585
<u>General Revenue</u>					-	-
Taxes	316,516	311,223	-	-	316,516	311,223
License fees	391,991	376,008	-	-	391,991	376,008
Other Grants and Contributions	1,330	2,441	-	-	1,330	2,441
Investment Earnings (loss)	(3,641)	4,703	(7,521)	25,072	(11,162)	29,775
Management fees	109,000	109,000	-	-	109,000	109,000
Miscellaneous	42,065	29,825	-	-	42,065	29,825
<b>Total Revenue</b>	<u>1,221,941</u>	<u>1,142,332</u>	<u>2,958,861</u>	<u>2,592,297</u>	<u>4,180,802</u>	<u>3,734,629</u>
<b>Program Expenses</b>						
General Government	478,392	416,994	-	-	478,392	416,994
Public Safety - Police	516,118	547,556	-	-	516,118	547,556
Public Safety - Fire	112,692	106,062	-	-	112,692	106,062
Streets Department	86,948	85,806	-	-	86,948	85,806
Interest on Debt	12,471	14,593	-	-	12,471	14,593
Utility	-	-	3,321,652	3,188,867	3,321,652	3,188,867
<b>Total Program Expenses</b>	<u>1,206,621</u>	<u>1,171,011</u>	<u>3,321,652</u>	<u>3,188,867</u>	<u>4,528,273</u>	<u>4,359,878</u>
<b>Other Changes</b>						
Transfers	-	109,777	-	(109,777)	-	-
Gain (loss) on sale of assets	5,985	39,416	-	-	5,985	39,416
<b>Total Other Changes</b>	<u>5,985</u>	<u>149,193</u>	<u>-</u>	<u>(109,777)</u>	<u>5,985</u>	<u>39,416</u>
<b>Change In Net Position</b>	<u>\$ 21,305</u>	<u>\$ 120,514</u>	<u>\$ (362,791)</u>	<u>\$ (706,347)</u>	<u>\$ (341,486)</u>	<u>\$ (585,833)</u>

The City's total revenue increased by 11.9 percent and the total cost of all programs reflected an increase of 3.9 percent. On the following page is a more in-depth description of the revenues and expenses of the governmental and business-type activities.

Looking at the business-type activities, revenues for the City increased to \$2,958,861, or 14.1 percent, while total expenses increased 4.2 percent. The increase of revenues combined with the increase of expenses and increase in other changes decreased net position by \$362,791. The City's major source of revenue in the business-type activities is charges for services, which increased to \$2,942,293. This revenue source makes up 99.4 percent of total revenues.

## GOVERNMENTAL ACTIVITIES

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

**Table A-3**

### Condensed Governmental Funds - Revenues & Expenditures

	<u>FY 2022</u>	<u>FY 2021</u>	<u>Change</u>
Taxes	\$ 316,516	\$ 311,223	\$ 5,293
Licenses and Permits	391,991	376,008	15,983
Intergovernmental	356,230	303,144	53,086
Charges for Services	9,780	8,429	1,351
Investment earnings (loss)	(3,641)	4,703	(8,344)
Other Revenues	<u>151,065</u>	<u>138,825</u>	<u>12,240</u>
Total Revenues	<u>1,221,941</u>	<u>1,142,332</u>	<u>79,609</u>
General Government	392,609	303,519	89,090
Public Safety	544,503	490,576	53,927
Streets Department	86,948	85,806	1,142
Capital Outlay	84,768	83,869	899
Debt Service	<u>68,544</u>	<u>74,257</u>	<u>(5,713)</u>
Total Expenditures	<u>1,177,372</u>	<u>1,038,027</u>	<u>139,345</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ 44,569</u>	<u>\$ 104,305</u>	<u>\$ (59,736)</u>

Revenues for the City's governmental activities increased by 7.0 percent, while total expenditures increased by 13.4 percent. Governmental activities excess of revenues over expenditures before other financing sources (uses) decreased by \$59,736.

## BUDGET HIGHLIGHTS

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

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**Table A-4**

**General Fund - Revenues and Other Financing Sources**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Taxes	\$ 323,237	\$ 316,516	\$ (6,721)
Licenses and Permits	391,743	391,991	248
Intergovernmental	369,686	313,314	(56,372)
Charges for Services	3,436	3,530	94
Investment Earnings (loss)	995	1,486	491
Other Revenues	150,444	150,965	521
Sale of Asset	<u>25,319</u>	<u>8,984</u>	<u>(16,335)</u>
Total Revenues and Other Financing Sources	<u>\$ 1,264,860</u>	<u>\$1,186,786</u>	<u>\$ (78,074)</u>

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**Table A-5**

**General Fund - Expenditures**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Government	\$ 434,926	\$ 374,892	\$ (60,034)
Public Safety	558,381	544,503	(13,878)
Streets Department	78,368	78,596	228
Debt Service	68,544	68,544	-
Capital Outlay	<u>91,002</u>	<u>84,768</u>	<u>(6,234)</u>
Total Expenditures	<u>\$ 1,231,221</u>	<u>\$1,151,303</u>	<u>\$ (79,918)</u>

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In the General Fund, the City budgeted for a total of \$1,264,860 in revenues and other financing sources for 2022, but ended up having revenues of \$1,186,786 which put the City under the revenue budget by \$78,074. A total of \$1,231,221 was budgeted for expenses, and actual expenditures totaled \$1,151,303 at the end of 2022. The City was under budget on expenses by \$79,918, as detailed above.

## CAPITAL ASSETS

As discussed in Table A-6, the City has a total of \$33,477,399 invested in a broad range of capital assets, including police and fire equipment and vehicles, buildings, land, infrastructure assets, and water and sewer lines. This amount represents a 0.1 percent increase from last year's total investment of \$33,433,298.

The major capital additions in the governmental activities were fire department equipment for \$45,117, police vehicle for \$26,754, and mowing equipment for \$12,897. The business-type activities major capital additions were various water, gas and sewer equipment for \$61,694. The business-type activities also had construction in progress of \$25,500.

**Table A-6**

### Capital Assets at Year End Without Depreciation

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<u>FY 2022</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2021</u>
Land & Improvements	\$ 1,815,248	\$ 1,815,248	\$ 104,272	\$ 104,272	\$ 1,919,520	\$ 1,919,520
Construction in Progress	-	-	25,500	18,000	25,500	18,000
Infrastructure	237,726	237,726	-	-	237,726	237,726
Buildings & Improvements	1,005,224	1,005,224	-	-	1,005,224	1,005,224
Vehicles & Equipment	1,164,330	1,189,423	-	-	1,164,330	1,189,423
Water & Sewer System	-	-	29,125,099	29,063,405	29,125,099	29,063,405
Total Capital Assets	<u>\$ 4,222,528</u>	<u>\$ 4,247,621</u>	<u>\$ 29,254,871</u>	<u>\$ 29,185,677</u>	<u>\$ 33,477,399</u>	<u>\$ 33,433,298</u>

## DEBT

This year the City has \$7,626,794 in debt, a 5.0 percent decrease from last year's total of \$8,025,479.

**Table A-7**

### Debt Outstanding at Year End

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<u>FY 2022</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2021</u>
Notes Payable	\$ 480,248	\$ 536,321	\$ 3,693,212	\$ 3,818,741	\$ 4,173,460	\$ 4,355,062
Revenue Bonds Payable	-	-	3,453,334	3,670,417	3,453,334	3,670,417
Total Debt Outstanding	<u>\$ 480,248</u>	<u>\$ 536,321</u>	<u>\$ 7,146,546</u>	<u>\$ 7,489,158</u>	<u>\$ 7,626,794</u>	<u>\$ 8,025,479</u>

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected officials consider many factors when setting the fiscal year 2023 budget. Some of the factors are the local economy, expected grant money, and anticipated tax revenue.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

**CITY OF LIBERTY, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**June 30, 2022**

	Primary Government			2021 Totals
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets				
Cash	\$ 934,118	\$ 936,950	\$ 1,871,068	\$ 1,424,236
Investments	137,997	778,448	916,445	930,545
Receivables, net	132,226	275,049	407,275	377,320
Interest receivable	34	2,472	2,506	2,340
Prepaid assets	71,684	20,999	92,683	10,232
Internal balances	(13,811)	13,811	-	-
Total current assets	<u>1,262,248</u>	<u>2,027,729</u>	<u>3,289,977</u>	<u>2,744,673</u>
Noncurrent assets				
Restricted assets				
Cash	-	225,500	225,500	213,739
Capital assets				
Construction in progress	-	25,500	25,500	18,000
Land and improvements	879,602	104,272	983,874	983,874
Utility systems, net	-	14,175,200	14,175,200	14,906,882
Depreciable buildings, property, and equipment, net	1,471,576	-	1,471,576	1,531,684
Total noncurrent assets	<u>2,351,178</u>	<u>14,530,472</u>	<u>16,881,650</u>	<u>17,654,179</u>
Total assets	<u>3,613,426</u>	<u>16,558,201</u>	<u>20,171,627</u>	<u>20,398,852</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows - pension	88,261	194,940	283,201	500,794
Deferred outflows - OPEB	110,246	243,499	353,745	404,019
Defeasance on refunding	-	18,004	18,004	18,785
Total deferred outflows of resources	<u>198,507</u>	<u>456,443</u>	<u>654,950</u>	<u>923,598</u>
Total assets and deferred outflows of resources	<u>\$ 3,811,933</u>	<u>\$ 17,014,644</u>	<u>\$ 20,826,577</u>	<u>\$ 21,322,450</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 21,786	\$ 75,146	\$ 96,932	\$ 132,372
Accrued liabilities	20,907	174,925	195,832	222,961
Customer deposits	-	81,426	81,426	75,529
Unearned revenue	470,906	62,000	532,906	-
Accrued interest payable	-	12,834	12,834	13,426
Current portion of long-term obligations	56,258	348,556	404,814	397,497
Total current liabilities	<u>569,857</u>	<u>754,887</u>	<u>1,324,744</u>	<u>841,785</u>
Noncurrent liabilities				
Noncurrent portion of long-term obligations	423,990	6,797,990	7,221,980	7,627,982
Net pension liability	628,441	1,388,026	2,016,467	2,601,021
Net OPEB liability	188,660	416,689	605,349	818,630
Total noncurrent liabilities	<u>1,241,091</u>	<u>8,602,705</u>	<u>9,843,796</u>	<u>11,047,633</u>
Total liabilities	<u>1,810,948</u>	<u>9,357,592</u>	<u>11,168,540</u>	<u>11,889,418</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows - pension	122,032	269,527	391,559	-
Deferred inflows - OPEB	97,639	215,653	313,292	138,360
Total deferred inflows of resources	<u>219,671</u>	<u>485,180</u>	<u>704,851</u>	<u>138,360</u>
<b>NET POSITION</b>				
Net investment in capital assets	2,351,178	7,176,430	9,527,608	9,970,067
Restricted for other purposes	118,681	225,500	344,181	314,350
Unrestricted	(688,545)	(230,058)	(918,603)	(989,745)
Total net position	<u>1,781,314</u>	<u>7,171,872</u>	<u>8,953,186</u>	<u>9,294,672</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 3,811,933</u>	<u>\$ 17,014,644</u>	<u>\$ 20,826,577</u>	<u>\$ 21,322,450</u>

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

**CITY OF LIBERTY, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
for the year ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			2021 Totals
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
<b>Primary government</b>								
<b>Governmental activities</b>								
General government	\$ 478,392	\$ 6,650	\$ 270,388	\$ -	\$ (201,354)	\$ -	\$ (201,354)	\$ (284,575)
Public safety-Police	516,118	3,130	20,896	7,000	(485,092)	-	(485,092)	(443,294)
Public safety-Fire	112,692	-	-	13,700	(98,992)	-	(98,992)	(85,002)
Street department	86,948	-	42,916	-	(44,032)	-	(44,032)	(34,415)
Interest on long-term debt	12,471	-	-	-	(12,471)	-	(12,471)	(14,593)
Total governmental activities	<u>1,206,621</u>	<u>9,780</u>	<u>334,200</u>	<u>20,700</u>	<u>(841,941)</u>	<u>-</u>	<u>(841,941)</u>	<u>(861,879)</u>
<b>Business-type activities</b>								
Utility	3,321,652	2,942,293	24,089	-	-	(355,270)	(355,270)	(621,642)
Total business-type activities	<u>3,321,652</u>	<u>2,942,293</u>	<u>24,089</u>	<u>-</u>	<u>-</u>	<u>(355,270)</u>	<u>(355,270)</u>	<u>(621,642)</u>
<b>Total primary government</b>	<u>\$ 4,528,273</u>	<u>\$ 2,952,073</u>	<u>\$ 358,289</u>	<u>\$ 20,700</u>	<u>(841,941)</u>	<u>(355,270)</u>	<u>(1,197,211)</u>	<u>(1,483,521)</u>
<b>General revenues</b>								
Taxes								
Property taxes, levied for general purposes					316,516	-	316,516	311,223
License fee								
Franchise					154,269	-	154,269	150,103
Insurance premiums					237,722	-	237,722	225,905
Grants and contributions								
not restricted to specific programs					1,330	-	1,330	2,441
Investment earnings (loss)					(3,641)	(7,521)	(11,162)	29,775
Management fees					109,000	-	109,000	109,000
Miscellaneous					42,065	-	42,065	29,825
Total general revenues					857,261	(7,521)	849,740	858,272
Gain (Loss) on sale of assets					5,985	-	5,985	39,416
Total general revenues, gain (loss) on sale of assets					863,246	(7,521)	855,725	897,688
<b>Change in net position</b>					21,305	(362,791)	(341,486)	(585,833)
Net position-beginning					1,760,009	7,534,663	9,294,672	9,880,505
<b>NET POSITION-ENDING</b>					<u>\$ 1,781,314</u>	<u>\$ 7,171,872</u>	<u>\$ 8,953,186</u>	<u>\$ 9,294,672</u>

The accompanying notes are an integral part of the financial statements



**CITY OF LIBERTY, KENTUCKY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2022**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>2021 Totals</u>
<b>ASSETS</b>				
Cash	\$ 930,589	\$ 3,529	\$ 934,118	436,018
Investments	80,486	57,511	137,997	143,893
Receivables, net	127,751	4,475	132,226	170,509
Interest receivable	34	-	34	39
Prepaid assets	71,684	-	71,684	-
Due from other funds	4,495	59,552	64,047	29,194
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 1,215,039</u>	<u>\$ 125,067</u>	<u>\$ 1,340,106</u>	<u>\$ 779,653</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 20,186	\$ 1,600	\$ 21,786	\$ 25,132
Accrued liabilities	20,907	-	20,907	16,420
Due to other funds	73,072	4,786	77,858	43,005
Unearned revenue	470,906	-	470,906	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>585,071</u>	<u>6,386</u>	<u>591,457</u>	<u>84,557</u>
Fund balances				
Nonspendable	71,684	-	71,684	-
Restricted	-	118,681	118,681	100,611
Unassigned	558,284	-	558,284	594,485
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>629,968</u>	<u>118,681</u>	<u>748,649</u>	<u>695,096</u>
Total liabilities and fund balances	<u>\$ 1,215,039</u>	<u>\$ 125,067</u>	<u>\$ 1,340,106</u>	<u>\$ 779,653</u>

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

Fund balances represented above	\$ 748,649	\$ 695,096
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	2,351,178	2,411,286
Net deferred inflows/outflows related to the long-term net pension and OPEB liability are not reported in the funds	(21,164)	234,006
Long-term liabilities, including notes payable, net pension liability, and net OPEB liability are not due and payable in the current period and therefore are not reported in the funds	<u>(1,297,349)</u>	<u>(1,580,379)</u>
Net position of governmental activities	<u>\$ 1,781,314</u>	<u>\$ 1,760,009</u>

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

**CITY OF LIBERTY, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
for the year ended June 30, 2022

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>2021 Totals</u>
<b>REVENUES</b>				
Taxes	\$ 316,516	\$ -	\$ 316,516	\$ 311,223
Licenses and permits	391,991	-	391,991	376,008
Intergovernmental	313,314	42,916	356,230	303,144
Charges for service	3,530	6,250	9,780	8,429
Investment earnings (loss)	1,486	(5,127)	(3,641)	4,703
Other revenues	<u>150,965</u>	<u>100</u>	<u>151,065</u>	<u>138,825</u>
Total revenues	<u>1,177,802</u>	<u>44,139</u>	<u>1,221,941</u>	<u>1,142,332</u>
<b>EXPENDITURES</b>				
Current				
General government	374,892	17,717	392,609	303,519
Public safety - Police	463,426	-	463,426	412,534
Public safety - Fire	81,077	-	81,077	78,042
Streets department	78,596	8,352	86,948	85,806
Capital outlay	84,768	-	84,768	83,869
Debt service	<u>68,544</u>	<u>-</u>	<u>68,544</u>	<u>74,257</u>
Total expenditures	<u>1,151,303</u>	<u>26,069</u>	<u>1,177,372</u>	<u>1,038,027</u>
Excess (deficiency) of revenues over expenditures	<u>26,499</u>	<u>18,070</u>	<u>44,569</u>	<u>104,305</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of assets	8,984	-	8,984	61,482
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>106,657</u>
Total other financing sources and uses	<u>8,984</u>	<u>-</u>	<u>8,984</u>	<u>168,139</u>
<b>Net change in fund balances</b>	<b>35,483</b>	<b>18,070</b>	<b>53,553</b>	<b>272,444</b>
Fund balances-beginning	<u>594,485</u>	<u>100,611</u>	<u>695,096</u>	<u>422,652</u>
<b>FUND BALANCES-ENDING</b>	<u><b>\$ 629,968</b></u>	<u><b>\$ 118,681</b></u>	<u><b>\$ 748,649</b></u>	<u><b>\$ 695,096</b></u>
Reconciliation to government-wide change in net position:				
Net change in fund balances			\$ 53,553	\$ 272,444
add: capital outlay expenditures capitalized			84,768	83,869
add: transferred general fixed assets			-	3,120
add: debt service expenditures			68,544	74,257
less: depreciation on governmental activities capital assets			(141,877)	(140,731)
less: net book value of disposed assets			(2,999)	(22,066)
less: change in net pension liability			(20,989)	(113,564)
less: change in net OPEB liability			(7,224)	(22,222)
less: interest on long term debt			<u>(12,471)</u>	<u>(14,593)</u>
Change in net position governmental activities			<u>\$ 21,305</u>	<u>\$ 120,514</u>

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

**CITY OF LIBERTY, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2022**

	Business-type Activities			2022 Totals	2021 Totals
	Water Fund	Sewer Fund	Gas Fund		
<b>ASSETS</b>					
Current assets					
Cash	\$ 563,130	\$ 95,963	\$ 277,857	\$ 936,950	\$ 988,218
Investments	58,337	-	720,111	778,448	786,652
Receivables, net	109,874	85,780	79,395	275,049	206,811
Interest receivable	30	-	2,442	2,472	2,301
Prepaid assets	17,887	-	3,112	20,999	10,232
Due from other funds	322,041	-	9,842	331,883	331,883
Total current assets	<u>1,071,299</u>	<u>181,743</u>	<u>1,092,759</u>	<u>2,345,801</u>	<u>2,326,097</u>
Noncurrent assets					
Restricted assets					
Cash	109,397	116,103	-	225,500	213,739
Capital assets:					
Construction in progress	18,000	7,500	-	25,500	18,000
Land	-	66,872	37,400	104,272	104,272
Depreciable utility fixed assets	13,907,458	14,495,239	722,402	29,125,099	29,063,405
Less accumulated depreciation	<u>(7,290,901)</u>	<u>(7,118,607)</u>	<u>(540,391)</u>	<u>(14,949,899)</u>	<u>(14,156,523)</u>
Total noncurrent assets	<u>6,743,954</u>	<u>7,567,107</u>	<u>219,411</u>	<u>14,530,472</u>	<u>15,242,893</u>
Total assets	<u>7,815,253</u>	<u>7,748,850</u>	<u>1,312,170</u>	<u>16,876,273</u>	<u>17,568,990</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows - pension	75,855	25,971	93,114	194,940	347,896
Deferred outflows - OPEB	94,750	32,441	116,308	243,499	280,668
Defeasance on refunding	<u>11,395</u>	<u>6,609</u>	<u>-</u>	<u>18,004</u>	<u>18,785</u>
Total deferred outflows of resources	<u>182,000</u>	<u>65,021</u>	<u>209,422</u>	<u>456,443</u>	<u>647,349</u>
Total assets and deferred outflows of resources	<u>\$ 7,997,253</u>	<u>\$ 7,813,871</u>	<u>\$ 1,521,592</u>	<u>\$ 17,332,716</u>	<u>\$ 18,216,339</u>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	\$ 21,490	\$ 18,569	\$ 35,087	\$ 75,146	\$ 107,240
Accrued liabilities	42,163	5,187	127,575	174,925	206,541
Due to other funds	8,449	309,623	-	318,072	318,072
Customer deposits	41,999	-	39,427	81,426	75,529
Unearned revenue	-	62,000	-	62,000	-
Accrued interest payable	6,272	6,562	-	12,834	13,426
Current portion of long-term obligations	<u>140,557</u>	<u>207,999</u>	<u>-</u>	<u>348,556</u>	<u>342,612</u>
Total current liabilities	<u>260,930</u>	<u>609,940</u>	<u>202,089</u>	<u>1,072,959</u>	<u>1,063,420</u>
Noncurrent liabilities					
Noncurrent portion of long-term obligations	2,045,058	4,752,932	-	6,797,990	7,146,546
Net pension liability	540,108	184,922	662,996	1,388,026	1,806,900
Net OPEB liability	<u>162,142</u>	<u>55,514</u>	<u>199,033</u>	<u>416,689</u>	<u>568,693</u>
Total noncurrent liabilities	<u>2,747,308</u>	<u>4,993,368</u>	<u>862,029</u>	<u>8,602,705</u>	<u>9,522,139</u>
Total liabilities	<u>3,008,238</u>	<u>5,603,308</u>	<u>1,064,118</u>	<u>9,675,664</u>	<u>10,585,559</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows - pension	104,878	35,908	128,741	269,527	-
Deferred inflows - OPEB	<u>83,914</u>	<u>28,732</u>	<u>103,007</u>	<u>215,653</u>	<u>96,117</u>
Total deferred inflows of resources	<u>188,792</u>	<u>64,640</u>	<u>231,748</u>	<u>485,180</u>	<u>96,117</u>
<b>NET POSITION</b>					
Net investment in capital assets	4,460,337	2,496,682	219,411	7,176,430	7,558,781
Restricted for debt service	109,397	116,103	-	225,500	213,739
Unrestricted	<u>230,489</u>	<u>(466,862)</u>	<u>6,315</u>	<u>(230,058)</u>	<u>(237,857)</u>
Total net position	<u>4,800,223</u>	<u>2,145,923</u>	<u>225,726</u>	<u>7,171,872</u>	<u>7,534,663</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 7,997,253</u>	<u>\$ 7,813,871</u>	<u>\$ 1,521,592</u>	<u>\$ 17,332,716</u>	<u>\$ 18,216,339</u>

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

**CITY OF LIBERTY, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
for the year ended June 30, 2022

	<b>Business-type Activities</b>			<b>2022 Totals</b>	<b>2021 Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Gas Fund</b>		
<b>Operating revenues</b>					
Charges for services	\$ 1,111,642	\$ 746,319	\$ 1,084,332	\$ 2,942,293	\$ 2,564,215
Other revenues	10,183	13,616	-	23,799	3,010
Total operating revenues	<u>1,121,825</u>	<u>759,935</u>	<u>1,084,332</u>	<u>2,966,092</u>	<u>2,567,225</u>
<b>Operating expenses</b>					
Salaries and wages	257,713	77,055	281,222	615,990	585,589
Casual labor	21,694	6,352	9,528	37,574	28,528
Gas purchases	-	-	448,188	448,188	202,364
Payroll taxes	18,358	5,817	22,070	46,245	44,660
Retirement	9,464	101,787	51,112	162,363	368,122
Uniforms and laundry	1,170	-	4,216	5,386	8,804
Maintenance and repairs	237,648	97,658	53,249	388,555	344,313
Motor fuel	11,989	375	10,418	22,782	15,486
Office expense and postage	6,168	2,448	3,105	11,721	10,138
Legal and professional	17,417	26,912	7,234	51,563	54,835
Utilities	94,692	76,968	9,426	181,086	164,787
Insurance	72,278	43,970	90,528	206,776	215,348
Pretreatment expenses	-	19,258	-	19,258	11,688
Management fees	32,714	10,286	66,000	109,000	109,000
Sludge hauling	28,440	12,594	-	41,034	47,004
Training and certifications	1,691	-	1,860	3,551	8,086
Other expense	7,490	4,968	6,205	18,663	11,974
Depreciation	273,263	501,349	18,764	793,376	792,570
Total operating expenses	<u>1,092,189</u>	<u>987,797</u>	<u>1,083,125</u>	<u>3,163,111</u>	<u>3,023,296</u>
Operating income (loss)	29,636	(227,862)	1,207	(197,019)	(456,071)
<b>Nonoperating revenues (expenses)</b>					
Investment earnings (loss)	789	139	(8,449)	(7,521)	25,072
Interest expense	(77,631)	(80,910)	-	(158,541)	(165,571)
Income (loss) before capital contributions and transfers	<u>(47,206)</u>	<u>(308,633)</u>	<u>(7,242)</u>	<u>(363,081)</u>	<u>(596,570)</u>
<b>Capital contributions and transfers</b>					
Tap fees	-	-	290	290	-
Transfers in (out)	8,500	(8,500)	-	-	(109,777)
<b>Change in net position</b>	<u>(38,706)</u>	<u>(317,133)</u>	<u>(6,952)</u>	<u>(362,791)</u>	<u>(706,347)</u>
Total net position-beginning	<u>4,838,929</u>	<u>2,463,056</u>	<u>232,678</u>	<u>7,534,663</u>	<u>8,241,010</u>
<b>TOTAL NET POSITION-ENDING</b>	<u>\$ 4,800,223</u>	<u>\$ 2,145,923</u>	<u>\$ 225,726</u>	<u>\$ 7,171,872</u>	<u>\$ 7,534,663</u>

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

**CITY OF LIBERTY, KENTUCKY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
for the year ended June 30, 2022

	<b>Business-type Activities</b>			<b>2022 Totals</b>	<b>2021 Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Gas Fund</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 1,110,078	\$ 741,129	\$ 1,049,545	\$ 2,900,752	\$ 2,446,439
Payments to suppliers	(519,438)	(301,033)	(616,094)	(1,436,565)	(1,025,981)
Payments for interfund services (payment in lieu of taxes)	(32,714)	(10,286)	(66,000)	(109,000)	(109,000)
Payments for employee services and benefits	(341,272)	(107,730)	(438,338)	(887,340)	(854,191)
Net cash provided (used) by operating activities	<u>216,654</u>	<u>322,080</u>	<u>(70,887)</u>	<u>467,847</u>	<u>457,267</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Principal payments on capital debt	(137,392)	(205,220)	-	(342,612)	(336,676)
Capital contributions	-	-	290	290	-
Proceeds from unearned grant	-	62,000	-	62,000	-
Purchases of capital assets	(36,295)	(32,899)	-	(69,194)	(64,449)
Interest paid on capital debt	(77,449)	(80,900)	-	(158,349)	(165,369)
Net cash (used) by capital and related financing activities	<u>(251,136)</u>	<u>(257,019)</u>	<u>290</u>	<u>(507,865)</u>	<u>(566,494)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Net transfers in (out)	<u>8,500</u>	<u>(8,500)</u>	<u>-</u>	<u>-</u>	<u>(97,980)</u>
Net cash provided (used) by noncapital financing activities	<u>8,500</u>	<u>(8,500)</u>	<u>-</u>	<u>-</u>	<u>(97,980)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest and dividends	789	139	3,991	4,919	25,150
Purchase of investments	(435)	-	(3,973)	(4,408)	(24,571)
Net cash provided (used) by investing activities	<u>354</u>	<u>139</u>	<u>18</u>	<u>511</u>	<u>579</u>
Net increase (decrease) in cash and cash equivalents	(25,628)	56,700	(70,579)	(39,507)	(206,628)
Cash and cash equivalents-beginning of the year	<u>698,155</u>	<u>155,366</u>	<u>348,436</u>	<u>1,201,957</u>	<u>1,408,585</u>
<b>CASH AND CASH EQUIVALENTS-END OF THE YEAR</b>	<u>\$ 672,527</u>	<u>\$ 212,066</u>	<u>\$ 277,857</u>	<u>\$ 1,162,450</u>	<u>\$ 1,201,957</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>					
Operating income (loss)	\$ 29,636	\$ (227,862)	\$ 1,207	\$ (197,019)	\$ (456,071)
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation expense	273,263	501,349	18,764	793,376	792,570
Net pension adjustment	(41,114)	63,930	(19,206)	3,610	199,647
Net OPEB adjustment	(9,367)	17,330	(3,265)	4,698	34,241
Change in assets and liabilities					
Receivables, net	(11,747)	(18,806)	(37,685)	(68,238)	(60,482)
Prepaid assets	(12,771)	-	2,004	(10,767)	(10,232)
Accounts and other payables	(27,684)	(15,882)	17,369	(26,197)	12,549
Accrued expenses	16,438	2,021	(50,075)	(31,616)	(54,955)
Net cash provided by operating activities	<u>\$ 216,654</u>	<u>\$ 322,080</u>	<u>\$ (70,887)</u>	<u>\$ 467,847</u>	<u>\$ 457,267</u>

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

**CITY OF LIBERTY, KENTUCKY**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**CUSTODIAL FUND**  
**June 30, 2022**

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	<b>Restaurant Tax Custodial Fund</b>	<b>2021 Totals</b>
	<u>          </u>	<u>          </u>
<b>ASSETS</b>		
Cash	\$ 29,372	\$ 27,546
Receivables, net	<u>28,338</u>	<u>25,015</u>
 Total assets	 <u>\$ 57,710</u>	 <u>\$ 52,561</u>
<b>LIABILITIES</b>		
Liabilities		
Due to Tourism Commission	\$ <u>57,710</u>	\$ <u>52,561</u>
 Total liabilities	 <u>57,710</u>	 <u>52,561</u>
<b>NET POSITION</b>		
Restricted net position	<u>-</u>	<u>-</u>
 Total net position	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>

**CITY OF LIBERTY, KENTUCKY**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**CUSTODIAL FUND**  
**June 30, 2022**

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	<u>Restaurant Tax Custodial Fund</u>	<u>2021 Totals</u>
<b>ADDITIONS</b>		
Restaurant tax collected for Tourism	\$ 319,822	\$ 279,707
Total deposits	<u>319,822</u>	<u>279,707</u>
<b>DEDUCTIONS</b>		
Restaurant tax disbured for Tourism	<u>319,822</u>	<u>279,707</u>
Total payments	<u>319,822</u>	<u>279,707</u>
Total increase (decrease) of fiduciary net position	<u>-</u>	<u>-</u>
Net position - beginning of year	<u>-</u>	<u>-</u>
<b>Net position - end of year</b>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF LIBERTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

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

**B. Basis of Presentation**

**Government-wide Financial Statements**

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

**Fund Financial Statements**

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

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



**CITY OF LIBERTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation, continued**

The following funds are used by the City of Liberty:

Governmental Funds

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

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

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

Proprietary Funds

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

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

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

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

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

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

**C. Basis of Accounting**

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

Government-wide Financial Statements

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

**CITY OF LIBERTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Accounting, continued**

Fund Financial Statements

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

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

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

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

**D. Budgeting**

The City follows the procedures established pursuant to Section 91A.030 of the Kentucky Revised Statutes in establishing the budgetary data reflected in the financial statements. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles.

**E. Internal Balances**

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

**F. Revenues and Receivables**

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

**G. Unearned Revenue**

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

**CITY OF LIBERTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Fund Balances**

Fund balances of the governmental funds are classified as follows:

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

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

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

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

*Unassigned* – all other spendable amounts.

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

As of June 30, 2022, fund balances are composed of the following:

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Nonspendable	\$ 71,684	\$ -	\$ 71,684
Restricted:			
Road surface repairs	-	64,027	64,027
Cemetery fund	-	54,654	54,654
Unassigned	558,284	-	558,284
 Total fund balances	 \$ 629,968	 \$ 118,681	 \$ 748,649

**I. Capital Assets**

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

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

**CITY OF LIBERTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Use of Estimates**

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

**K. Pensions**

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

**L. Postemployment Benefits Other Than Pensions (OPEB)**

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

**M. Other Accounting Policies**

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

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

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

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

**CITY OF LIBERTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**N. Change in Accounting Policy**

In June 2017, the GASB issued Statement No. 87, Leases which establishes standards of accounting and financial reporting for leases by lessees and lessors. GASB Statement No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. In addition, GASB 87 requires the lessee to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City, implemented GASB 87 during the fiscal year ending June 30, 2022. Management determined it does not have any material leases which are impacted by this change in accounting policy in the current year.

**O. Management's Review of Subsequent Events**

The City has evaluated and considered the need to recognize or disclose subsequent events through January 26, 2023, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2022, have not been evaluated by the City.

**2. CASH AND INVESTMENTS**

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

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

Interest Rate Risk

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

**CITY OF LIBERTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**2. CASH AND INVESTMENTS (Continued)**

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2022, the City held investments in the following municipal bonds. Bond ratings were not available for disclosure.

**Municipal Bonds**

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

Custodial Credit Risk

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

The City's deposits and investments were substantially covered by federal depository insurance, the Securities Investor Protection Corporation, or by collateral held by the custodial banks in the City's name. The carrying amount of the City's deposits, including investments and fiduciary funds, totaled \$3,042,385 and the bank balances totaled \$3,077,588. As of June 30, 2022, approximately \$917,757 of the City's deposits are insured by FDIC insurance and/or SIPC insurance, and approximately \$2,159,831 of the City's deposits are collateralized by the custodial banks in the City's name.

Concentration of Credit Risk

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

The City's investments at June 30, 2022, are as follows:

<u>Investment Type</u>	<u>Book Value</u>	<u>Investment Maturities in Years</u>			
		<u>1 year or less</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
Certificates of deposit	\$ 671,537	\$ 9,151	\$ 662,386	\$ -	\$ -
Money market funds	3,376	3,376	-	-	-
Mutual funds	153,409	153,409	-	-	-
Municipal bonds	<u>88,123</u>	<u>-</u>	<u>31,534</u>	<u>22,225</u>	<u>34,364</u>
	<u>\$ 916,445</u>	<u>\$ 165,936</u>	<u>\$ 693,920</u>	<u>\$ 22,225</u>	<u>\$ 34,364</u>

**CITY OF LIBERTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**2. CASH AND INVESTMENTS (Continued)**

Investment Valuation

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

For those investments measured at fair value, the investments' fair value measurements are as follows at June 30, 2022:

Investments	Fair Value Measurements Using			
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Money market funds	\$ 3,376	\$ 3,376	\$ -	\$ -
Mutual funds	153,409	153,409	-	-
Municipal bonds	<u>88,123</u>	<u>-</u>	<u>88,123</u>	<u>-</u>
	<u>\$ 244,908</u>	<u>\$ 156,785</u>	<u>\$ 88,123</u>	<u>\$ -</u>

**3. ACCOUNTS RECEIVABLE**

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

	General Fund	Governmental Funds	
		Nonmajor Funds	Total
Governmental Funds:			
Taxes	\$ 13,796	\$ -	\$ 13,796
Licenses, permits, billings	90,383	-	90,383
Intergovernmental	<u>32,270</u>	<u>4,475</u>	<u>36,745</u>
Gross receivables	136,449	4,475	140,924
Less: allowance for uncollectible	<u>(8,698)</u>	<u>-</u>	<u>(8,698)</u>
Net receivables	<u>\$ 127,751</u>	<u>\$ 4,475</u>	<u>\$ 132,226</u>
Business-type Activities:		Sewer	Business-Type
	Water Fund	Fund	Gas Fund
Customer	\$ 121,500	\$ 92,078	\$ 136,674
Other	-	25,201	-
Less: allowance for uncollectible	<u>(11,626)</u>	<u>(31,499)</u>	<u>(57,279)</u>
Net receivables	<u>\$ 109,874</u>	<u>\$ 85,780</u>	<u>\$ 79,395</u>
			<u>\$ 275,049</u>

**CITY OF LIBERTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**4. CAPITAL ASSETS**

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

	<b>Balance June 30, 2021</b>	<b>Additions/ Transfers</b>	<b>Deductions/ Transfers</b>	<b>Balance June 30, 2022</b>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 879,602	\$ -	\$ -	\$ 879,602
Capital assets that are depreciated:				
Land Improvements	935,646	-	-	935,646
Buildings and improvements	1,005,224	-	-	1,005,224
Infrastructure	237,726	-	-	237,726
Vehicles	885,541	26,754	(103,961)	808,334
Equipment	303,882	58,014	(5,900)	355,996
Totals	<u>3,368,019</u>	<u>84,768</u>	<u>(109,861)</u>	<u>3,342,926</u>
Total capital assets	<u>4,247,621</u>	<u>84,768</u>	<u>(109,861)</u>	<u>4,222,528</u>
Less accumulated depreciation:				
Land improvements	405,966	47,339	-	453,305
Buildings and improvements	552,886	28,301	-	581,187
Infrastructure	9,717	5,943	-	15,660
Vehicles	725,267	35,718	(103,961)	657,024
Equipment	142,499	24,576	(2,901)	164,174
Totals	<u>1,836,335</u>	<u>141,877</u>	<u>(106,862)</u>	<u>1,871,350</u>
Capital assets, net	<u>\$ 2,411,286</u>	<u>\$ (57,109)</u>	<u>\$ (2,999)</u>	<u>\$ 2,351,178</u>
Business-type activities				
Capital assets not depreciated:				
Land	\$ 104,272	\$ -	\$ -	\$ 104,272
Construction in progress	18,000	7,500	-	25,500
Totals	<u>122,272</u>	<u>7,500</u>	<u>-</u>	<u>129,772</u>
Capital assets that are depreciated:				
Water plant	13,871,163	36,295	-	13,907,458
Sewer plant	14,469,840	25,399	-	14,495,239
Gas lines & equipment	722,402	-	-	722,402
Totals	<u>29,063,405</u>	<u>61,694</u>	<u>-</u>	<u>29,125,099</u>
Total capital assets	<u>29,185,677</u>	<u>69,194</u>	<u>-</u>	<u>29,254,871</u>
Less accumulated depreciation				
depreciation	<u>14,156,523</u>	<u>793,376</u>	<u>-</u>	<u>14,949,899</u>
Capital assets, net	<u>\$ 15,029,154</u>	<u>\$ (724,182)</u>	<u>\$ -</u>	<u>\$ 14,304,972</u>



**CITY OF LIBERTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**4. CAPITAL ASSETS (Continued)**

Depreciation expense was charged to the governmental functions as follows:

General government	\$ 80,888
Police	29,374
Fire	<u>31,615</u>
Total depreciation expense	<u>\$ 141,877</u>

**5. INTERFUND ACTIVITY**

Interfund transactions at June 30, 2022, consisted of the following due to/from other funds and transfers in/out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$ 4,495	\$ 73,072	\$ -	\$ -
Nonmajor Gov. Funds	59,552	4,786	-	-
Gas Fund	9,842	-	-	-
Water Fund	322,041	8,449	8,500	-
Sewer Fund	<u>-</u>	<u>309,623</u>	<u>-</u>	<u>8,500</u>
	<u>\$ 395,930</u>	<u>\$ 395,930</u>	<u>\$ 8,500</u>	<u>\$ 8,500</u>

Due To/From Other Funds

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

Due From Primary Government/Due To Business-Type Activities

As of June 30, 2022, the proprietary funds provided short-term loans of \$13,811 to the General Fund.

Interfund Transfers

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

**CITY OF LIBERTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**6. LONG - TERM DEBT**

**BUSINESS - TYPE ACTIVITIES**

In February 2013, the Kentucky Bond Corporation issued Series 2013A Revenue Bonds for the City in order to refund all prior outstanding Water Fund and Sewer Fund revenue bonds. This current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt in the amount of \$25,293. The deferred amount on refunding is being amortized as a component of interest expense over the life of the new bond issue. The new issue will reduce debt service payments by \$1,962,458 and has a net economic gain of \$731,039. As part of the issuance, the City was required to deposit \$164,250 in a debt service reserve fund managed by the Kentucky Bond Corporation. Beginning January 1, 2039, the reserve funds will be used to reduce the City's monthly payment. The balance in the debt service reserve is \$225,500 at June 30, 2022. The annual requirements to amortize the Series 2013A Revenue Bonds as of June 30, 2022, are as follows:

<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	\$ 222,083	\$ 116,402	\$ 338,485
2024	225,000	110,294	335,294
2025	225,000	103,638	328,638
2026	229,167	96,326	325,493
2027	237,083	88,878	325,961
2028-2032	1,002,083	337,898	1,339,981
2033-2037	891,667	173,912	1,065,579
2038-2040	<u>421,251</u>	<u>29,890</u>	<u>451,141</u>
	<u>\$ 3,453,334</u>	<u>\$ 1,057,238</u>	<u>\$ 4,510,572</u>

The following is a summary of the revenue bonds outstanding for the year ended June 30, 2022:

	<b>Total Outstanding June 30, 2022</b>	<b>Sewer Fund Allocation June 30, 2022</b>	<b>Water Fund Allocation June 30, 2022</b>
<b>Revenue Bonds</b>			
Water and Sewer Funds - \$5,475,000			
Kentucky Bond Corporation – 2013A Series			
due in monthly installments of \$12,917			
to \$21,364 through 2040, Interest at 2.0%-3.4%	<u>\$ 3,453,334</u>	<u>\$ 1,267,719</u>	<u>\$ 2,185,615</u>

**CITY OF LIBERTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**6. LONG - TERM DEBT (Continued)**

**BUSINESS - TYPE ACTIVITIES (Continued)**

During 2017, the City began construction on a project to install a one-million-gallon wet weather flow equalization basin, replace various wastewater treatment plant components and make improvements to the laboratory and office facilities of the waste water treatment plant. The project was completed during fiscal year 2019 at a total cost of \$5.65 million. The project was funded with a \$1 million Community Development Block Grant and a \$4.6 million Kentucky Infrastructure Authority federally assisted wastewater revolving loan. As part of the loan agreement, the City is entitled to principal forgiveness in the amount of 10% of the original loan amount, not to exceed \$415,600. Due to this provision, the City has recognized \$415,600 of principal forgiveness in prior years. The loan bears interest at .75% with a loan term of 30 years with principal payments that began in June of 2019. As of June 30, 2022 the loan had a balance of \$3,693,212. The annual requirements for the Kentucky Infrastructure Authority loan as of June 30, 2022, are as follows:

<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	\$ 126,473	\$ 34,786	\$ 161,259
2024	127,422	33,582	161,004
2025	128,380	32,369	160,749
2026	129,345	31,147	160,492
2027	130,317	29,916	160,233
2028-2032	666,420	130,789	797,209
2033-2037	691,836	98,594	790,430
2038-2042	718,223	65,172	783,395
2043-2047	745,615	30,475	776,090
2048-2049	<u>229,181</u>	<u>2,180</u>	<u>231,361</u>
	<u>\$ 3,693,212</u>	<u>\$ 489,010</u>	<u>\$ 4,182,222</u>

The following is a summary of the changes in long-term debt for the year ended June 30, 2022:

	<b>July 1, 2021</b>	<b>Additions</b>	<b>Retirements</b>	<b>June 30, 2022</b>
W&S Bond 2013A	\$ 3,670,417	\$ -	\$ (217,083)	\$ 3,453,334
Direct Borrowing - KIA Loan - WWTP	<u>3,818,741</u>	<u>-</u>	<u>(125,529)</u>	<u>3,693,212</u>
	<u>\$ 7,489,158</u>	<u>\$ -</u>	<u>\$ (342,612)</u>	<u>\$ 7,146,546</u>

The Water and Sewer Funds are in compliance with all significant limitations and restrictions contained in the bond indenture. As of June 30, 2022, the amount reserved for bond principal and interest payments was \$225,500. Additionally, the City has designated \$51,102 for the Sewer Fund and \$268,787 for the Water Fund as a depreciation reserve.

**CITY OF LIBERTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**6. LONG - TERM DEBT (Continued)**

**GOVERNMENTAL ACTIVITIES**

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

The following is a summary of changes in general long-term debt for the year ended June 30, 2022:

	July 1, 2021	Additions	Retirements	June 30, 2022
Casey County Bank - 2015	\$ <u>536,321</u>	\$ <u>-</u>	\$ <u>(56,073)</u>	\$ <u>480,248</u>

The following is a summary of debt service requirements as of June 30, 2022:

June 30,	Principal	Interest	Total
2023	\$ 56,258	\$ 12,287	\$ 68,545
2024	57,664	10,880	68,544
2025	59,106	9,439	68,545
2026	60,583	7,961	68,544
2027	62,098	6,447	68,545
2028-2030	<u>184,539</u>	<u>9,869</u>	<u>194,408</u>
<b>TOTAL</b>	<b>\$ <u>480,248</u></b>	<b>\$ <u>56,883</u></b>	<b>\$ <u>537,131</u></b>

**7. PROPERTY TAX CALENDAR**

Property taxes for fiscal year 2022 were levied in October 2021 on the assessed valuation of property located in Casey County as of the preceding January 1, the lien date. The due date and collection periods for all taxes, exclusive of vehicle taxes, are as follows:

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

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

**8. RETIREMENT PLAN**

**CERS**

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

**CITY OF LIBERTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**8. RETIREMENT PLAN (Continued)**

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

*Contributions* – For the year ended June 30, 2022, plan members were required to contribute 5% of wages for non-hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2022, participating employers contributed 26.95% of each employee’s wages for non-hazardous job classifications. The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described in Note 9. Plan members contributed 21.17% to the pension trust for non-hazardous job classifications. The contribution rate is equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

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

For the year ended June 30, 2022, the City contributed \$229,089, or 100% of the required contribution. The contribution was allocated \$179,956 to the CERS pension fund and \$49,133 to the CERS insurance fund.

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

**CITY OF LIBERTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**8. RETIREMENT PLAN (Continued)**

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

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

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

*Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources* – At June 30, 2022, the City reported a liability of \$2,016,467 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020, and rolled forward using generally accepted actuarial procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2021, the City's proportionate share was .0316 percent, which was a decrease of .0023 percent from its proportion at June 30, 2020.

**CITY OF LIBERTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**8. RETIREMENT PLAN (Continued)**

For the year ended June 30, 2022, the City recognized pension expense of \$204,554. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ 23,155	\$ 19,571
Changes of assumptions	27,063	-
Net difference between projected and actual earnings on Plan investments	-	268,761
Changes in proportion and differences between City contributions and proportionate share of contributions	53,028	103,227
City contributions subsequent to the measurement date	<u>179,955</u>	<u>-</u>
Total	<u>\$ 283,201</u>	<u>\$ 391,559</u>

The \$179,955 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

**Year ending June 30,**

2023	\$ (31,975)
2024	\$ (108,241)
2025	\$ (63,936)
2026	\$ (84,161)

*Actuarial Assumptions* – The total pension liability reported at June 30, 2021, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**Non-hazardous**

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

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2019. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total pension liability was rolled-forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021.

**CITY OF LIBERTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**8. RETIREMENT PLAN (Continued)**

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

The target allocation and best estimates of arithmetic nominal real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
<b>Growth</b>	<b>68.50%</b>	
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Special credit/high yield	15.00%	2.80%
<b>Liquidity</b>	<b>11.50%</b>	
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
<b>Diversifying Strategies</b>	<b>20.00%</b>	
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
<b>Total</b>	<b>100.00%</b>	<b>5.00%</b>
<b>Long term inflation assumption</b>		<b>2.30%</b>
<b>Expected nominal return for portfolio</b>		<b>7.30%</b>

*Discount Rate* – The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the closed 30-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

*Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	Discount rate	City's proportionate share of net pension liability
1% decrease	5.25%	\$ 2,586,218
Current discount rate	6.25%	\$ 2,016,467
1% increase	7.25%	\$ 1,545,016

*Payable to the Pension Plan* – At June 30, 2022, the City reported a payable of \$21,205 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2022. The payable includes both the pension and insurance contribution allocation.



**CITY OF LIBERTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

*Plan Description* – As more fully described in Note 8, the City of Liberty participates in the County Employees' Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

*Contributions* – As more fully described in Note 8, plan members contribute to CERS for non-hazardous job classifications. For the year ending June 30, 2022, the employer's contribution was 5.78% to the insurance trust for non-hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

For the year ended June 30, 2022, the City contributed \$49,133, or 100% of the required contribution for non-hazardous job classifications.

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

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

Tier 1	Participation date Insurance eligibility Benefit	Before July 1, 2003 10 years of service credit required Set percentage of single coverage health insurance based on service credit accrued at retirement
Tier 1	Participation date Insurance eligibility Benefit	Before September 1, 2008 but after July 1, 2003 10 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 2	Participation date Insurance eligibility Benefit	After September 1, 2008 and before December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 3	Participation date Insurance eligibility Benefit	After December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually

*OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources* – At June 30, 2022, the City reported a liability for its proportionate share of the net OPEB liability of \$605,349.

**CITY OF LIBERTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)**

The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020 and rolled forward using generally accepted actuarial procedures. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2021 the City's proportionate share was .0316 percent, which was a decrease of .0023 percent from its proportion at June 30, 2020.

For the year ended June 30, 2022, the City recognized OPEB expense of \$78,781. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ 95,191	\$ 180,737
Changes of assumptions	160,490	563
Net difference between projected and actual earnings on Plan investments	-	94,699
Changes in proportion and differences between City contributions and proportionate share of contributions	29,012	37,293
City contributions subsequent to the measurement date	<u>69,052</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 353,745</u></b>	<b><u>\$ 313,292</u></b>

The \$69,052 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023. This includes an adjustment of \$19,918 related to the implicit subsidy, which is required to be recognized as a deferred outflow of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in expense as follows:

<b>Year ending June 30,</b>	
2023	\$ 15,745
2024	\$ 1,354
2025	\$ (1,909)
2026	\$ (43,789)

*Actuarial Assumptions* – The total OPEB liability reported at June 30, 2021, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**Non-hazardous**

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

Pre – 65: Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

Post – 65: Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

**CITY OF LIBERTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)**

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2019. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2010.

The actuarial assumption used in the June 30, 2021, valuation was based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total OPEB liability was rolled-forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021.

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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>Growth</b>	<b>68.50%</b>	
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Special credit/high yield	15.00%	2.80%
<b>Liquidity</b>	<b>11.50%</b>	
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
<b>Diversifying Strategies</b>	<b>20.00%</b>	
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
<b>Total</b>	<b>100.00%</b>	<b>5.00%</b>
<b>Long term inflation assumption</b>		<b>2.30%</b>
<b>Expected nominal return for portfolio</b>		<b>7.30%</b>

*Discount Rate* – The discount rate used to measure the total OPEB liability was 5.20% for non-hazardous classifications. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 2.45%, as reported in Fidelity Index's "20 -Year Municipal GO AA Index". However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

**CITY OF LIBERTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)**

*Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate* – The following presents the City's proportionate share of the net OPEB liability calculated using the discount rate as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<b>Discount rate</b>		<b>Proportionate share of net OPEB liability</b>
1% decrease	4.20%	\$	831,140
Current discount rate	5.20%	\$	605,349
1% increase	6.20%	\$	420,050

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

			<b>Proportionate share of net OPEB liability</b>
1% decrease		\$	435,779
Current trend rate		\$	605,349
1% increase		\$	810,022

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

**10. RISK MANAGEMENT**

The City of Liberty is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In addition to its general liability insurance, the City also carries commercial insurance for all other risks of loss such as worker's compensation and employee health and accident insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**11. CONCENTRATIONS**

The City has a concentration of revenue in the Water Fund and the Gas Fund. One customer generated approximately 62% of the Water Fund's service revenue and 64% of the accounts receivable at June 30, 2022. In addition, one industrial company generated approximately 29% of gas service charges and comprised 49% of the accounts receivable balance reported in the Gas Fund at June 30, 2022.

**12. CONTINGENT LIABILITY**

The City has booked an estimated liability of \$105,564, which is included in accrued liabilities on the financial statements, for amounts the City was potentially underbilled by their gas supplier. The amount accrued is an estimate. The actual amount the City owes its gas supplier is unknown.

**CITY OF LIBERTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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**13. COVID-19 PANDEMIC**

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

**14. RECLASSIFICATIONS**

In some instances, revenues and expenses for the year ended June 30, 2021, have been reclassified from the amounts presented in the prior year audited financial statements. Reclassifications of prior year balances did not impact the change in net position or ending net position as of June 30, 2021.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF LIBERTY, KENTUCKY**  
**REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON**  
**GENERAL FUND**  
**for the year ended June 30, 2022**

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Taxes</b>				
Property and motor vehicle taxes	\$ 287,000	\$ 309,578	\$ 302,988	\$ (6,590)
Payment in lieu of taxes	12,900	13,659	13,528	(131)
	<u>299,900</u>	<u>323,237</u>	<u>316,516</u>	<u>(6,721)</u>
<b>Licenses</b>				
Franchise fees	140,200	150,520	154,269	3,749
Insurance premiums	207,000	241,223	237,722	(3,501)
	<u>347,200</u>	<u>391,743</u>	<u>391,991</u>	<u>248</u>
<b>Intergovernmental</b>				
Base court revenue	4,400	6,097	6,144	47
Police incentive pay	19,000	20,009	20,896	887
Local economic assistance	2,200	1,662	1,330	(332)
Other grants	119,000	328,218	271,244	(56,974)
Fire equipment grant	11,000	13,700	13,700	-
	<u>155,600</u>	<u>369,686</u>	<u>313,314</u>	<u>(56,372)</u>
<b>Charges for service</b>				
Accident reports	800	920	1,010	90
Building permits	500	400	400	-
Parking tickets/arrest fees	1,000	2,116	2,120	4
	<u>2,300</u>	<u>3,436</u>	<u>3,530</u>	<u>94</u>
<b>Investment earnings (loss)</b>				
Investment earnings (loss)	4,500	995	1,486	491
	<u>4,500</u>	<u>995</u>	<u>1,486</u>	<u>491</u>
<b>Other revenues</b>				
Management fees	109,000	109,000	109,000	-
Other revenues	24,325	41,444	41,965	521
	<u>133,325</u>	<u>150,444</u>	<u>150,965</u>	<u>521</u>
<b>Other financing sources</b>				
Proceeds from sale of assets	-	25,319	8,984	(16,335)
Transfers in, net	88,500	-	-	-
	<u>88,500</u>	<u>25,319</u>	<u>8,984</u>	<u>(16,335)</u>
Total revenues and other financing sources	<u>\$ 1,031,325</u>	<u>\$ 1,264,860</u>	<u>\$ 1,186,786</u>	<u>\$ (78,074)</u>

**CITY OF LIBERTY, KENTUCKY**  
**REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON**  
**GENERAL FUND**  
**for the year ended June 30, 2022**

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>General Government</b>				
Salaries	\$ 100,793	\$ 100,530	\$ 100,544	\$ 14
Payroll taxes and employee benefits	29,407	29,763	33,407	3,644
KY ASAP grant	66,500	63,809	66,818	3,009
Planning and zoning expenses	5,800	5,999	5,999	-
Professional services	5,500	7,214	7,294	80
Utilities	7,000	7,474	7,424	(50)
Office supplies	7,000	14,185	9,132	(5,053)
Insurance	15,500	14,562	14,562	-
Lake Liberty expenses	550	667	607	(60)
Postage	1,200	407	387	(20)
Dues and subscriptions	200	200	200	-
Parks and recreation	16,000	64,950	66,998	2,048
Other expenses	<u>25,010</u>	<u>125,166</u>	<u>61,520</u>	<u>(63,646)</u>
	<u>280,460</u>	<u>434,926</u>	<u>374,892</u>	<u>(60,034)</u>
<b>Public Safety - Police</b>				
Salaries	234,539	248,836	244,310	(4,526)
Payroll taxes and employee benefits	111,961	129,213	127,711	(1,502)
Motor fuels	14,100	24,823	25,276	453
Utilities	5,700	5,154	5,048	(106)
Equipment	5,000	13,277	11,455	(1,822)
Vehicle repairs	6,300	7,152	7,078	(74)
Uniforms	2,000	2,319	2,324	5
Insurance	27,700	27,764	27,764	-
Miscellaneous	<u>13,500</u>	<u>13,935</u>	<u>12,460</u>	<u>(1,475)</u>
	<u>420,800</u>	<u>472,473</u>	<u>463,426</u>	<u>(9,047)</u>
<b>Public Safety - Fire</b>				
Labor	42,400	41,200	41,200	-
Repairs and maintenance	3,500	3,244	106	(3,138)
Equipment	20,000	19,957	19,479	(478)
Utilities	5,500	5,599	5,585	(14)
Insurance	6,900	6,741	6,741	-
Motor fuel	1,700	2,701	3,090	389
Miscellaneous	<u>6,500</u>	<u>6,466</u>	<u>4,876</u>	<u>(1,590)</u>
	<u>86,500</u>	<u>85,908</u>	<u>81,077</u>	<u>(4,831)</u>



**CITY OF LIBERTY, KENTUCKY**  
**REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON**  
**GENERAL FUND**  
**for the year ended June 30, 2022**

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Street Department</b>				
Street repairs	\$ 1,000	\$ 3,376	\$ 3,139	\$ (237)
Repairs and maintenance	3,800	11,463	11,463	-
Utilities	62,000	63,480	63,946	466
Supplies	500	49	-	(49)
Motor fuel	-	-	48	48
	<u>67,300</u>	<u>78,368</u>	<u>78,596</u>	<u>228</u>
<b>Capital Outlay</b>	<u>107,560</u>	<u>91,002</u>	<u>84,768</u>	<u>(6,234)</u>
<b>Debt Service</b>	<u>68,545</u>	<u>68,544</u>	<u>68,544</u>	<u>-</u>
<b>Total expenditures</b>	<u>\$ 1,031,165</u>	<u>\$ 1,231,221</u>	<u>\$ 1,151,303</u>	<u>\$ (79,918)</u>

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

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<b>Reporting Fiscal Year (Measurement Date)</b>	<b>2014 (2013)</b>	<b>2015 (2014)</b>	<b>2016 (2015)</b>	<b>2017 (2016)</b>	<b>2018 (2017)</b>	<b>2019 (2018)</b>	<b>2020 (2019)</b>	<b>2021 (2020)</b>	<b>2022 (2021)</b>
City's proportion of the net pension liability	0.0296%	0.0296%	0.0296%	0.0298%	0.0303%	0.0312%	0.0319%	0.0339%	0.0316%
City's proportionate share of the net pension liability (asset)	\$ 1,085,805	\$ 962,373	\$ 1,261,770	\$ 1,457,174	\$ 1,777,420	\$ 1,900,359	\$ 2,244,737	\$ 2,601,021	\$ 2,016,467
City's covered employee payroll	\$ 637,796	\$ 671,150	\$ 676,346	\$ 708,809	\$ 739,341	\$ 773,375	\$ 805,087	\$ 865,129	\$ 807,843
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	170.24%	143.39%	186.56%	205.58%	240.41%	245.72%	278.82%	300.65%	249.61%
Plan fiduciary net position as a percentage of the total pension liability	61.22%	66.80%	59.97%	55.50%	53.32%	53.54%	50.45%	47.81%	57.33%

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

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

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	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Contractually required employer contribution	\$ 80,490	\$ 93,431	\$ 87,992	\$ 88,308	\$ 103,135	\$ 111,984	\$ 130,585	\$ 166,970	\$ 155,914	\$ 179,956
Contributions relative to contractually required employer contribution	<u>80,490</u>	<u>93,431</u>	<u>87,992</u>	<u>88,308</u>	<u>103,135</u>	<u>111,984</u>	<u>130,585</u>	<u>166,970</u>	<u>155,914</u>	<u>179,956</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 637,796	\$ 671,150	\$ 676,346	\$ 708,809	\$ 739,341	\$ 773,375	\$ 805,087	\$ 865,129	\$ 807,843	\$ 850,051
Employer contributions as a percentage of covered-employee payroll	12.62%	13.92%	13.01%	12.46%	13.95%	14.48%	16.22%	19.30%	19.30%	21.17%

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

<b>Reporting Fiscal Year (Measurement Date)</b>	<b>2017 (2016)</b>	<b>2018 (2017)</b>	<b>2019 (2018)</b>	<b>2020 (2019)</b>	<b>2021 (2020)</b>	<b>2022 (2021)</b>
City's proportion of the net OPEB liability	0.0298%	0.0303%	0.0312%	0.0319%	0.0339%	0.0316%
City's proportionate share of the net OPEB liability (asset)	\$ 478,827	\$ 610,460	\$ 553,985	\$ 536,695	\$ 818,630	\$ 605,349
City's covered employee payroll	\$ 708,809	\$ 739,341	\$ 773,375	\$ 805,087	\$ 865,129	\$ 807,843
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	67.55%	82.57%	71.63%	66.66%	94.63%	74.93%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	52.39%	57.62%	60.44%	51.67%	62.91%

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

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

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	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Contractually required employer contribution	\$ 44,199	\$ 35,020	\$ 33,954	\$ 32,889	\$ 34,971	\$ 36,349	\$ 42,348	\$ 41,180	\$ 38,453	\$ 49,133
Contributions relative to contractually required employer contribution	<u>44,199</u>	<u>35,020</u>	<u>33,954</u>	<u>32,889</u>	<u>34,971</u>	<u>36,349</u>	<u>42,348</u>	<u>41,180</u>	<u>38,453</u>	<u>49,133</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 637,796	\$ 671,150	\$ 676,346	\$ 708,809	\$ 739,341	\$ 773,375	\$ 808,057	\$ 865,129	\$ 807,843	\$ 850,051
Employer contributions as a percentage of covered-employee payroll	6.93%	5.22%	5.02%	4.64%	4.73%	4.70%	5.24%	4.76%	4.76%	5.78%

**CITY OF LIBERTY, KENTUCKY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2022**

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**1. GENERAL INFORMATION**

**Contributions**

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

**Payroll**

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

**2. CHANGES OF ASSUMPTIONS**

**June 30, 2021 – Pension and OPEB – Nonhazardous**

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

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

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

**June 30, 2020 – Pension and OPEB – Nonhazardous**

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

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

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

**June 30, 2019 – Pension and OPEB – Nonhazardous**

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

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

**June 30, 2018 – Pension and OPEB – Nonhazardous**

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

**CITY OF LIBERTY, KENTUCKY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2022**

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**2. CHANGES OF ASSUMPTIONS (CONTINUED)**

**June 30, 2017 – Pension and OPEB – Nonhazardous**

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

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

**June 30, 2016 – Pension and OPEB – Nonhazardous**

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

**June 30, 2015 – Pension – Nonhazardous**

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

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

**June 30, 2014 – Pension – Nonhazardous**

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

**June 30, 2013 – Pension – Nonhazardous**

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

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

**SUPPLEMENTARY INFORMATION**



**CITY OF LIBERTY, KENTUCKY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2022**

	<u>Cemetery Fund</u>	<u>Municipal Road Aid Fund</u>	<u>Total Governmental Funds</u>	<u>2021 Totals</u>
<b>ASSETS</b>				
Cash	\$ 3,529	\$ -	\$ 3,529	\$ 11,977
Investments	57,511	-	57,511	63,957
Receivables, net	-	4,475	4,475	4,764
Due from other funds	-	59,552	59,552	24,699
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Total assets	<u>\$ 61,040</u>	<u>\$ 64,027</u>	<u>\$ 125,067</u>	<u>\$ 105,397</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 1,600	\$ -	\$ 1,600	\$ -
Due to other funds	4,786	-	4,786	4,786
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Total liabilities	<u>6,386</u>	<u>-</u>	<u>6,386</u>	<u>4,786</u>
Fund balances	<u>54,654</u>	<u>64,027</u>	<u>118,681</u>	<u>100,611</u>
Total liabilities and fund balances	<u>\$ 61,040</u>	<u>\$ 64,027</u>	<u>\$ 125,067</u>	<u>\$ 105,397</u>

**CITY OF LIBERTY, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**for the year ended June 30, 2022**

	<u>Cemetery Fund</u>	<u>Municipal Road Aid Fund</u>	<u>Totals</u>	<u>2021 Totals</u>
<b>REVENUES</b>				
Charges for services	\$ 6,250	\$ -	\$ 6,250	\$ 6,000
Intergovernmental	-	42,916	42,916	41,506
Investment earnings (loss)	(5,127)	-	(5,127)	3,040
Other revenues	<u>100</u>	<u>-</u>	<u>100</u>	<u>100</u>
Total revenues	<u>1,223</u>	<u>42,916</u>	<u>44,139</u>	<u>50,646</u>
<b>EXPENDITURES</b>				
Current				
General government	17,717	-	17,717	10,870
Streets department	<u>-</u>	<u>8,352</u>	<u>8,352</u>	<u>19,544</u>
Total expenditures	<u>17,717</u>	<u>8,352</u>	<u>26,069</u>	<u>30,414</u>
Excess (deficiency) of revenues over expenditures	<u>(16,494)</u>	<u>34,564</u>	<u>18,070</u>	<u>20,232</u>
<b>Net change in fund balances</b>	(16,494)	34,564	18,070	20,232
Fund balances-beginning	<u>71,148</u>	<u>29,463</u>	<u>100,611</u>	<u>80,379</u>
<b>Fund balances-ending</b>	<u>\$ 54,654</u>	<u>\$ 64,027</u>	<u>\$ 118,681</u>	<u>\$ 100,611</u>



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

To the Mayor and City Council  
City of Liberty, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Liberty, Kentucky, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Liberty, Kentucky's basic financial statements, and have issued our report thereon dated January 26, 2023.

**Report on Internal Control over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

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

## **Purpose of This Report**

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

**RFH**

RFH, PLLC  
Lexington, Kentucky  
January 26, 2023