

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

In the Matter of:

CITY OF LIBERTY GAS COMPANY)
_____)

ALLEGED FAILURE TO COMPLY WITH)
KRS 278.492 AND 49 C.F.R. PART 192)

CASE NO. 2017-00053

**CITY OF LIBERTY'S RESPONSES
TO THE COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION**

The City of Liberty, by counsel, hereby submits the following responses to the
Commission Staff's First Request for Information.

Respectfully submitted,



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1. Provide copies of Liberty's annual audited financial statements, prepared pursuant to KRS 91 A.040, for fiscal years 2014, 2015, and 2016.

RESPONSE: Copies of Liberty's audited financial statements for fiscal years 2014 and 2015 are attached. The audited financial statement for fiscal year 2016 has not been finalized.

WITNESS: Bridgett Blake

CITY OF LIBERTY
Liberty, Kentucky

FINANCIAL STATEMENTS
June 30, 2015

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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, 2015. Please read in conjunction with the auditor's report on page 9-10 and the City's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- The City's net position decreased in the governmental activities and decreased in the business-type activities. The net position of the governmental activities decreased by \$745,491, and the net position of the business-type activities decreased to \$8,789,067, which was a 6.3 percent decrease from the previous year.
- In the City's governmental activities, revenues increased by \$178,337, or 21.1 percent, and expenses increased by 97.8 percent to \$2,041,272. In the business-type activities, revenues decreased to \$2,669,620 which is a decrease of 2.2 percent, while expenses decreased by 5.6 percent to \$2,997,782.

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 now 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 expenditures 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 liabilities—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, sewer and garbage.

FUND FINANCIAL STATEMENTS

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

The City has two kinds of funds:

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

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

NET POSITION

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

Table A-1

Condensed Statement of Net Position

	Governmental		Business-type		Total Primary	
	Activities		Activities		Government	
	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
Current and Other Assets	\$ 558,454	\$ 389,533	\$ 1,585,969	\$ 1,759,241	\$ 2,144,423	\$ 2,148,774
Capital Assets	2,241,037	2,370,662	13,032,600	13,717,439	15,273,637	16,088,101
Deferred Outflows	29,497	31,320	81,966	86,363	111,463	117,683
Total Assets	<u>2,828,988</u>	<u>2,791,515</u>	<u>14,700,535</u>	<u>15,563,043</u>	<u>17,529,523</u>	<u>18,354,558</u>
Long-Term Debt Outstanding	889,699	118,779	4,683,750	4,905,000	5,573,449	5,023,779
Net Pension	322,610	363,987	639,763	721,817	962,373	1,085,804
Deferred Inflows	28,695	-	56,905	-	85,600	-
Current Liabilities	101,395	76,669	531,050	557,070	632,445	633,739
Total Liabilities	<u>1,342,399</u>	<u>559,435</u>	<u>5,911,468</u>	<u>6,183,887</u>	<u>7,253,867</u>	<u>6,743,322</u>
Net Position:						
Invested in Capital Assets, net of related debt	2,122,258	2,222,659	8,151,071	8,581,816	10,273,329	10,804,475
Restricted	315,209	246,935	164,250	164,250	479,459	411,185
Unrestricted	(950,878)	(237,514)	473,746	633,090	(477,132)	395,576
Total Net Position	<u>\$ 1,486,589</u>	<u>\$ 2,232,080</u>	<u>\$ 8,789,067</u>	<u>\$ 9,379,156</u>	<u>\$ 10,275,656</u>	<u>\$ 11,611,236</u>

As further explained in notes 8 and 11 of the Notes to the Financial Statements, GASB Statement No. 68 changed how governments calculate and report the costs and obligations associated with pensions. This new standard required the City of Liberty to report a net pension liability, pension expense and pension related deferred inflows and outflows of resources based on their proportionate share of the collective amounts from the Kentucky County Employees Retirement System. Information necessary to meet the new reporting requirement for the current year was provided by the Kentucky Retirement System. However, information necessary to restate all values for the prior year were not provided. As such, only net pension liability, and deferred outflows of resources have been restated for the prior year. A \$969,483 adjustment to the prior year's ending net position was made to represent the total retroactive effects of the application of GASB 68. This is important to note as we compare current year and prior year balances since there were no adjustments to the prior year statement of activities.

After the change described above, the net position of the City's governmental activities decreased from \$2,232,080 in 2014 to \$1,486,589 in 2015, which is a 33.4% decrease. The net position of the business-type activities decreased from \$9,379,156 to \$8,789,067 in 2015, which is a 6.3 percent decrease. The net position from one activity generally cannot be used to make up for any deficits in the other activities.

NET POSITION, continued

Table A-2

Condensed Statement of Activities

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2014</u>
Revenues						
<u>Program Revenues</u>						
Charges for Service	\$ 2,800	\$ 2,840	\$ 2,645,077	\$ 2,699,072	\$ 2,647,877	\$ 2,701,912
Operating Grants & Contributions	86,866	90,608	-	-	86,866	90,608
Capital Grants & Contributions	47,646	8,250	3,382	6,631	51,028	14,881
<u>General Revenue</u>						
Taxes	377,619	265,476	-	-	377,619	265,476
License fees	309,860	259,568	-	-	309,860	259,568
Permits	5,512	20,439	-	-	5,512	20,439
Other Grants and Contributions	2,455	2,054	-	-	2,455	2,054
Investment Earnings	1,971	7,307	17,178	24,208	19,149	31,515
Management fees	135,000	135,000	-	-	135,000	135,000
Miscellaneous	<u>52,447</u>	<u>52,297</u>	<u>3,983</u>	<u>404</u>	<u>56,430</u>	<u>52,701</u>
Total Revenue	<u>1,022,176</u>	<u>843,839</u>	<u>2,669,620</u>	<u>2,730,315</u>	<u>3,691,796</u>	<u>3,574,154</u>
<u>Program Expenses</u>						
General Government	1,367,120	426,399	-	-	1,367,120	426,399
Public Safety - Police	361,570	375,133	-	-	361,570	375,133
Public Safety - Fire	156,066	140,251	-	-	156,066	140,251
Streets Department	144,909	85,999	-	-	144,909	85,999
Interest on Long-term Debt	11,607	4,315	-	-	11,607	4,315
Utility	-	-	<u>2,997,782</u>	<u>3,175,534</u>	<u>2,997,782</u>	<u>3,175,534</u>
Total Program Expenses	<u>2,041,272</u>	<u>1,032,097</u>	<u>2,997,782</u>	<u>3,175,534</u>	<u>5,039,054</u>	<u>4,207,631</u>
<u>Other Changes</u>						
Transfers	256,689	156,113	(5,238)	(156,113)	251,451	-
Gain (loss) on sale of assets	<u>16,916</u>	<u>2,403</u>	<u>(256,689)</u>	<u>3,392</u>	<u>(239,773)</u>	<u>5,795</u>
Total Other Changes	<u>273,605</u>	<u>158,516</u>	<u>(261,927)</u>	<u>(152,721)</u>	<u>11,678</u>	<u>5,795</u>
Change In Net Position	<u>\$ (745,491)</u>	<u>\$ (29,742)</u>	<u>\$ (590,089)</u>	<u>\$ (597,940)</u>	<u>\$ (1,335,580)</u>	<u>\$ (627,682)</u>

The City's total revenue increased by 3.3 percent and the total cost of all programs reflected an increase of 19.8 percent. On the following page is a more in-depth description of the revenues and expenses of the governmental and business-type activities.

Looking at the business-type activities, revenues for the City decreased to \$2,669,620, or 2.2 percent, while total expenses decreased 5.6 percent. The decrease of revenues combined with the decrease of expenses and increase in other changes decreased the change in net position to

(\$590,089). The City's major source of revenue in the business-type activities is charges for services, which decreased to \$2,645,077. This revenue source makes up 99.1 percent of total revenues. The capital grants and contributions included grants for the water and sewer system expansion as discussed on page 7.

As previously noted, prior year balances do not include adjustments for GASB 68 beyond an adjustment to the ending net position, net pension liability and deferred outflows of resources balances. The effect of the implementation of GASB 68 on the current year resulted in a reduction of \$65,735 to the monthly payments made to the Kentucky Retirement System. This amount represents changes in the net pension liability from year to year.

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 Activities - Revenues & Expenditures

	<u>FY 2015</u>	<u>FY2014</u>	<u>Change</u>
Taxes	\$ 377,619	\$ 265,476	\$ 112,143
Licenses and permits	315,372	280,007	35,365
Fines and Forfeits	1,240	1,175	65
Intergovernmental	136,967	100,912	36,055
Charges for Services	2,800	2,840	(40)
Other Revenues	<u>188,178</u>	<u>193,429</u>	<u>(5,251)</u>
Total Revenues	<u>1,022,176</u>	<u>843,839</u>	<u>178,337</u>
General Government	\$ 1,291,029	\$ 359,564	\$ 931,465
Public Safety	466,161	459,018	7,143
Streets Department	144,909	85,999	58,910
Capital Outlay	122,941	127,595	(4,654)
Debt Service	<u>40,831</u>	<u>33,857</u>	<u>6,974</u>
Total Expenditures	<u>2,065,871</u>	<u>1,066,033</u>	<u>999,838</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ (1,043,695)</u>	<u>\$ (222,194)</u>	<u>\$ (821,501)</u>

Revenues for the City's governmental activities increased by 21.1 percent, while total expenditures increased by 93.8 percent. Governmental activities (deficiency) of revenues over expenditures before other financing sources (uses) increased by \$821,501. The City's major sources of revenue in the governmental activities are other revenue (18.4 percent), licenses and permits (30.9 percent), taxes (36.9 percent) and intergovernmental (13.4 percent). These revenue sources increased 21.2 percent in 2015. The major change in expenditures in the governmental activities was an increase in general government of \$931,465 which \$1,014,909 is due to the support of the education center by the City during 2015.

BUDGET HIGHLIGHTS

Over the course of the year, the City Council revised the City budget several times. These amendments were made shortly after the beginning of the year to reflect events that may occur. The budget contains proposed expenditures and expected revenues. A comparison of the final amended budget to actual amounts is presented in the table below (Tables A-4 & 5).

Table A-4

Condensed Governmental Activities - Revenues and Other Financing Sources

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Taxes	\$ 274,750	\$ 281,225	\$ 6,475
Licenses and permits	305,500	315,372	9,872
Fines and Forfeitures	1,000	1,240	240
Intergovernmental	85,546	89,003	3,457
Charges for Services	2,600	2,800	200
Other Revenues	172,625	184,093	11,468
Transfers in (out)	230,000	256,689	26,689
Sale of Asset	144,500	144,557	57
Note Proceeds	<u>750,000</u>	<u>850,000</u>	<u>100,000</u>
Total Revenues and Other Financing Sources	<u>\$ 1,966,521</u>	<u>\$2,124,979</u>	<u>\$ 158,458</u>

Table A-5

Condensed Governmental Activities - Expenditures

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Government	\$ 1,288,910	\$1,289,437	\$ 527
Public Safety	478,430	466,161	(12,269)
Streets Department	67,450	66,332	(1,118)
Bond issuance expense	-	13,500	
Debt Service	34,918	40,831	5,913
Capital Outlay	<u>96,730</u>	<u>122,941</u>	<u>26,211</u>
Total Expenditures	<u>\$ 1,966,438</u>	<u>\$1,999,202</u>	<u>\$ 32,764</u>

The City budgeted for a total of \$1,966,521 in revenues and other financing sources for 2015, but ended up having revenues of \$2,124,979, which put the City over the revenue budget by \$158,458. A total of \$1,966,438 was budgeted for expenses, and actual expenditures totaled \$1,999,202 at the end of 2015. The City was under budget on the expenses by \$32,764, as detailed above.

CAPITAL ASSETS

As discussed in Table A-6, the City has a total of \$26,803,660 invested in a broad range of capital assets, including police and fire equipment and vehicles, buildings, land, infrastructure assets, and water and sewer lines. This amount represents a 0.6 percent decrease from last year's total investment of \$26,955,163.

The major capital additions in the governmental activities were a fire truck engine \$23,535, fire department equipment for \$4,400, sidewalks for \$21,027 and two police cruisers for \$65,830. The business-type activities major capital additions were various water and sewer equipment for \$20,686.

Table A-6

Capital Assets at Year End Without Depreciation

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2014</u>
Land & Improvements	\$1,481,869	\$1,457,872	\$ -	\$ -	\$ 1,481,869	\$ 1,457,872
Construction in Progress	4,000	4,000	129,886	18,000	133,886	22,000
Buildings & Improvements	984,480	1,133,688	-	-	984,480	1,133,688
Vehicles & Equipment	870,797	825,775	-	-	870,797	825,775
Water & Sewer System	-	-	23,332,628	23,515,828	23,332,628	23,515,828
Total Capital Assets	<u>\$3,341,146</u>	<u>\$3,421,335</u>	<u>\$ 23,462,514</u>	<u>\$23,533,828</u>	<u>\$ 26,803,660</u>	<u>\$ 26,955,163</u>

DEBT

This year the City has \$5,873,779 in debt, a 10.7 percent increase from last year's total of \$5,307,878. The City entered into a lease with Casey County Bank for expenses related to the Casey County Education and Learning Center for \$850,000.

Table A-7

Debt Outstanding at Year End

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2014</u>
Note Payable	\$ 968,779	\$ 148,003	\$ -	\$ 17,792	\$ 968,779	\$ 165,795
Revenue Bond Payable	-	-	4,905,000	5,142,083	4,905,000	5,142,083
Total Debt Outstanding	<u>\$ 968,779</u>	<u>\$ 148,003</u>	<u>\$ 4,905,000</u>	<u>\$ 5,159,875</u>	<u>\$ 5,873,779</u>	<u>\$ 5,307,878</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected officials consider many factors when setting the fiscal year 2016 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 Ms. Sharleen Rodgers, City Clerk, at P.O. Box 127, Liberty, KY 42539.



INDEPENDENT AUDITORS' REPORT

Mayor and the City Council
City of Liberty
Liberty, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Liberty, Kentucky, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension schedules on pages 1 through 8 and 34 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with **Government Auditing Standards**, we have also issued our report dated May 2, 2016, 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 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 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
May 2, 2016

CITY OF LIBERTY, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash	\$ 363,560	\$ 498,856	\$ 862,416
Investments	125,289	701,964	827,253
Receivables, net	76,625	202,570	279,195
Interest receivable	66	3,518	3,584
Other assets	7,725	-	7,725
Grant receivable	-	-	-
Internal balances	(14,811)	14,811	-
Total current assets	<u>558,454</u>	<u>1,421,719</u>	<u>1,980,173</u>
Noncurrent assets			
Restricted assets			
Cash	-	164,250	164,250
Capital assets			
Construction in progress	4,000	129,886	133,886
Land and improvements	757,851	104,272	862,123
Utility systems, net	-	12,798,442	12,798,442
Depreciable buildings, property, and equipment, net	1,479,186	-	1,479,186
Total noncurrent assets	<u>2,241,037</u>	<u>13,196,850</u>	<u>15,437,887</u>
Total assets	<u>2,799,491</u>	<u>14,618,569</u>	<u>17,418,060</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension	29,497	58,495	87,992
Defeasance on refunding	-	23,471	23,471
Total assets and deferred outflows of resources	<u>\$ 2,828,988</u>	<u>\$ 14,700,535</u>	<u>\$ 17,529,523</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 11,079	\$ 91,311	\$ 102,390
Accounts payable-construction	-	-	-
Accrued liabilities	11,236	52,130	63,366
Customer deposits	-	154,605	154,605
Accrued interest payable	-	11,754	11,754
Current portion of long-term obligations	79,080	221,250	300,330
Total current liabilities	<u>101,395</u>	<u>531,050</u>	<u>632,445</u>
Noncurrent liabilities			
Noncurrent portion of long-term obligations	889,699	4,683,750	5,573,449
Net pension liability	322,610	639,763	962,373
Total noncurrent liabilities	<u>1,212,309</u>	<u>5,323,513</u>	<u>6,535,822</u>
Total liabilities	<u>1,313,704</u>	<u>5,854,563</u>	<u>7,168,267</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension	28,695	56,905	85,600
NET POSITION			
Net investment in capital assets	2,122,258	8,151,071	10,273,329
Restricted for other purposes	315,209	164,250	479,459
Unrestricted	(950,878)	473,746	(477,132)
Total net position	<u>1,486,589</u>	<u>8,789,067</u>	<u>10,275,656</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,828,988</u>	<u>\$ 14,700,535</u>	<u>\$ 17,529,523</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, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ 1,367,120	\$ 1,455	\$ 22,623	\$ -	\$ (1,343,042)	\$ -	\$ (1,343,042)
Public safety-Police	361,570	1,345	16,279	36,196	(307,750)	-	(307,750)
Public safety-Fire	156,066	-	-	11,450	(144,616)	-	(144,616)
Street department	144,909	-	47,964	-	(96,945)	-	(96,945)
Interest on long-term debt	11,607	-	-	-	(11,607)	-	(11,607)
Total governmental activities	<u>2,041,272</u>	<u>2,800</u>	<u>86,866</u>	<u>47,646</u>	<u>(1,903,960)</u>	<u>-</u>	<u>(1,903,960)</u>
Business type activities							
Utility	<u>2,997,782</u>	<u>2,645,077</u>	<u>-</u>	<u>3,382</u>	<u>-</u>	<u>(349,323)</u>	<u>(349,323)</u>
Total business-type activities	<u>2,997,782</u>	<u>2,645,077</u>	<u>-</u>	<u>3,382</u>	<u>-</u>	<u>(349,323)</u>	<u>(349,323)</u>
Total primary government	<u>\$ 5,039,054</u>	<u>\$ 2,647,877</u>	<u>\$ 86,866</u>	<u>\$ 51,028</u>	<u>(1,903,960)</u>	<u>(349,323)</u>	<u>(2,253,283)</u>

General revenues

Taxes			
Property taxes, levied for general purposes	281,225	-	281,225
Restaurant tax	96,394	-	96,394
License fee			
Franchise	76,016	-	76,016
Insurance premiums	233,844	-	233,844
Permits			
Building	595	-	595
City Stickers	4,917	-	4,917
Fines and forfeitures	1,240	-	1,240
Grants and contributions			
not restricted to specific programs	2,455	-	2,455
Investment earnings	1,971	17,178	19,149
Management fees	135,000	-	135,000
Miscellaneous	51,207	3,983	55,190
Total general revenues	<u>884,864</u>	<u>21,161</u>	<u>906,025</u>
Gain (loss) on sale of assets	16,916	(5,238)	11,678
Transfers	<u>256,689</u>	<u>(256,689)</u>	<u>-</u>
Total general revenues and transfers	<u>1,158,469</u>	<u>(240,766)</u>	<u>917,703</u>
Change in Net Position	<u>(745,491)</u>	<u>(590,089)</u>	<u>(1,335,580)</u>
Net position-beginning, as restated	<u>2,232,080</u>	<u>9,379,156</u>	<u>11,611,236</u>
NET POSITION-ENDING	<u>\$ 1,486,589</u>	<u>\$ 8,789,067</u>	<u>\$ 10,275,656</u>

The accompanying notes are an integral
part of the financial statements

**CITY OF LIBERTY, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015**

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 248,491	\$ 115,069	\$ 363,560
Investments	68,092	57,197	125,289
Receivables (net)	53,946	22,679	76,625
Interest receivable	66	-	66
Other assets	7,725	-	7,725
Due from other funds	4,495	125,050	129,545
 Total assets	 \$ 382,815	 \$ 319,995	 \$ 702,810
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 11,079	\$ -	\$ 11,079
Accrued liabilities	11,236	-	11,236
Due to other funds	139,570	4,786	144,356
 Total liabilities	 161,885	 4,786	 166,671
 Fund balances			
Nonspendable	7,725	-	7,725
Restricted	-	315,209	315,209
Committed	-	-	-
Unassigned	213,205	-	213,205
 Total fund balances	 220,930	 315,209	 536,139
 Total liabilities and fund balances	 \$ 382,815	 \$ 319,995	 \$ 702,810

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

Fund balances represented above	\$ 536,139
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	2,241,037
Net deferred inflows/outflows related to the long-term net pension liability are not reported in the funds	802
Long-term liabilities, including bonds payable and net pension liability, are not due and payable in the current period and therefore are not reported in the funds	(1,291,389)
 Net position of governmental activities	 \$ 1,486,589

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, 2015

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 281,225	\$ 96,394	\$ 377,619
Licenses and permits	315,372	-	315,372
Fines and forfeits	1,240	-	1,240
Intergovernmental	89,003	47,964	136,967
Charges for service	2,800	-	2,800
Other revenues	184,093	4,085	188,178
Total revenues	873,733	148,443	1,022,176
EXPENDITURES			
Current			
General government	1,289,437	1,592	1,291,029
Public safety-Police	351,939	-	351,939
Public safety-Fire	114,222	-	114,222
Streets department	66,332	78,577	144,909
Capital outlay	122,941	-	122,941
Debt service	40,831	-	40,831
Total expenditures	1,985,702	80,169	2,065,871
Excess (deficiency) of revenues over expenditures	(1,111,969)	68,274	(1,043,695)
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of assets	144,557	-	144,557
Note proceeds	850,000	-	850,000
Bond expense	(13,500)	-	(13,500)
Transfers in (out)	256,689	-	256,689
Total other financing sources and uses	1,237,746	-	1,237,746
Net change in fund balances	125,777	68,274	194,051
Fund balances-beginning	95,153	246,935	342,088
FUND BALANCES-ENDING	\$ 220,930	\$ 315,209	\$ 536,139
Reconciliation to government-wide change in net position:			
Net change in fund balances			\$ 194,051
less: proceeds from sale of asset			(144,557)
add: capital outlay expenditures capitalized			122,941
add: debt service expenditures			40,831
add: gain on disposal of capital assets			16,916
less: depreciation on governmental activities assets			(124,926)
less: note proceeds			(850,000)
change in net pension liability			10,860
less: interest on long term debt			(11,607)
Change in net position Governmental Activities			\$ (745,491)

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

**CITY OF LIBERTY, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015**

	Business-type Activities			2015 Total
	Water & Sewer Fund	Gas Fund	Garbage Fund	
ASSETS				
Current assets				
Cash	\$ 498,856	\$ -	\$ -	\$ 498,856
Investments	54,295	640,536	7,133	701,964
Receivables (net)	107,695	63,980	30,895	202,570
Interest receivable	64	3,454	-	3,518
Grant receivable	-	-	-	-
Due from other funds	12,418	1,393	1,000	14,811
Total current assets	<u>673,328</u>	<u>709,363</u>	<u>39,028</u>	<u>1,421,719</u>
Noncurrent assets				
Restricted assets				
Cash	164,250	-	-	164,250
Capital assets:				
Construction in progress	124,156	5,730	-	129,886
Land	66,872	37,400	-	104,272
Depreciable utility fixed assets	22,329,319	622,955	276,082	23,228,356
Less accumulated depreciation	<u>(9,791,530)</u>	<u>(434,265)</u>	<u>(204,119)</u>	<u>(10,429,914)</u>
Total noncurrent assets	<u>12,893,067</u>	<u>231,820</u>	<u>71,963</u>	<u>13,196,850</u>
Total assets	<u>13,566,395</u>	<u>941,183</u>	<u>110,991</u>	<u>14,618,569</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	27,702	24,519	6,274	58,495
Defeasance on refunding	<u>23,471</u>	<u>-</u>	<u>-</u>	<u>23,471</u>
Total assets and deferred outflows of resources	<u>\$ 13,617,568</u>	<u>\$ 965,702</u>	<u>\$ 117,265</u>	<u>\$ 14,700,535</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 50,385	\$ 29,150	\$ 11,776	\$ 91,311
Accounts payable-construction	-	-	-	-
Accrued liabilities	21,532	26,899	3,699	52,130
Customer deposits	73,404	81,201	-	154,605
Accrued interest payable	11,754	-	-	11,754
Current portion of long-term obligations	<u>221,250</u>	<u>-</u>	<u>-</u>	<u>221,250</u>
Total current liabilities	<u>378,325</u>	<u>137,250</u>	<u>15,475</u>	<u>531,050</u>
Noncurrent liabilities				
Noncurrent portion of long-term obligations	4,683,750	-	-	4,683,750
Net pension liability	<u>302,979</u>	<u>268,168</u>	<u>68,616</u>	<u>639,763</u>
Total noncurrent liabilities	<u>4,986,729</u>	<u>268,168</u>	<u>68,616</u>	<u>5,323,513</u>
Total liabilities	<u>5,365,054</u>	<u>405,418</u>	<u>84,091</u>	<u>5,854,563</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension	<u>26,949</u>	<u>23,853</u>	<u>6,103</u>	<u>56,905</u>
NET POSITION				
Net investment in capital assets	7,847,288	231,820	71,963	8,151,071
Restricted for				
Debt service	164,250	-	-	164,250
Unrestricted	<u>214,027</u>	<u>304,611</u>	<u>(44,892)</u>	<u>473,746</u>
Total net position	<u>8,225,565</u>	<u>536,431</u>	<u>27,071</u>	<u>8,789,067</u>
Total liabilities and net position	<u>\$ 13,617,568</u>	<u>\$ 965,702</u>	<u>\$ 117,265</u>	<u>\$ 14,700,535</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, 2015

	Business-type Activities			2015 Total
	Water & Sewer Fund	Gas Fund	Garbage Fund	
Operating revenues				
Charges for services	\$ 1,126,238	\$ 1,142,572	\$ 376,267	\$ 2,645,077
 Total operating revenues	<u>1,126,238</u>	<u>1,142,572</u>	<u>376,267</u>	<u>2,645,077</u>
Operating expenses				
Salaries and wages	217,242	195,177	51,423	463,842
Casual labor	10,954	10,646	10,335	31,935
Gas purchases	-	384,503	-	384,503
Payroll taxes	15,911	13,446	3,624	32,981
Retirement	28,002	24,784	6,341	59,127
Uniforms and laundry	7,850	7,250	6,050	21,150
Maintenance and repairs	280,129	38,653	22,902	341,684
Truck expense	-	-	7,499	7,499
Motor fuel	11,290	9,058	15,905	36,253
Office expense and postage	6,090	3,370	2,575	12,035
Legal and professional	27,118	7,421	7,421	41,960
Utilities	104,948	9,826	-	114,774
Insurance	86,867	58,665	33,254	178,786
Dump expense	-	-	114,320	114,320
Sludge hauling	7,222	-	-	7,222
Pretreatment expenses	18,345	-	-	18,345
Management fees	43,000	66,000	26,000	135,000
Other expense	17,702	5,935	2,712	26,349
Depreciation	769,815	14,302	28,056	812,173
 Total operating expenses	<u>1,652,485</u>	<u>849,036</u>	<u>338,417</u>	<u>2,839,938</u>
 Operating income (loss)	(526,247)	293,536	37,850	(194,861)
Nonoperating revenues (expenses)				
Investment earnings	3,420	13,638	120	17,178
Interest expense	(157,781)	-	(63)	(157,844)
Other revenues	3,983	-	-	3,983
Gain (loss) on sale of capital assets	(5,238)	-	-	(5,238)
 Income (loss) before capital contributions and transfers	<u>(681,863)</u>	<u>307,174</u>	<u>37,907</u>	<u>(336,782)</u>
Capital contributions				
Tap fees	500	2,882	-	3,382
Transfers in (out)	255,691	(469,074)	(43,306)	(256,689)
 Change in net position	<u>(425,672)</u>	<u>(159,018)</u>	<u>(5,399)</u>	<u>(590,089)</u>
 Total net position-beginning, as restated	<u>8,651,237</u>	<u>695,449</u>	<u>32,470</u>	<u>9,379,156</u>
 TOTAL NET POSITION-ENDING	<u>\$ 8,225,565</u>	<u>\$ 536,431</u>	<u>\$ 27,071</u>	<u>\$ 8,789,067</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, 2015**

	Business-type Activities			2015 Total
	Water & Sewer Fund	Gas Fund	Garbage Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 1,116,846	\$ 1,135,781	\$ 376,885	\$ 2,629,512
Payments to suppliers	(559,117)	(531,638)	(216,007)	(1,306,762)
Payments for interfund services (payment in lieu of taxes)	(43,000)	(66,000)	(26,000)	(135,000)
Payments for employee services and benefits	(284,746)	(246,678)	(77,680)	(609,104)
Net cash provided by operating activities	<u>229,983</u>	<u>291,465</u>	<u>57,198</u>	<u>578,646</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Bond principal payment	(237,085)	-	(17,792)	(254,877)
Capital contributions	500	2,882	-	3,382
Proceeds from bond/loan issuance	-	-	-	-
Proceeds from sale of assets	-	-	-	-
Purchases of capital assets	(120,686)	-	-	(120,686)
Interest paid on capital debt	(157,391)	-	(334)	(157,725)
Net cash (used) by capital and related financing activities	<u>(514,662)</u>	<u>2,882</u>	<u>(18,126)</u>	<u>(529,906)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Net operating transfers in (out)	<u>255,691</u>	<u>(469,074)</u>	<u>(43,306)</u>	<u>(256,689)</u>
Net cash provided (used) by noncapital financing activities	<u>255,691</u>	<u>(469,074)</u>	<u>(43,306)</u>	<u>(256,689)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends	<u>3,421</u>	<u>13,361</u>	<u>120</u>	<u>16,902</u>
Net cash provided by investing activities	<u>3,421</u>	<u>13,361</u>	<u>120</u>	<u>16,902</u>
Net increase (decrease) in cash and cash equivalents	(25,567)	(161,366)	(4,114)	(191,047)
Cash and cash equivalents-beginning of the year	<u>742,968</u>	<u>801,902</u>	<u>7,013</u>	<u>1,551,883</u>
CASH AND CASH EQUIVALENTS-END OF THE YEAR	<u>\$ 717,401</u>	<u>\$ 640,536</u>	<u>\$ 2,899</u>	<u>\$ 1,360,836</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (526,247)	\$ 293,536	\$ 37,850	\$ (194,861)
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation expense	769,815	14,302	28,056	812,173
Change in assets and liabilities				
Receivables, net	(9,392)	(6,671)	618	(15,445)
Due from other funds	-	-	-	-
Other assets	6,166	-	-	6,166
Accounts and other payables	2,362	(6,957)	(3,369)	(7,964)
Accrued expenses	(2,523)	6,281	(3,648)	110
Net pension adjustment	(10,198)	(9,026)	(2,309)	(21,533)
Net cash provided by operating activities	<u>\$ 229,983</u>	<u>\$ 291,465</u>	<u>\$ 57,198</u>	<u>\$ 578,646</u>
Supplemental disclosures of cash flow information:				
Noncash capital and related financing activities:				
Payables for capital items, net	<u>\$ (6,156)</u>	<u>\$ (5,730)</u>	<u>\$ -</u>	<u>\$ (11,886)</u>

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

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Liberty, Kentucky 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.

B. Basis of Presentation

The City's financial statements consist of the following:

- Management's discussion and analysis (required supplementary information);
- Basic Financial Statements
 - Government-wide financial statements
 - Fund financial statements
 - Notes to the financial statements

Government-wide Financial Statements

The government-wide financial statements include a 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, reserves, fund equity, revenues and expenditures or expenses.

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, continued

Governmental funds are those through which most governmental functions are financed. The governmental fund measurement focus is upon determination of financial position and budgetary control over revenues and expenditures. 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.

The following funds are used by the City of Liberty:

Governmental Fund Types

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 special revenue fund used to account for Glenwood cemetery activities.

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

Restaurant Tax Fund - A special revenue fund used to account for revenue received for the City's restaurant tax.

Proprietary Funds

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

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

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

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

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

C. Basis of Accounting

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

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting, continued

Government-wide Financial Statements

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

Fund Financial Statements

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

All governmental funds are accounted for using a flow of current financials 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.

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

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

D. Budgeting

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

E. Internal Balances

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

F. Revenues and Receivables

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

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Fund Balances

Fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned – all other spendable amounts.

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

As of June 30, 2015, fund balances are composed of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable –prepaid expenses	\$ 7,725	\$ -	\$ 7,725
Restricted:			
Road surface repairs	-	130,831	130,831
Cemetery fund	-	87,984	87,984
Restaurant tax	-	96,394	96,394
Unassigned	<u>213,205</u>	<u>-</u>	<u>213,205</u>
Total fund balances	<u>\$ 220,930</u>	<u>\$ 315,209</u>	<u>\$ 536,139</u>

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets

Under GASB 34, the City of Liberty has elected to not report major infrastructure retroactively. Capital assets acquired are recorded at cost or estimated cost. 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

I. Use of Estimates

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

L. Pensions

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

J. Other Accounting Policies

General fixed asset purchases are recorded as expenditures in the general fund and special revenue funds at the time of purchase. Such assets are capitalized at cost in the general fixed assets group of accounts. 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.

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.

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

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Management's Review of Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through May 2, 2016, 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, 2015, have not been evaluated by the City.

2. CASH AND INVESTMENTS

Under Kentucky Revised Statute 66.480, the City is allowed to invest in obligations of the U.S. and of its agencies, obligations backed by the full faith and credit of the U.S. or a U.S. government agency, obligations of any corporation of the U.S. government, certificates of deposit or other interest-bearing accounts issued by institutions insured by the Federal Deposit Insurance Corporation (FDIC) or similarly collateralized institutions, and bonds and securities of states, local governments, or related agencies in the U.S. rated in one of the three highest categories by a nationally recognized rating agency.

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.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2015 the City held investments in the following municipal and corporate bonds. Bond ratings were not available for disclosure.

Municipal Bonds

Clark County Nevada Las Vegas Convention
Illinois Municipal Electric Agency Power Supply System
Illinois State GO Pension
Massachusetts Health and Education Northeast University
Minnesota Financial School Loan Revolving Fund
Walnut California Energy Center

Corporate Bonds

Citigroup Inc Global Sub Note
Citigroup Inc Senior Note

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

2. CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

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

The City of Liberty'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 totaled \$1,853,919 and the bank balances totaled \$2,008,442. As of June 30, 2015 \$1,860,598 was held as collateral by the custodial banks in the City's name.

Concentration of Credit Risk

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

The City's investments at June 30, 2015, are as follows:

<u>Investment Type</u>	<u>Fair 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	\$ 625,427	\$ -	\$ 625,427	\$ -	\$ -
Money market funds	1,786	1,786	-	-	-
Mutual funds	91,901	91,901	-	-	-
Municipal bonds	102,910	-	51,961	22,639	28,310
Corporate bonds	5,229	-	5,229	-	-
	<u>\$ 827,253</u>	<u>\$ 93,687</u>	<u>\$ 682,617</u>	<u>\$ 22,639</u>	<u>\$ 28,310</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:

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Governmental Funds Total</u>	
Governmental Funds:				
Taxes	\$ 9,046	\$ 16,898	\$ 25,944	
Licenses, permits, billings	44,118	-	44,118	
Intergovernmental	4,153	5,781	9,934	
Gross receivables	57,317	22,679	79,996	
Less: allowance for uncollectible	(3,371)	-	(3,371)	
Net receivables	<u>\$ 53,946</u>	<u>\$ 22,679</u>	<u>\$ 76,625</u>	
				<u>Business-Type Activities Total</u>
Business-Type Activities:	<u>Water & Sewer Fund</u>	<u>Gas Fund</u>	<u>Garbage Fund</u>	
Customer	\$ 141,317	\$ 118,844	\$ 53,154	\$ 313,315
Less: allowance for uncollectible	(33,622)	(54,864)	(22,259)	(110,745)
Net receivables	<u>\$ 107,695</u>	<u>\$ 63,980</u>	<u>\$ 30,895</u>	<u>\$ 202,570</u>

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

4. CAPITAL ASSETS

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

	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
Governmental Activities:				
Capital assets not depreciated:				
Land	\$ 757,851	\$ -	\$ -	\$ 757,851
Construction in Progress	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>4,000</u>
	<u>761,851</u>	<u>-</u>	<u>-</u>	<u>761,851</u>
Capital assets that are depreciated:				
Land Improvements	\$ 700,021	\$ 23,997	\$ -	\$ 724,018
Buildings and Improvements	1,133,688	-	(149,208)	984,480
Vehicles	695,066	89,366	(50,475)	733,957
Equipment	<u>130,709</u>	<u>9,579</u>	<u>(3,448)</u>	<u>136,840</u>
Totals	<u>2,659,484</u>	<u>122,942</u>	<u>(203,131)</u>	<u>2,579,295</u>
Total Capital Assets	<u>3,421,335</u>	<u>122,942</u>	<u>(203,131)</u>	<u>3,341,146</u>
Less Accumulated Depreciation:				
Land Improvements	130,475	36,142	-	166,617
Buildings and Improvements	380,283	29,538	(31,452)	378,369
Vehicles	482,508	45,144	(42,114)	485,538
Equipment	<u>57,408</u>	<u>14,102</u>	<u>(1,925)</u>	<u>69,585</u>
Totals	<u>1,050,674</u>	<u>124,926</u>	<u>(75,491)</u>	<u>1,100,109</u>
Capital assets, net	<u>\$ 2,370,661</u>	<u>\$ (1,984)</u>	<u>\$ (127,640)</u>	<u>\$ 2,241,037</u>
	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
Business-Type Activities				
Capital assets not depreciated:				
Land	\$ 104,272	\$ -	\$ -	\$ 104,272
Construction in Progress	<u>18,000</u>	<u>111,886</u>	<u>-</u>	<u>129,886</u>
Totals	<u>122,272</u>	<u>111,886</u>	<u>-</u>	<u>234,158</u>
Capital assets that are depreciated:				
Water Plant	\$ 13,635,387	\$ 3,800	\$ (118,551)	13,520,636
Sewer Plant	8,812,813	16,886	(21,016)	8,808,683
Gas Lines & Equipment	687,274	-	(64,319)	622,955
Garbage Equipment	<u>276,082</u>	<u>-</u>	<u>-</u>	<u>276,082</u>
Totals	<u>23,411,556</u>	<u>20,686</u>	<u>(203,886)</u>	<u>23,228,356</u>
Total Capital Assets	<u>23,533,828</u>	<u>132,572</u>	<u>(203,886)</u>	<u>23,462,514</u>
Less Accumulated Depreciation				
	<u>9,816,389</u>	<u>812,173</u>	<u>(198,648)</u>	<u>10,429,914</u>
Capital Assets, net	<u>\$ 13,717,439</u>	<u>\$ (679,601)</u>	<u>\$ (5,238)</u>	<u>\$ 13,032,600</u>

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

4. CAPITAL ASSETS (Continued)

Depreciation Expense was charged to the Governmental functions as follows:

General government	\$ 65,055
Police	18,027
Fire	<u>41,844</u>
Total Depreciation Expense	<u>\$ 124,926</u>

5. SHORT - TERM DEBT

GOVERNMENTAL ACTIVITIES

During fiscal year 2015 the City of Liberty entered into a revolving note with Casey County Bank to finance the City's portion of the Casey County Education and Learning Center. The note bears interest at a rate of 2.5% and was paid refinanced with long-term debt during fiscal year 2015.

The following is a summary of changes in general short – term debt for the year ended June 30, 2015:

	July 1, 2014	Additions	Retirements	June 30, 2015
Revolving Note	<u>\$ -</u>	<u>\$ 750,000</u>	<u>\$ (750,000)</u>	<u>\$ -</u>

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 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 following is a summary of the revenue bonds outstanding for the year ended June 30, 2015 and 2014:

Revenue Bonds and Loans Payable	Outstanding June 30, 2015	Outstanding June 30, 2014
Water and Sewer Fund - \$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>\$ 4,905,000</u>	<u>\$ 5,142,083</u>

During 2010, the City entered into a lease-purchase agreement with Branch Banking & Trust (BB&T) for the purchase of a garbage truck. The agreement requires semi-annual payments of \$18,125 over a period of 5 years and the interest rate is fixed at 3.74%. The total cost of the garbage truck was \$163,924 and the net book value at June 30, 2015 was \$68,302. The truck was paid off during the year ending June 30, 2015.

**CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

6. LONG - TERM DEBT

BUSINESS - TYPE ACTIVITIES

The following is a summary of the changes in long – term debt for the year ended June 30, 2015:

	July 1, 2014	Additions	Retirements	June 30, 2015
W&S Bond 2013A	\$ 5,142,083	\$ -	\$ (237,083)	\$ 4,905,000
Garbage Truck Lease	<u>17,792</u>	<u>-</u>	<u>(17,792)</u>	<u>-</u>
	<u>\$ 5,159,875</u>	<u>\$ -</u>	<u>\$ (254,875)</u>	<u>\$ 4,905,000</u>

The annual requirements to amortize all long-term debt outstanding as of June 30, 2015, are as follows:

June 30	Principal	Interest	Total
2016	\$ 221,250	\$ 152,058	\$ 373,308
2017	195,000	147,079	342,079
2018	197,083	142,692	339,775
2019	202,083	138,257	340,341
2020	207,083	133,540	340,623
2021-2025	1,101,250	580,909	1,682,159
2026-2030	1,086,667	407,934	1,494,601
2031-2035	948,333	239,049	1,187,382
2036-2040	<u>746,250</u>	<u>79,920</u>	<u>826,170</u>
	<u>\$ 4,905,000</u>	<u>\$ 2,021,438</u>	<u>\$ 6,926,438</u>

The water and sewer fund is in compliance with all significant limitations and restrictions contained in the bond indenture. As of June 30, 2015 the amount reserved for bond principal and interest payments was \$164,250. Additionally, the City has designated \$413,976 as a depreciation reserve.

GOVERNMENTAL ACTIVITIES

During fiscal year 2008 the City of Liberty entered into a lease-purchase agreement with Oshkosh Capital for the acquisition of a fire truck. The agreement bears interest at a rate of 4.85% and requires annual payments of \$26,860 over a period of 10 years. The total cost of the fire truck was \$208,925. The obligation is reported as general long-term debt.

As of June 30, 2015 the future capital lease payments of the fire truck are summarized as follows:

	Principal	Interest	Total
2016	\$ 24,433	\$ 2,427	\$ 26,860
2017	<u>25,618</u>	<u>1,242</u>	<u>26,861</u>
	<u>\$ 50,051</u>	<u>\$ 3,669</u>	<u>\$ 53,721</u>

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

8. RETIREMENT PLAN (CONTINUED)

For the year ended June 30, 2015, the City recognized pension expense of \$55,600. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on Plan investments	-	85,600
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	<u>87,992</u>	<u>-</u>
Total	<u>\$ 87,992</u>	<u>\$ 85,600</u>

The \$87,992 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, 2016. 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,	
2016	\$ (21,400)
2017	(21,400)
2018	(21,400)
2019	(21,400)

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	4.50%, average, including inflation
Investment rate of return	7.75%, net of Plan investment expense, including inflation

Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006, and the 1994 Group Annuity Mortality Table for all other members.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005-June 30, 2008.

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

8. RETIREMENT PLAN (CONTINUED)

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. Several factors are considered in evaluating the long-term rate of return assumptions including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

Asset Class	Target Allocation	Long-term Nominal Real Rate of Return
Domestic Equity	30%	8.45%
International Equity	22%	8.85%
Emerging Market Equity	5%	10.50%
Private Equity	7%	11.25%
Real Estate	5%	7.00%
Core US Fixed Income	10%	5.25%
High Yield US Fixed Income	5%	7.25%
Non US Fixed Income	5%	5.50%
Commodities	5%	7.75%
TIPS	5%	5.00%
Cash	1%	3.25%
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 29 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.

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

8. RETIREMENT PLAN (CONTINUED)

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 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<u>Discount rate</u>		<u>City's proportionate share of net pension liability</u>
1% decrease	6.75%	\$	1,265,449
Current discount rate	7.75%	\$	962,373
1% increase	8.75%	\$	693,211

Payable to the Pension Plan – At June 30, 2015, the City reported a payable of \$13,680 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015. The payable includes both the pension and insurance contribution allocation.

9. RISK MANAGEMENT

The City of Liberty is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In addition to its general liability insurance, the city also carries commercial insurance for all other risks of loss such as worker's compensation and employee health and accident insurance.

10. CONCENTRATIONS

The City has a concentration of revenue in the Water and Sewer Fund and the Gas Fund. One customer generated approximately 54% of the Water and Sewer Fund's service revenue and 49% of the accounts receivable at June 30, 2015. In addition, one industrial company generated approximately 48% of gas service charges and comprised 66% of the accounts receivable balance reported in the Gas Fund at June 30, 2015.

11. RESTATEMENT OF NET POSITION

Sick Leave

It is the City's policy to not pay out accrued but unused sick leave upon termination or retirement. During 2015 the City reevaluated sick leave amounts previously accrued and determined that accrual was unnecessary. The City restated beginning net position and fund balance to reflect this change.

Implementation of new accounting standard GASB Statement No. 68

During 2015 the City implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions, which addresses financial reporting for state and local government employers whose employees are provided with pensions through pension plans that are covered under Statement No. 67, Financial Reporting for Pension Plans.

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

11. RESTATEMENT OF NET POSITION (CONTINUED)

Implementation of new accounting standard GASB Statement No. 68, continued

The guidance contained in Statement 68 changed how governments calculate and report the costs and obligations associated with pensions. Under the new standards GASB requires that cost-sharing governments report a net pension liability, pension expense, and pension related deferred inflows and outflows of resources based on their proportionate share of the collective amounts for all the governments in the plan. In addition, GASB requires Statement 68 to be applied retroactively, which has resulted in a restatement of beginning net position.

Restatements of net position and fund balance are as follows:

	2015
<u>Governmental Activities</u>	
Net position, at beginning of year	\$ 2,563,663
Sick leave accrual adjustment	1,084
Beginning net pension liability	<u>(332,667)</u>
Net position, at beginning of year, as restated	<u>\$ 2,232,080</u>
<u>Business-Type Activities</u>	
Water and Sewer	
Net position, at beginning of year	\$ 8,954,446
Sick leave accrual adjustment	9,215
Beginning net pension liability	<u>(312,424)</u>
Net position, at beginning of year, as restated	<u>\$ 8,651,237</u>
Gas	
Net position, at beginning of year	\$ 961,502
Sick leave accrual adjustment	10,474
Beginning net pension liability	<u>(276,527)</u>
Net position, at beginning of year, as restated	<u>\$ 695,449</u>
Garbage	
Net position, at beginning of year	\$ 101,108
Sick leave accrual adjustment	2,117
Beginning net pension liability	<u>(70,755)</u>
Net position, at beginning of year, as restated	<u>\$ 32,470</u>
Total Business-Type Activities	<u>\$ 9,379,156</u>
Total Governmental and Business-Type Activities	<u>\$ 11,611,236</u>
<u>General Fund</u>	
Net position, at beginning of year	\$ 94,069
Sick leave accrual adjustment	<u>1,084</u>
Net position, at beginning of year, as restated	<u>\$ 95,153</u>

SUPPLEMENTAL INFORMATION

CITY OF LIBERTY, KENTUCKY
REQUIRED SUPPLEMENTAL BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2015

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Taxes				
Property taxes & motor vehicle taxes	\$ 253,000	\$ 265,500	\$ 271,519	\$ 6,019
Payment in lieu of taxes	9,250	9,250	9,706	456
	<u>262,250</u>	<u>274,750</u>	<u>281,225</u>	<u>6,475</u>
Licenses and permits				
City stickers	13,000	4,900	4,917	17
Franchise fees	70,000	69,000	76,016	7,016
Insurance premiums	210,000	231,000	233,844	2,844
Building permits	2,000	600	595	(5)
	<u>295,000</u>	<u>305,500</u>	<u>315,372</u>	<u>9,872</u>
Fines and forfeitures				
Parking Tickets/Arrest Fees	1,600	1,000	1,240	240
	<u>1,600</u>	<u>1,000</u>	<u>1,240</u>	<u>240</u>
Intergovernmental				
Base court revenue	11,000	9,700	9,287	(413)
Police incentive pay	14,500	15,500	16,279	779
Local economic assistance	2,300	2,900	2,455	(445)
Police grant	36,196	36,196	36,196	-
Other grants	10,500	13,000	13,336	336
Fire equipment grant	8,250	8,250	11,450	3,200
	<u>82,746</u>	<u>85,546</u>	<u>89,003</u>	<u>3,457</u>
Charges for service				
Fishing permits	1,200	1,200	1,455	255
Accident reports	1,000	1,400	1,345	(55)
	<u>2,200</u>	<u>2,600</u>	<u>2,800</u>	<u>200</u>
Other revenues				
Interest income	1,200	1,200	1,386	186
Management fees	135,000	135,000	135,000	-
Other revenues	28,500	36,425	47,707	11,282
	<u>164,700</u>	<u>172,625</u>	<u>184,093</u>	<u>11,468</u>
Other Financing Sources				
Transfers in, net	174,000	230,000	256,689	26,689
Sale of asset	140,000	144,500	144,557	57
Note proceeds	-	750,000	850,000	100,000
	<u>-</u>	<u>750,000</u>	<u>850,000</u>	<u>100,000</u>
Total Revenue and Other Financing Sources	<u>\$ 1,122,496</u>	<u>\$ 1,966,521</u>	<u>\$ 2,124,979</u>	<u>\$ 158,458</u>

CITY OF LIBERTY, KENTUCKY
REQUIRED SUPPLEMENTAL BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2015

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
General Government				
Salaries	\$ 108,844	\$ 113,000	\$ 111,460	\$ (1,540)
Payroll taxes and employee benefits	31,299	31,900	30,770	(1,130)
KY ASAP grant	10,500	13,000	13,469	469
Planning and zoning expenses	6,000	5,500	5,403	(97)
Professional services	10,000	19,250	18,315	(935)
Utilities	10,000	8,000	8,155	155
Office supplies	3,400	2,500	7,075	4,575
Insurance	23,000	24,200	25,772	1,572
Travel/lodging	4,000	1,000	677	(323)
Lake Liberty expenses	1,000	3,000	5,371	2,371
Postage	1,400	100	729	629
Dues and subscriptions	-	250	250	-
Parks and recreation	30,000	13,000	14,253	1,253
Education center	193,155	1,015,000	1,014,909	(91)
Fireworks	19,000	18,500	18,500	-
Other expenses	22,000	20,710	14,329	(6,381)
	<u>473,598</u>	<u>1,288,910</u>	<u>1,289,437</u>	<u>527</u>
Public Safety - Police				
Salaries	194,400	215,700	198,666	(17,034)
Payroll taxes and employee benefits	72,683	91,250	91,204	(46)
Motor fuels	18,000	16,000	15,001	(999)
Utilities	4,000	4,100	4,140	40
Equipment	8,000	10,100	12,065	1,965
Vehicle repairs	5,000	3,100	2,774	(326)
Uniforms	2,000	2,100	2,100	-
Insurance	23,000	22,000	21,781	(219)
Travel and lodging	-	-	-	-
Miscellaneous	4,500	3,800	4,208	408
	<u>331,583</u>	<u>368,150</u>	<u>351,939</u>	<u>(16,211)</u>
Public Safety - Fire				
Labor	44,400	53,880	54,000	120
Repairs and maintenance	2,000	13,000	13,875	875
Equipment	15,000	13,000	14,051	1,051
Utilities	8,400	9,700	9,827	127
Insurance	8,000	7,500	7,453	(47)
Motor fuel	3,000	3,000	2,812	(188)
Miscellaneous	3,000	10,200	12,204	2,004
	<u>83,800</u>	<u>110,280</u>	<u>114,222</u>	<u>3,942</u>

CITY OF LIBERTY, KENTUCKY
REQUIRED SUPPLEMENTAL BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2015

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Street Department				
Street repairs	\$ 10,000	\$ 1,000	\$ 955	\$ (45)
Repairs and maintenance	2,000	6,850	6,836	(14)
Utilities	50,000	55,000	53,739	(1,261)
Supplies	1,500	4,600	4,802	202
Insurance	2,300	-	-	-
	<u>65,800</u>	<u>67,450</u>	<u>66,332</u>	<u>(1,118)</u>
Capital Outlay	<u>90,811</u>	<u>96,730</u>	<u>122,941</u>	<u>26,211</u>
Debt Service	<u>35,110</u>	<u>34,918</u>	<u>40,831</u>	<u>5,913</u>
TOTAL EXPENDITURES	<u>1,080,702</u>	<u>1,966,438</u>	<u>1,985,702</u>	<u>19,264</u>
Other Financing Use				
Bond expense	-	-	13,500	13,500
	<u>\$ 1,080,702</u>	<u>\$ 1,966,438</u>	<u>\$ 1,999,202</u>	<u>\$ 32,764</u>

Note 1: The City failed to amend the budget for \$30,000 of expenditures, approved by Council, for repairs to the fire truck.

**CITY OF LIBERTY, KENTUCKY
 REQUIRED SUPPLEMENTAL SCHEDULE OF
 PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 Last Two Fiscal Years**

	2015	2014
City's proportion of the net pension liability	0.03%	0.03%
City's proportionate share of the net pension liability (asset)	\$ 962,373	\$ 1,085,805
City's covered employee payroll	\$ 676,346	\$ 671,150
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	142.29%	161.78%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	61.22%

Notes:

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the last two fiscal years.

**CITY OF LIBERTY, KENTUCKY
REQUIRED SUPPLEMENTAL
SCHEDULE OF CONTRIBUTIONS
Last Three Fiscal Years**

	2015	2014	2013
Contractually required employer contribution	\$ 87,992	\$ 93,431	\$ 80,490
Contributions relative to contractually required employer contribution	<u>\$ 87,992</u>	<u>\$ 93,431</u>	<u>\$ 80,490</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 676,346	\$ 671,150	\$ 637,796
Employer contributions as a percentage of covered-employee payroll	13.01%	13.92%	12.62%

Notes:

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the last two fiscal years.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The above contributions only include those contributions allocated directly to the CERS pension fund.

**CITY OF LIBERTY, KENTUCKY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015**

	<u>Cemetery Fund</u>	<u>Municipal Road Aid Fund</u>	<u>Restaurant Tax Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 35,573	\$ -	\$ 79,496	\$ 115,069
Investments	57,197	-	-	57,197
Receivables, net	-	5,781	16,898	22,679
Due from other funds	-	125,050	-	125,050
Total assets	<u>\$ 92,770</u>	<u>\$ 130,831</u>	<u>\$ 96,394</u>	<u>\$ 319,995</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Due to other funds	\$ 4,786	\$ -	\$ -	\$ 4,786
Total liabilities	<u>4,786</u>	<u>-</u>	<u>-</u>	<u>4,786</u>
Fund balance	<u>87,984</u>	<u>130,831</u>	<u>96,394</u>	<u>315,209</u>
Total liabilities and fund balances	<u>\$ 92,770</u>	<u>\$ 130,831</u>	<u>\$ 96,394</u>	<u>\$ 319,995</u>

**CITY OF LIBERTY, KENTUCKY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 for the year ended June 30, 2015**

	<u>Cemetery Fund</u>	<u>Municipal Road Aid Fund</u>	<u>Restaurant Tax Fund</u>	<u>Total</u>
REVENUES				
Taxes	\$ -	\$ -	\$ 96,394	\$ 96,394
Intergovernmental	-	47,964	-	47,964
Other revenues	<u>4,085</u>	<u>-</u>	<u>-</u>	<u>4,085</u>
Total revenues	<u>4,085</u>	<u>47,964</u>	<u>96,394</u>	<u>148,443</u>
EXPENDITURES				
Current				
General government	1,592	-	-	1,592
Streets department	<u>-</u>	<u>78,577</u>	<u>-</u>	<u>78,577</u>
Total expenditures	<u>1,592</u>	<u>78,577</u>	<u>-</u>	<u>80,169</u>
Excess (deficiency) of revenues over expenditures	<u>2,493</u>	<u>(30,613)</u>	<u>96,394</u>	<u>68,274</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	2,493	(30,613)	96,394	68,274
Fund balances-beginning	<u>85,491</u>	<u>161,444</u>	<u>-</u>	<u>246,935</u>
Fund balances-ending	<u>\$ 87,984</u>	<u>\$ 130,831</u>	<u>\$ 96,394</u>	<u>\$ 315,209</u>

CITY OF LIBERTY, KENTUCKY
COMBINING STATEMENT OF OPERATING REVENUES AND EXPENSES
WATER AND SEWER PROPRIETARY FUND
for the year ended June 30, 2015

	WATER	SEWER	TOTAL
OPERATING REVENUES			
Charges for service	\$ 802,734	\$ 323,504	\$ 1,126,238
	<u>802,734</u>	<u>323,504</u>	<u>1,126,238</u>
OPERATING EXPENSES			
Salaries and wages	183,542	33,700	217,242
Casual labor	5,316	5,638	10,954
Payroll taxes	13,415	2,496	15,911
Retirement	23,478	4,524	28,002
Uniforms and laundry	4,525	3,325	7,850
Maintenance and repairs	206,798	73,331	280,129
Motor fuel	6,118	5,172	11,290
Office expense and postage	3,389	2,701	6,090
Legal and professional	12,396	14,722	27,118
Utilities	53,663	51,285	104,948
Insurance	64,080	22,787	86,867
Sludge hauling	-	7,222	7,222
Pretreatment expenses	-	18,345	18,345
Management fees	32,714	10,286	43,000
Other expense	11,501	6,201	17,702
Amortization	-	-	-
Depreciation	480,779	289,036	769,815
	<u>1,101,714</u>	<u>550,771</u>	<u>1,652,485</u>
OPERATING INCOME	<u>\$ (298,980)</u>	<u>\$ (227,267)</u>	<u>\$ (526,247)</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**

Mayor and the City Council
City of Liberty
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, 2015, 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 May 2, 2016.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency (2015-001).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Liberty, Kentucky's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items (2015-001).

City of Liberty, Kentucky's Response to Findings

City of Liberty, Kentucky's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Liberty, Kentucky's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
May 2, 2016

**CITY OF LIBERTY, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
for the year ended June 30, 2015**

#2015-001 – Personnel Pay and Classification Plan

Cause:

KRS 83A.070 requires the City to fix the compensation of city employees in accordance with a personnel and pay classification plan which shall be adopted by ordinance. The City failed to utilize a personnel pay and classification plan during 2015. In addition, the City's written personnel policies appear to be out dated resulting in various personnel related matters noted in the policy to vary from actual practice.

Effect:

The City failed to properly comply with KRS 83A.070 and the City has failed to have proper documentation on certain personnel related policies.

Recommendation:

We recommend that the City implement a personnel and pay classification plan in accordance with KRS 83A.070. Furthermore, we recommend that the City review current personnel policies and compare the policies to actual practice and update or modify the formal written personnel policy handbook.

Response:

The City of Liberty has been working on and will continue updating the personnel policies and procedures. The updated plan will include a pay classification plan. Once the update is approved, the city will follow all policies within the personnel handbook. The city will also strive to have proper documentation on all personnel related policies.

CITY OF LIBERTY
Liberty, Kentucky

FINANCIAL STATEMENTS
June 30, 2014

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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, 2014. Please read in conjunction with the auditor's report on page 9-10 and the City's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- The City's net position decreased in the governmental activities and decreased in the business-type activities. The net position of the governmental activities decreased by \$29,742, and the net position of the business-type activities decreased to \$10,017,056, which was a 5.6 percent decrease from the previous year.
- In the City's governmental activities, revenues decreased by \$46,256, or 5.2 percent, and expenses increased by 11.7 percent to \$1,032,097. In the business-type activities, revenues decreased to \$2,730,315 which is an decrease of 9.8 percent, while expenses increased by 1.7 percent to \$3,175,534.

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 now 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 expenditures 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 liabilities—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, sewer and garbage.

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 Assets

	Governmental		Business-type		Total Primary	
	Activities		Activities		Government	
	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013
Current and Other Assets	\$ 389,533	\$ 363,493	\$ 1,759,241	\$ 2,078,553	\$ 2,148,774	\$ 2,442,046
Capital Assets	2,370,662	2,372,927	13,717,439	14,344,258	16,088,101	16,717,185
Deferred Outflows of Resources	-	-	24,252	25,033	24,252	25,033
Total Assets	<u>2,760,195</u>	<u>2,736,420</u>	<u>15,500,932</u>	<u>16,447,844</u>	<u>18,261,127</u>	<u>19,184,264</u>
Long-Term Debt Outstanding	118,779	73,353	4,905,000	5,159,876	5,023,779	5,233,229
Current Liabilities	<u>77,753</u>	<u>69,662</u>	<u>578,876</u>	<u>673,372</u>	<u>656,629</u>	<u>743,034</u>
Total Liabilities	<u>196,532</u>	<u>143,015</u>	<u>5,483,876</u>	<u>5,833,248</u>	<u>5,680,408</u>	<u>5,976,263</u>
Net Position:						
Invested in Capital Assets, net of related debt	2,222,659	2,270,033	8,581,816	8,927,342	10,804,475	11,197,375
Restricted	246,935	241,751	164,250	164,250	411,185	406,001
Unrestricted	<u>94,069</u>	<u>81,621</u>	<u>1,270,990</u>	<u>1,523,004</u>	<u>1,365,059</u>	<u>1,604,625</u>
Total Net Position	<u>\$ 2,563,663</u>	<u>\$ 2,593,405</u>	<u>\$ 10,017,056</u>	<u>\$ 10,614,596</u>	<u>\$ 12,580,719</u>	<u>\$ 13,208,001</u>

The net position of the City's governmental activities decreased from \$2,593,405 in 2013 to \$2,563,663 in 2014, which is a 1.1% decrease. The net position of the business-type activities decreased from \$10,614,596 to \$10,017,056 in 2014, which is a 5.6 percent decrease. The net position from one activity generally cannot be used to make up for any deficits in the other activities.

NET POSITION, continued

Table A-2

Condensed Statement of Activities

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2013</u>
Revenues						
Program Revenues						
Charges for Service	\$ 2,840	\$ 2,681	\$ 2,699,072	\$ 2,479,545	\$ 2,701,912	\$ 2,482,226
Operating Grants & Contributions	90,608	160,732	-	-	90,608	160,732
Capital Grants & Contributions	8,250	8,250	6,631	521,530	14,881	529,780
General Revenue						
Taxes	265,476	266,264	-	-	265,476	266,264
License fees	259,568	264,044	-	-	259,568	264,044
Permits	20,439	24,125	-	-	20,439	24,125
Other Grants and Contributions	2,054	2,511	-	-	2,054	2,511
Investment Earnings	7,307	5,805	24,608	25,353	31,915	31,158
Management fees	135,000	135,000	-	-	135,000	135,000
Miscellaneous	52,297	20,683	404	-	52,701	20,683
Total Revenue	843,839	890,095	2,730,715	3,026,428	3,574,554	3,916,523
Program Expenses						
General Government	426,399	314,361	-	-	426,399	314,361
Public Safety - Police	375,133	345,210	-	-	375,133	345,210
Public Safety - Fire	140,251	119,094	-	-	140,251	119,094
Streets Department	85,999	139,215	-	-	85,999	139,215
Interest on Long-term Debt	4,315	6,096	-	-	4,315	6,096
Utility	-	-	3,175,534	3,121,012	3,175,534	3,121,012
Total Program Expenses	1,032,097	923,976	3,175,534	3,121,012	4,207,631	4,044,988
Other Changes						
Transfers	156,113	(79,771)	(156,113)	79,771	-	-
Gain (loss) on sale of assets	2,403	3,720	3,392	-	5,795	3,720
Total Other Changes	158,516	(76,051)	(152,721)	79,771	5,795	3,720
Change In Net Position	\$ (29,742)	\$ (109,932)	\$ (597,540)	\$ (14,813)	\$ (627,282)	\$ (124,745)

The City's total revenue decreased by 8.7 percent and the total cost of all programs reflected an increase of 4.0 percent. On the following page is a more in-depth description of the revenues and expenses of the governmental and business-type activities.

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 Activities - Revenues & Expenditures

	<u>FY 2014</u>	<u>FY 2013</u>	<u>Change</u>
Taxes	\$ 265,476	\$ 266,264	\$ (788)
Licenses and permits	280,007	288,169	(8,162)
Fines and Forfeits	1,175	1,615	(440)
Intergovernmental	100,912	171,493	(70,581)
Charges for Services	2,840	2,681	159
Other Revenues	<u>193,429</u>	<u>159,873</u>	<u>33,556</u>
Total Revenues	<u>843,839</u>	<u>890,095</u>	<u>(46,256)</u>
General Government	\$ 359,564	\$ 251,591	\$ 107,973
Public Safety	459,018	413,567	45,451
Streets Department	85,999	139,215	(53,216)
Capital Outlay	127,595	68,185	59,410
Debt Service	<u>33,857</u>	<u>34,395</u>	<u>(538)</u>
Total Expenditures	<u>1,066,033</u>	<u>906,953</u>	<u>159,080</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ (222,194)</u>	<u>\$ (16,858)</u>	<u>\$ (205,336)</u>

Revenues for the City's governmental activities decreased by 5.2 percent, while total expenditures increased by 17.5 percent. Governmental activities (deficiency) of revenues over expenditures before other financing sources (uses) increased by \$205,336. The City's major sources of revenue in the governmental activities are other revenue (22.9 percent), licenses and permits (33.2 percent), taxes (31.5 percent) and intergovernmental (12.0 percent). These revenue sources decreased 5.2 percent in 2014. The major change in expenditures in the governmental activities was a increase in general government of \$107,973 which is due to the support of the education center by the City during 2014.

BUSINESS-TYPE ACTIVITIES

Looking at the business-type activities, revenues for the City decreased to \$2,270,315, or 9.8 percent, while total expenses increased 1.7 percent. The decrease of revenues combined with the increase of expenses and increase in other changes increased the change in net position to (\$597,540). The City's major source of revenue in the business-type activities is charges for services, which increased to \$2,699,072. This revenue source makes up 98.9 percent of total revenues. The capital grants and contributions included grants for the water and sewer system expansion as discussed on page 7.

BUDGET HIGHLIGHTS

Over the course of the year, the City Council revised the City budget several times. These amendments were made shortly after the beginning of the year to reflect events that may occur. The budget contains proposed expenditures and expected revenues. A comparison of the final amended budget to actual amounts is presented in the table below (Tables A-4 & 5).

Table A-4

Condensed Governmental Activities - Revenues and Other Financing Sources

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Taxes	\$ 262,250	\$ 265,476	\$ 3,226
Licenses and permits	292,700	280,007	(12,693)
Fines and Forfeitures	1,600	1,175	(425)
Intergovernmental	50,550	50,745	195
Charges for Services	3,050	2,840	(210)
Other Revenues	168,700	186,465	17,765
Transfers in (out)	174,000	192,513	18,513
Note Proceeds	-	74,650	74,650
Sale of Asset	-	9,063	9,063
Total Revenues and Other Financing Sources	<u>\$ 952,850</u>	<u>\$1,062,934</u>	<u>\$ 110,084</u>

Table A-5

Condensed Governmental Activities - Expenditures

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Government	\$ 319,582	\$ 355,347	\$ 35,765
Public Safety	448,218	459,018	10,800
Streets Department	83,800	74,669	(9,131)
Debt Service	35,110	33,857	(1,253)
Capital Outlay	<u>58,600</u>	<u>127,595</u>	<u>68,995</u>
Total Expenditures	<u>\$ 945,310</u>	<u>\$1,050,486</u>	<u>\$ 105,176</u>

The City budgeted for a total of \$952,850 in revenues and other financing sources for 2014, but ended up having revenues of \$1,062,934, which put the City over the revenue budget by \$110,084. A total of \$945,310 was budgeted for expenses, and actual expenditures totaled \$1,050,486 at the end of 2014. The City was over budget on the expenses by \$105,176, as detailed above.

CAPITAL ASSETS

As discussed in Table A-6, the City has a total of \$26,955,163 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 0.5 percent increase from last year's total investment of \$26,812,004.

The major capital additions in the governmental activities were a fire ladder truck for \$75,150, fire department equipment for \$9,070, a leaf truck for \$7,700 and a parking lot for \$18,350. The business-type activities major capital additions were updates to the maintenance building for \$18,637, a new truck for \$13,992, a new gas regulator for \$19,600, two new fire hydrants for \$5,954, and various sewer equipment for \$30,283.

Table A-6

Capital Assets at Year End Without Depreciation

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2013</u>
Land & Improvements	\$1,457,872	\$1,427,397	\$ -	\$ -	\$ 1,457,872	\$ 1,427,397
Construction in Progress	4,000	-	18,000	18,000	22,000	18,000
Buildings & Improvements	1,133,688	1,132,488	-	-	1,133,688	1,132,488
Vehicles & Equipment	825,775	785,796	-	-	825,775	785,796
Water & Sewer System	-	-	23,515,828	23,448,323	23,515,828	23,448,323
Total Capital Assets	<u>\$3,421,335</u>	<u>\$3,345,681</u>	<u>\$ 23,533,828</u>	<u>\$23,466,323</u>	<u>\$ 26,955,163</u>	<u>\$ 26,812,004</u>

DEBT

This year the City has \$5,307,878 in debt, a 4.3 percent decrease from last year's total of \$5,544,843. The City issued Series 2013A Revenue Bonds to refund all prior outstanding Water and Sewer Fund revenue bonds for \$5,475,000.

Table A-7

Debt Outstanding at Year End

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2013</u>
Note Payable	\$ 148,003	\$ 102,894	\$ 17,792	\$ 52,404	\$ 165,795	\$ 155,298
Revenue Bond Payable	-	-	5,142,083	5,389,545	5,142,083	5,389,545
Total Debt Outstanding	<u>\$ 148,003</u>	<u>\$ 102,894</u>	<u>\$ 5,159,875</u>	<u>\$ 5,441,949</u>	<u>\$ 5,307,878</u>	<u>\$ 5,544,843</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected officials consider many factors when setting the fiscal year 2015 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 Ms. Sharleen Rodgers, City Clerk, at P.O. Box 127, Liberty, KY 42539.



Ray, Foley, Hensley & Company, PLLC

Certified Public Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

Mayor and the City Council
City of Liberty
Liberty, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Liberty, Kentucky, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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, 2014, 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.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 8 and 30 through 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining nonmajor governmental fund financial statements and the combining statement of water and sewer fund operating revenues and expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor governmental fund financial statements and the combining statement of water and sewer fund operating revenues and expenses 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's 2013 financial statements, and we expressed unmodified audit 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 April 25, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived, except for the effects of the restatement of net position described in Note 10.

Other Reporting Required by Government Auditing Standards

In accordance with **Government Auditing Standards**, we have also issued our report dated December 29, 2014, 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 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 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.

Ray, Foley, Hensley & Company

Ray, Foley, Hensley and Company, PLLC
December 29, 2014

CITY OF LIBERTY, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2014

	Primary Government			2013 Totals
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash	\$ 215,494	\$ 525,348	\$ 740,842	\$ 815,969
Investments	125,016	862,285	987,301	1,150,718
Receivables (net)	56,269	187,125	243,394	214,019
Interest receivable	65	3,239	3,304	3,677
Other assets	7,500	-	7,500	20,349
Grant receivable	-	2,183	2,183	73,064
Internal balances	(14,811)	14,811	-	-
Total current assets	<u>389,533</u>	<u>1,594,991</u>	<u>1,984,524</u>	<u>2,277,796</u>
Noncurrent assets				
Restricted assets				
Cash	-	164,250	164,250	164,250
Capital assets				
Construction in progress	4,000	18,000	22,000	18,000
Land and improvements	757,851	104,272	862,123	862,123
Utility systems, net	-	13,595,167	13,595,167	14,221,986
Depreciable buildings, property, and equipment, net	1,608,811	-	1,608,811	1,615,076
Total noncurrent assets	<u>2,370,662</u>	<u>13,881,689</u>	<u>16,252,351</u>	<u>16,881,435</u>
Total assets	<u>2,760,195</u>	<u>15,476,680</u>	<u>18,236,875</u>	<u>19,159,231</u>
DEFERRED OUTFLOWS OF RESOURCES				
Defeasance on refunding	-	24,252	24,252	25,033
Total assets and deferred outflows of resources	<u>\$ 2,760,195</u>	<u>\$ 15,500,932</u>	<u>\$ 18,261,127</u>	<u>\$ 19,184,264</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 36,530	\$ 87,389	\$ 123,919	\$ 162,830
Accounts payable-construction	-	-	-	25,000
Accrued liabilities	11,999	69,388	81,387	74,148
Customer deposits	-	154,809	154,809	154,689
Accrued interest payable	-	12,415	12,415	14,753
Current portion of long-term obligations	29,224	254,875	284,099	311,614
Total current liabilities	<u>77,753</u>	<u>578,876</u>	<u>656,629</u>	<u>743,034</u>
Noncurrent liabilities				
Noncurrent portion of long-term obligations	118,779	4,905,000	5,023,779	5,233,229
Total liabilities	<u>196,532</u>	<u>5,483,876</u>	<u>5,680,408</u>	<u>5,976,263</u>
NET POSITION				
Net investment in capital assets	2,222,659	8,581,816	10,804,475	11,197,375
Restricted for other purposes	246,935	164,250	411,185	406,001
Unrestricted	94,069	1,270,990	1,365,059	1,604,625
Total net position	<u>2,563,663</u>	<u>10,017,056</u>	<u>12,580,719</u>	<u>13,208,001</u>
Total liabilities and net position	<u>\$ 2,760,195</u>	<u>\$ 15,500,932</u>	<u>\$ 18,261,127</u>	<u>\$ 19,184,264</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, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			2013 Totals
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 426,399	\$ 1,730	\$ 23,093	\$ -	\$ (401,576)	\$ -	\$ (401,576)	\$ (287,097)
Public safety-Police	375,133	1,110	17,348	-	(356,675)	-	(356,675)	(329,291)
Public safety-Fire	140,251	-	-	8,250	(132,001)	-	(132,001)	(110,844)
Street department	85,999	-	50,167	-	(35,832)	-	(35,832)	(18,985)
Interest on long-term debt	4,315	-	-	-	(4,315)	-	(4,315)	(6,096)
Total governmental activities	<u>1,032,097</u>	<u>2,840</u>	<u>90,608</u>	<u>8,250</u>	<u>(930,399)</u>	<u>-</u>	<u>(930,399)</u>	<u>(752,313)</u>
Business type activities								
Utility	<u>3,175,534</u>	<u>2,699,072</u>	<u>-</u>	<u>6,631</u>	<u>-</u>	<u>(469,831)</u>	<u>(469,831)</u>	<u>(119,937)</u>
Total business-type activities	<u>3,175,534</u>	<u>2,699,072</u>	<u>-</u>	<u>6,631</u>	<u>-</u>	<u>(469,831)</u>	<u>(469,831)</u>	<u>(119,937)</u>
Total primary government	<u>\$ 4,207,631</u>	<u>\$ 2,701,912</u>	<u>\$ 90,608</u>	<u>\$ 14,881</u>	<u>(930,399)</u>	<u>(469,831)</u>	<u>(1,400,230)</u>	<u>(872,250)</u>

General revenues

Taxes								
Property taxes, levied for general purposes					265,476	-	265,476	266,264
License fee								
Franchise					77,981	-	77,981	71,382
Insurance premiums					181,587	-	181,587	192,662
Permits								
Building					2,195	-	2,195	3,030
City Stickers					18,244	-	18,244	21,095
Fines and forfeitures					1,175	-	1,175	1,615
Grants and contributions								
not restricted to specific programs					2,054	-	2,054	2,511
Investment earnings					7,307	24,608	31,915	31,158
Management fees					135,000	-	135,000	135,000
Miscellaneous					51,122	404	51,526	19,068
Total general revenues					<u>742,141</u>	<u>25,012</u>	<u>767,153</u>	<u>743,785</u>
Gain (loss) on sale of assets					2,403	3,392	5,795	3,720
Transfers					156,113	(156,113)	-	-
Total general revenues and transfers					<u>900,657</u>	<u>(127,709)</u>	<u>772,948</u>	<u>747,505</u>

Change in Net Position

Change in Net Position	(29,742)	(597,540)	(627,282)	(124,745)
Net position-beginning, as restated	<u>2,593,405</u>	<u>10,614,596</u>	<u>13,208,001</u>	<u>13,332,746</u>
NET POSITION-ENDING	<u>\$ 2,563,663</u>	<u>\$ 10,017,056</u>	<u>\$ 12,580,719</u>	<u>\$ 13,208,001</u>

The accompanying notes are an integral part of the financial statements

**CITY OF LIBERTY, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014**

	General	Other Governmental Funds	Total Governmental Funds	2013 Totals
ASSETS				
Cash	\$ 183,131	\$ 32,363	\$ 215,494	\$ 61,315
Investments	67,102	57,914	125,016	250,725
Receivables (net)	51,766	4,503	56,269	50,128
Interest receivable	65	-	65	282
Other assets	7,500	-	7,500	20,349
Due from other funds	4,495	156,941	161,436	125,111
Total assets	\$ 314,059	\$ 251,721	\$ 565,780	\$ 507,910
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 36,530	\$ -	\$ 36,530	\$ 28,040
Accrued liabilities	11,999	-	11,999	12,081
Due to other funds	171,461	4,786	176,247	144,417
Total liabilities	219,990	4,786	224,776	184,538
Fund balances				
Nonspendable	7,500	-	7,500	20,349
Restricted	-	246,935	246,935	241,751
Committed	86,569	-	86,569	250,000
Unassigned	-	-	-	(188,728)
Total fund balances	94,069	246,935	341,004	323,372
Total liabilities and fund balances	\$ 314,059	\$ 251,721	\$ 565,780	\$ 507,910

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

Fund balances represented above	\$ 341,004	\$ 323,372
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,370,662	2,372,927
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(148,003)	(102,894)
Net position of governmental activities	\$ 2,563,663	\$ 2,593,405

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, 2014

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>2013 Totals</u>
REVENUES				
Taxes	\$ 265,476	\$ -	\$ 265,476	\$ 266,264
Licenses and permits	280,007	-	280,007	288,169
Fines and forfeits	1,175	-	1,175	1,615
Intergovernmental	50,745	50,167	100,912	171,493
Charges for service	2,840	-	2,840	2,681
Other revenues	186,465	6,964	193,429	159,873
Total revenues	<u>786,708</u>	<u>57,131</u>	<u>843,839</u>	<u>890,095</u>
EXPENDITURES				
Current				
General government	355,347	4,217	359,564	251,591
Public safety-Police	359,371	-	359,371	327,451
Public safety-Fire	99,647	-	99,647	86,116
Streets department	74,669	11,330	85,999	139,215
Capital outlay	127,595	-	127,595	68,185
Debt service	33,857	-	33,857	34,395
Total expenditures	<u>1,050,486</u>	<u>15,547</u>	<u>1,066,033</u>	<u>906,953</u>
Excess (deficiency) of revenues over expenditures	<u>(263,778)</u>	<u>41,584</u>	<u>(222,194)</u>	<u>(16,858)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	9,063	-	9,063	3,720
Note proceeds	74,650	-	74,650	-
Transfers in (out)	192,513	(36,400)	156,113	(79,771)
Total other financing sources and uses	<u>276,226</u>	<u>(36,400)</u>	<u>239,826</u>	<u>(76,051)</u>
Net change in fund balances	12,448	5,184	17,632	(92,909)
Fund balances-beginning	<u>81,621</u>	<u>241,751</u>	<u>323,372</u>	<u>416,281</u>
FUND BALANCES-ENDING	<u>\$ 94,069</u>	<u>\$ 246,935</u>	<u>\$ 341,004</u>	<u>\$ 323,372</u>
Reconciliation to government-wide change in net position:				
Net change in fund balances			\$ 17,632	\$ (92,909)
less: proceeds from sale of asset			(9,063)	-
add: capital outlay expenditures capitalized			127,595	68,185
add: debt service expenditures			33,857	34,395
add: gain on disposal of capital assets			2,403	-
less: depreciation on governmental activities assets			(123,201)	(113,507)
less: note proceeds			(74,650)	-
less: interest on long term debt			(4,315)	(6,096)
Change in net position Governmental Activities			<u>\$ (29,742)</u>	<u>\$ (109,932)</u>

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

CITY OF LIBERTY, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

	Business-type Activities			2014 Total	2013 Totals
	Water & Sewer Fund	Gas Fund	Garbage Fund		
ASSETS					
Current assets					
Cash	\$ 525,348	\$ -	\$ -	\$ 525,348	\$ 754,654
Investments	53,370	801,902	7,013	862,285	899,993
Receivables (net)	98,303	57,309	31,513	187,125	163,891
Interest receivable	63	3,176	-	3,239	3,395
Grant receivable	2,183	-	-	2,183	73,064
Due from other funds	12,418	1,393	1,000	14,811	19,306
Total current assets	<u>691,685</u>	<u>863,780</u>	<u>39,526</u>	<u>1,594,991</u>	<u>1,914,303</u>
Noncurrent assets					
Restricted assets					
Cash	164,250	-	-	164,250	164,250
Capital assets:					
Construction in progress	18,000	-	-	18,000	18,000
Land	66,872	37,400	-	104,272	104,272
Depreciable utility fixed assets	22,448,200	687,274	276,082	23,411,556	23,344,051
Less accumulated depreciation	<u>(9,156,044)</u>	<u>(484,282)</u>	<u>(176,063)</u>	<u>(9,816,389)</u>	<u>(9,122,065)</u>
Total noncurrent assets	<u>13,541,278</u>	<u>240,392</u>	<u>100,019</u>	<u>13,881,689</u>	<u>14,508,508</u>
 Total assets	 <u>14,232,963</u>	 <u>1,104,172</u>	 <u>139,545</u>	 <u>15,476,680</u>	 <u>16,422,811</u>
DEFERRED OUTFLOWS OF RESOURCES					
Defeasance on refunding	<u>24,252</u>	<u>-</u>	<u>-</u>	<u>24,252</u>	<u>25,033</u>
 Total assets and deferred outflows of resources	 <u>\$ 14,257,215</u>	 <u>\$ 1,104,172</u>	 <u>\$ 139,545</u>	 <u>\$ 15,500,932</u>	 <u>\$ 16,447,844</u>
LIABILITIES					
Current liabilities					
Accounts payable	\$ 41,867	\$ 30,377	\$ 15,145	\$ 87,389	\$ 134,790
Accounts payable-construction	-	-	-	-	25,000
Accrued liabilities	33,186	30,972	5,230	69,388	62,067
Customer deposits	73,488	81,321	-	154,809	154,689
Accrued interest payable	12,145	-	270	12,415	14,753
Current portion of long-term obligations	<u>237,083</u>	<u>-</u>	<u>17,792</u>	<u>254,875</u>	<u>282,073</u>
Total current liabilities	<u>397,769</u>	<u>142,670</u>	<u>38,437</u>	<u>578,876</u>	<u>673,372</u>
Noncurrent liabilities					
Noncurrent portion of long-term obligations	<u>4,905,000</u>	<u>-</u>	<u>-</u>	<u>4,905,000</u>	<u>5,159,876</u>
 Total noncurrent liabilities	 <u>4,905,000</u>	 <u>-</u>	 <u>-</u>	 <u>4,905,000</u>	 <u>5,159,876</u>
 Total liabilities	 <u>5,302,769</u>	 <u>142,670</u>	 <u>38,437</u>	 <u>5,483,876</u>	 <u>5,833,248</u>
NET POSITION					
Net investment in capital assets	8,259,197	240,392	82,227	8,581,816	8,927,342
Restricted for					
Debt service	164,250	-	-	164,250	164,250
Unrestricted	<u>530,999</u>	<u>721,110</u>	<u>18,881</u>	<u>1,270,990</u>	<u>1,523,004</u>
Total net position	<u>8,954,446</u>	<u>961,502</u>	<u>101,108</u>	<u>10,017,056</u>	<u>10,614,596</u>
 Total liabilities and net position	 <u>\$ 14,257,215</u>	 <u>\$ 1,104,172</u>	 <u>\$ 139,545</u>	 <u>\$ 15,500,932</u>	 <u>\$ 16,447,844</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, 2014

	Business-type Activities			2014 Total	2013 Totals
	Water & Sewer Fund	Gas Fund	Garbage Fund		
Operating revenues					
Charges for services	\$ 1,134,357	\$ 1,192,675	\$ 372,040	\$ 2,699,072	\$ 2,479,545
Total operating revenues	<u>1,134,357</u>	<u>1,192,675</u>	<u>372,040</u>	<u>2,699,072</u>	<u>2,479,545</u>
Operating expenses					
Salaries and wages	217,331	174,502	89,241	481,074	466,214
Casual labor	32,722	16,451	6,207	55,380	43,402
Gas purchases	-	515,017	-	515,017	363,284
Payroll taxes	15,625	12,709	6,749	35,083	33,116
Retirement	38,464	32,352	15,546	86,362	86,189
Uniforms and laundry	13,432	6,655	6,534	26,621	17,677
Maintenance and repairs	316,305	51,190	16,417	383,912	432,141
Truck expense	-	-	17,644	17,644	16,917
Motor fuel	20,399	13,434	19,652	53,485	52,799
Office expense and postage	8,168	3,229	1,453	12,850	11,662
Legal and professional	29,406	5,625	5,625	40,656	43,931
Utilities	116,349	7,819	62	124,230	120,032
Insurance	79,498	47,726	41,593	168,817	163,189
Dump expense	-	-	106,972	106,972	98,146
Sludge hauling	-	-	-	-	35,201
Pretreatment expenses	15,938	-	-	15,938	15,893
Management fees	43,000	66,000	26,000	135,000	135,000
Other expense	22,797	5,283	2,545	30,625	27,966
Depreciation	<u>689,916</u>	<u>13,786</u>	<u>17,532</u>	<u>721,234</u>	<u>729,641</u>
Total operating expenses	<u>1,659,350</u>	<u>971,778</u>	<u>379,772</u>	<u>3,010,900</u>	<u>2,892,400</u>
Operating income (loss)	(524,993)	220,897	(7,732)	(311,828)	(412,855)
Nonoperating revenues (expenses)					
Investment earnings	5,911	18,527	170	24,608	25,353
Interest expense	(163,520)	-	(1,114)	(164,634)	(228,612)
Other revenues	404	-	-	404	-
Gain (loss) on sale of capital assets	<u>4,150</u>	<u>(758)</u>	<u>-</u>	<u>3,392</u>	<u>-</u>
Income (loss) before capital contributions and transfers	<u>(678,048)</u>	<u>238,666</u>	<u>(8,676)</u>	<u>(448,058)</u>	<u>(616,114)</u>
Capital contributions					
Tap fees	4,281	2,350	-	6,631	1,100
Grant revenues	-	-	-	-	520,430
Transfers in (out)	<u>254,934</u>	<u>(328,007)</u>	<u>(83,040)</u>	<u>(156,113)</u>	<u>79,771</u>
Change in net position	<u>(418,833)</u>	<u>(86,991)</u>	<u>(91,716)</u>	<u>(597,540)</u>	<u>(14,813)</u>
Total net position-beginning, as restated	<u>9,373,279</u>	<u>1,048,493</u>	<u>192,824</u>	<u>10,614,596</u>	<u>10,629,409</u>
TOTAL NET POSITION-ENDING	<u>\$ 8,954,446</u>	<u>\$ 961,502</u>	<u>\$ 101,108</u>	<u>\$ 10,017,056</u>	<u>\$ 10,614,596</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, 2014

	Business-type Activities			2014 Total	2013 Totals
	Water & Sewer Fund	Gas Fund	Garbage Fund		
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 1,126,346	\$ 1,178,367	\$ 371,065	\$ 2,675,778	\$ 2,505,415
Payments to suppliers	(669,581)	(651,957)	(217,955)	(1,539,493)	(1,551,306)
Payments for interfund services (payment in lieu of taxes)	(43,000)	(66,000)	(26,000)	(135,000)	(135,000)
Payments for employee services and benefits	(297,459)	(237,687)	(115,432)	(650,578)	(619,303)
Net cash provided by operating activities	<u>116,306</u>	<u>222,723</u>	<u>11,678</u>	<u>350,707</u>	<u>199,806</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Bond principal payment	(247,462)	-	(34,612)	(282,074)	(5,830,340)
Capital contributions	75,566	2,350	-	77,916	845,365
Proceeds from bond/loan issuance	-	-	-	-	5,475,000
Proceeds from sale of assets	4,150	-	-	4,150	-
Purchases of capital assets	(84,581)	(32,993)	(2,600)	(120,174)	(917,683)
Interest paid on capital debt	(164,552)	-	(1,639)	(166,191)	(254,190)
Net cash (used) by capital and related financing activities	<u>(416,879)</u>	<u>(30,643)</u>	<u>(38,851)</u>	<u>(486,373)</u>	<u>(681,848)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Net operating transfers in (out)	<u>254,934</u>	<u>(328,007)</u>	<u>(83,040)</u>	<u>(156,113)</u>	<u>79,771</u>
Net cash provided (used) by noncapital financing activities	<u>254,934</u>	<u>(328,007)</u>	<u>(83,040)</u>	<u>(156,113)</u>	<u>79,771</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends	<u>5,958</u>	<u>18,637</u>	<u>170</u>	<u>24,765</u>	<u>27,031</u>
Net cash provided by investing activities	<u>5,958</u>	<u>18,637</u>	<u>170</u>	<u>24,765</u>	<u>27,031</u>
Net increase (decrease) in cash and cash equivalents	<u>(39,681)</u>	<u>(117,290)</u>	<u>(110,043)</u>	<u>(267,014)</u>	<u>(375,240)</u>
Cash and cash equivalents-beginning of the year	<u>782,649</u>	<u>919,192</u>	<u>117,056</u>	<u>1,818,897</u>	<u>2,194,137</u>
CASH AND CASH EQUIVALENTS-END OF THE YEAR	<u>\$ 742,968</u>	<u>\$ 801,902</u>	<u>\$ 7,013</u>	<u>\$ 1,551,883</u>	<u>\$ 1,818,897</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ (524,993)	\$ 220,897	\$ (7,732)	\$ (311,828)	\$ (412,855)
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation expense	689,916	13,786	17,532	721,234	729,641
Change in assets and liabilities					
Receivables, net	(8,011)	(14,248)	(975)	(23,234)	25,870
Due from other funds	4,495	-	-	4,495	-
Other assets	-	-	-	-	(202,180)
Accounts and other payables	(51,964)	3,961	542	(47,461)	49,712
Accrued expenses	6,863	(1,673)	2,311	7,501	9,618
Net cash provided by operating activities	<u>\$ 116,306</u>	<u>\$ 222,723</u>	<u>\$ 11,678</u>	<u>\$ 350,707</u>	<u>\$ 199,806</u>
Supplemental disclosures of cash flow information:					
Noncash capital and related financing activities:					
Exchange of capital assets	\$ 13,992	\$ -	\$ -	\$ 13,992	\$ -
Payables for capital items, net	\$ (25,000)	\$ -	\$ -	\$ (25,000)	\$ (354,117)

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

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Liberty, Kentucky 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 ability to significantly influence operation, select the governing body, participate in fiscal management and the scope of public service.

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.

B. Basis of Presentation

The City's financial statements consist of the following:

- Management's discussion and analysis (required supplementary information);
- Basic Financial Statements
 - Government-wide financial statements
 - Fund financial statements
 - Notes to the financial statements

Government-wide Financial Statements

The government-wide financial statements include a 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, reserves, fund equity, revenues and expenditures or expenses.

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, continued

Governmental funds are those through which most governmental functions are financed. The governmental fund measurement focus is upon determination of financial position and budgetary control over revenues and expenditures. 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.

The following funds are used by the City of Liberty:

Governmental Fund Types

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 special revenue fund used to account for Glenwood cemetery activities.

Municipal Road Aid Fund - A 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 and Sewer Fund - A proprietary fund used to account for the water and sewer services provided to the residents of the City of Liberty, the operations of which are financed by user charges.

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

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

C. Basis of Accounting

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

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting, continued

Government-wide Financial Statements

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

Fund Financial Statements

The financial transactions of the City are recorded in individual funds. Their focus is on individual funds rather than reporting funds by type. 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.

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

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

D. Budgeting

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

E. Internal Balances

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

F. Revenues and Receivables

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

**CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Fund Balances

Fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned – all other spendable amounts.

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

As of June 30, 2014, fund balances are composed of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable –prepaid expenses	\$ 7,500	\$ -	\$ 7,500
Restricted:			
Road surface repairs	-	161,444	161,444
Cemetery fund	-	85,491	85,491
Committed	<u>86,569</u>	<u>-</u>	<u>86,569</u>
Total fund balances	<u>\$ 94,069</u>	<u>\$ 246,935</u>	<u>\$ 341,004</u>

Committed funds are the result of a resolution adopted by the City Council to commit funds toward the completion of the Casey County Community and Education Center project. This commitment is contingent upon the attainment of all funding needed for the completion of the college.

H. Capital Assets

Under GASB 34, the City of Liberty has elected to not report major infrastructure retroactively. Capital assets acquired are recorded at cost or estimated cost. 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, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Use of Estimates

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

J. Other Accounting Policies

General fixed asset purchases are recorded as expenditures in the general fund and special revenue funds at the time of purchase. Such assets are capitalized at cost in the general fixed assets group of accounts. 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.

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.

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

K. Management's Review of Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through December 29, 2014, 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, 2014, have not been evaluated by the City.

2. CASH AND INVESTMENTS

Under Kentucky Revised Statute 66.480, the City is allowed to invest in obligations of the U.S. and of its agencies, obligations backed by the full faith and credit of the U.S. or a U.S. government agency, obligations of any corporation of the U.S. government, certificates of deposit or other interest-bearing accounts issued by institutions insured by the Federal Deposit Insurance Corporation (FDIC) or similarly collateralized institutions, and bonds and securities of states, local governments, or related agencies in the U.S. rated in one of the three highest categories by a nationally recognized rating agency.

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, 2014

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, 2014 the City held investments in the following municipal and corporate bonds. Bond ratings were not available for disclosure.

Municipal Bonds

Clark County Nevada Las Vegas Convention
 Illinois Municipal Electric Agency Power Supply System
 Illinois State GO Pension
 Massachusetts Health and Education Northeast University
 Minnesota Financial School Loan Revolving Fund
 Walnut California Energy Center

Corporate Bonds

Citigroup Inc Global Sub Note
 Citigroup Inc Senior Note

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 of Liberty'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 totaled \$1,892,393 and the bank balances totaled \$1,943,638. As of June 30, 2014 \$2,480,665 was held as collateral by the custodial banks in the City's name.

Concentration of Credit Risk

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

The City's investments at June 30, 2014, are as follows:

<u>Investment Type</u>	<u>Fair 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	\$ 789,082	\$ 133,188	\$ 655,894	\$ -	\$ -
Money market funds	1,287	1,287	-	-	-
Mutual funds	80,070	80,070	-	-	-
Municipal bonds	105,975	-	5,508	66,898	33,569
Corporate bonds	10,887	-	10,887	-	-
	<u>\$ 987,301</u>	<u>\$ 214,545</u>	<u>\$ 672,289</u>	<u>\$ 66,898</u>	<u>\$ 33,569</u>

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

3. ACCOUNTS RECEIVABLE

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

	General Fund	Nonmajor Funds	Governmental Funds Total	
Governmental Funds:				
Taxes	\$ 7,884	\$ -	\$ 7,884	
Licenses, permits, billings	42,097	-	42,097	
Intergovernmental	<u>3,944</u>	<u>4,503</u>	<u>8,447</u>	
Gross receivables	53,925	4,503	58,428	
Less: allowance for uncollectible	<u>(2,159)</u>	<u>-</u>	<u>(2,159)</u>	
Net receivables	<u>\$ 51,766</u>	<u>\$ 4,503</u>	<u>\$ 56,269</u>	
				Business- Type Activities Total
Business-Type Activities:	Water & Sewer Fund	Gas Fund	Garbage Fund	
Customer	\$ 133,176	\$ 115,370	\$ 51,476	\$ 300,022
Less: allowance for uncollectible	<u>(34,873)</u>	<u>(58,061)</u>	<u>(19,963)</u>	<u>(112,897)</u>
Net receivables	<u>\$ 98,303</u>	<u>\$ 57,309</u>	<u>\$ 31,513</u>	<u>\$ 187,125</u>

4. CAPITAL ASSETS

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

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
Governmental Activities:				
Capital assets not depreciated:				
Land	\$ 757,851	\$ -	\$ -	\$ 757,851
Construction in Progress	<u>-</u>	<u>4,000</u>	<u>-</u>	<u>4,000</u>
	<u>757,851</u>	<u>4,000</u>	<u>-</u>	<u>761,851</u>
Capital assets that are depreciated:				
Land Improvements	\$ 669,546	\$ 30,475	\$ -	\$ 700,021
Buildings and Improvements	1,132,488	1,200	-	1,133,688
Vehicles	655,087	91,920	(51,941)	695,066
Equipment	<u>130,709</u>	<u>-</u>	<u>-</u>	<u>130,709</u>
Totals	<u>2,587,830</u>	<u>123,595</u>	<u>(51,941)</u>	<u>2,659,484</u>
Total Capital Assets	<u>3,345,681</u>	<u>127,595</u>	<u>(51,941)</u>	<u>3,421,335</u>
Less Accumulated Depreciation:				
Land Improvements	95,573	34,902	-	130,475
Buildings and Improvements	347,532	32,751	-	380,283
Vehicles	484,959	42,830	(45,282)	482,507
Equipment	<u>44,690</u>	<u>12,718</u>	<u>-</u>	<u>57,408</u>
Totals	<u>972,754</u>	<u>123,201</u>	<u>(45,282)</u>	<u>1,050,673</u>
Capital assets, net	<u>\$ 2,372,927</u>	<u>\$ 4,394</u>	<u>\$ (6,659)</u>	<u>\$ 2,370,662</u>

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

4. CAPITAL ASSETS (Continued)

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
Business-Type Activities				
Capital assets not depreciated:				
Land	\$ 104,272	\$ -	\$ -	\$ 104,272
Construction in Progress	<u>18,000</u>	<u>-</u>	<u>-</u>	<u>18,000</u>
Totals	<u>122,272</u>	<u>-</u>	<u>-</u>	<u>122,272</u>
Capital assets that are depreciated:				
Water Plant	\$ 13,638,254	\$ 35,294	\$ (38,161)	13,635,387
Sewer Plant	8,774,534	38,279	-	8,812,813
Gas Lines & Equipment	657,781	32,993	(3,500)	687,274
Garbage Equipment	<u>273,482</u>	<u>2,600</u>	<u>-</u>	<u>276,082</u>
Totals	<u>23,344,051</u>	<u>109,166</u>	<u>(41,661)</u>	<u>23,411,556</u>
Total Capital Assets	<u>23,466,323</u>	<u>109,166</u>	<u>(41,661)</u>	<u>23,533,828</u>
Less Accumulated Depreciation	<u>9,122,065</u>	<u>721,234</u>	<u>(26,910)</u>	<u>9,816,389</u>
Capital Assets, net	<u>\$ 14,344,258</u>	<u>\$ (612,068)</u>	<u>\$ (14,751)</u>	<u>\$ 13,717,439</u>

Depreciation Expense was charged to the Governmental functions as follows:

General government	\$ 66,836
Police	15,762
Fire	<u>40,603</u>
Total Depreciation Expense	<u>\$ 123,201</u>

5. LONG - TERM DEBT

BUSINESS - TYPE ACTIVITIES

In February 2013, the Kentucky Bond Corporation issued Series 2013A Revenue Bonds for the City in order to refund all prior outstanding Water 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 following is a summary of the revenue bonds outstanding for the year ended June 30, 2014 and 2013:

Revenue Bonds and Loans Payable	Outstanding June 30, 2014	Outstanding June 30, 2013
Water and Sewer Fund - \$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>\$ 5,142,083</u>	<u>\$ 5,389,545</u>

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

5. LONG - TERM DEBT (Continued)

BUSINESS - TYPE ACTIVITIES, continued

During 2010, the City entered into a lease-purchase agreement with Branch Banking & Trust (BB&T) for the purchase of a garbage truck. The agreement requires semi-annual payments of \$18,125 over a period of 5 years and the interest rate is fixed at 3.74%. The total cost of the garbage truck was \$163,924 and the net book value at June 30, 2014 was \$84,694.

The future capital lease payments are summarized as follows:

	Principal	Interest	Total
2015	\$ <u>17,792</u>	\$ <u>333</u>	\$ <u>18,125</u>

The following is a summary of the changes in long – term debt for the year ended June 30, 2014:

	July 1, 2013	Additions	Retirements	June 30, 2014
W&S Bond 2013A	\$ 5,389,545	\$ -	\$ (247,462)	\$ 5,142,083
Garbage Truck Lease	<u>52,404</u>	<u>-</u>	<u>(34,612)</u>	<u>17,792</u>
	<u>\$ 5,441,949</u>	<u>\$ -</u>	<u>\$ (282,074)</u>	<u>\$ 5,159,875</u>

The annual requirements to amortize all long-term debt outstanding as of June 30, 2014, are as follows:

June 30	Principal	Interest	Total
2015	\$ 254,875	\$ 157,725	\$ 412,600
2016	221,250	152,058	373,308
2017	195,000	147,079	342,079
2018	197,083	142,692	339,775
2019	202,083	138,257	340,340
2020-2024	1,083,333	610,811	1,694,144
2025-2029	1,109,583	443,996	1,553,579
2030-2034	965,000	272,045	1,237,045
2035-2039	841,250	110,763	952,013
2040	<u>90,418</u>	<u>3,738</u>	<u>94,156</u>
	<u>\$ 5,159,875</u>	<u>\$ 2,179,164</u>	<u>\$ 7,339,039</u>

The water and sewer fund is in compliance with all significant limitations and restrictions contained in the bond indenture. As of June 30, 2014 the amount reserved for bond principal and interest payments was \$164,250. Additionally, the City has designated \$32,883 to be used for bond principal and interest payments and \$411,912 as a depreciation reserve.

GOVERNMENTAL ACTIVITIES

During fiscal year 2002 the City of Liberty entered an agreement with the Kentucky Fire Commission to finance construction of a new fire department. The agreement requires annual payments of \$7,535. The lease was paid off during the year ended June 30, 2014. The obligation is reported as general long-term debt.

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

5. LONG - TERM DEBT (Continued)

GOVERNMENTAL ACTIVITIES, continued

During fiscal year 2008 the City of Liberty entered into a lease-purchase agreement with Oshkosh Capital for the acquisition of a fire truck. The agreement bears interest at a rate of 4.85% and requires annual payments of \$26,860 over a period of 10 years. The total cost of the fire truck was \$208,925. The obligation is reported as general long-term debt.

As of June 30, 2014 the future capital lease payments of the fire truck are summarized as follows:

	Principal	Interest	Total
2015	\$ 23,302	\$ 3,558	\$ 26,860
2016	24,433	2,427	26,860
2017	<u>25,618</u>	<u>1,242</u>	<u>26,860</u>
	<u>\$ 73,353</u>	<u>\$ 7,227</u>	<u>\$ 80,580</u>

During fiscal year 2014 the City of Liberty entered into a note payable with Casey County Bank to finance the purchase of an additional fire truck. The note bears interest at a rate of 3.0% and requires annual payments ranging from \$5,922 to \$7,822. The total cost of the fire truck was \$75,150. 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, 2014:

	July 1, 2013	Additions	Retirements	June 30, 2014
KY Fire Commission Loan	\$ 7,316	\$ -	\$ (7,316)	\$ -
Osh Kosh Capital Lease	95,578	-	(22,225)	73,353
Casey County Bank	<u>-</u>	<u>74,650</u>	<u>-</u>	<u>74,650</u>
	<u>\$ 102,894</u>	<u>\$ 74,650</u>	<u>\$ (29,541)</u>	<u>\$ 148,003</u>

The following is a summary of debt service requirements as of June 30, 2014:

June 30	Principal	Interest	Total
2015	\$ 29,224	\$ 5,693	\$ 34,917
2016	30,428	4,489	34,917
2017	31,794	3,124	34,918
2018	6,360	1,697	8,057
2019	6,551	1,506	8,057
2020-2024	35,824	4,461	40,285
2025	<u>7,822</u>	<u>235</u>	<u>8,057</u>
TOTAL	<u>\$ 148,003</u>	<u>\$ 21,205</u>	<u>\$ 169,208</u>

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

6. PROPERTY TAX CALENDAR

Property taxes for fiscal year 2014 were levied in October 2013 on the assessed valuation of property located in Casey County as of the preceding January 1, the lien date. The due date and collection periods for all taxes, exclusive of vehicle taxes, are as follows:

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

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

7. RETIREMENT PLAN

The City of Liberty is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS.

The plan issues separate financial statements which may be obtained by request from Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601.

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, 2014, plan members were required to contribute 5.00% of wages for non-hazardous job classifications. Employees hired after August 31, 2008 and not already in the retirement system must contribute an additional 1% to subsidize health insurance premiums that are primarily withheld from CERS retirees' benefit payments. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), 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. For the year ended June 30, 2014, participating employers contributed 18.89%, of each employee's wages, which is equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

The required contribution (employer and employee) and the actual percentage contributed for the City for the current and previous two years are as follows:

<u>Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2014	\$ 162,791	100%
2013	\$ 157,398	100%
2012	\$ 157,323	100%

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

8. 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.

9. RECLASSIFICATIONS

Certain presentations of accounts previously reported have been reclassified in these financial statements. Such reclassification had no effect on net income or net assets as previously reported.

10. CONCENTRATIONS

The City has a concentration of revenue in the Water and Sewer Fund and the Gas Fund. One customer generated approximately 42% of the Water and Sewer Fund's service revenue and 40% of the accounts receivable at June 30, 2014. In addition, one industrial company generated approximately 30% of gas service charges and comprised 61% of the accounts receivable balance reported in the Gas Fund at June 30, 2014.

11. RESTATEMENT OF NET POSITION

Effective July 1, 2013, the City implemented GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. This statement redefines certain financial elements previously reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, the Statement changes the method of reporting debt issuance costs. Prior to implementation of GASB Statement No. 65, the City reported debt issuance costs, including costs related to bond issuance, as deferred debt expense which was capitalized and amortized over the life of the debt. Deferred debt expense was reported as a non-current asset on the statement of net position. Under GASB Statement No. 65, bond issuance costs, excluding bond insurance costs which should be treated as a prepaid asset, are to be recognized in the period of the debt issue. This resulted in a restatement of previously reported net position, as follows:

	2014	2013
	Water & Sewer Fund	Business-type Activity Total
Net position, at beginning of year	\$ 9,597,935	\$ 10,857,403
Bond issuance costs	(224,656)	(224,656)
Amortization expense	<u> -</u>	<u> (3,338)</u>
Net position, at beginning of year, as restated	<u>\$ 9,373,279</u>	<u>\$ 10,629,409</u>

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

12. SUBSEQUENT EVENTS

Financial Reporting for Pension Plans

In June 2012, the GASB approved a pair of related Statements that reflect substantial changes to the accounting and financial reporting of state and local government employers and pension plans. Statement No. 67, Financial Reporting for Pension Plans, addresses financial reporting for state and local government pension plans. Statement No. 68, Accounting and Financial Reporting for Pensions, addresses financial reporting for state and local government employers whose employees are provided with pensions through pension plans that are covered under Statement No. 67.

The guidance contained in these Statements will change how governments calculate and report the costs and obligations associated with pensions in important ways. It is designed to improve the decision usefulness of reported pension information and to increase the transparency, consistency, and comparability of pension information across governments. Under the pension standards now in effect, cost-sharing employers have not been required to present actuarial information about pensions. Instead, information has been required to be presented in the pension plan's own financial statements for all of the participating governments combined.

Through its research, the GASB concluded that the needs of users of information regarding cost-sharing employers do not differ significantly from those interested in single and agent employers. Therefore, the GASB believes it is important to give users of the financial statements of cost-sharing employers access to better, more transparent financial information. Consequently, under the new standards the GASB is requiring that cost-sharing governments report a net pension liability, pension expense, and pension related deferred inflows and outflows of resources based on their proportionate share of the collective amounts for all the governments in the plan.

Statement No. 68 will take effect for pension plan employers in fiscal years beginning after June 15, 2014, (that is, for years ended June 30, 2015, or later). The City is currently evaluating the effects of this statement on its financial statements. The City's potential unfunded liability, based on June 30, 2013 plan financial statements, is estimated to be \$1,395,582. The actual liability for June 30, 2015, could be considerably different due to changes in system assumptions and liabilities.

SUPPLEMENTAL INFORMATION

CITY OF LIBERTY, KENTUCKY
REQUIRED SUPPLEMENTAL BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2014

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Taxes				
Property taxes & motor vehicle taxes	\$ 245,000	\$ 253,000	\$ 256,226	\$ 3,226
Payment in lieu of taxes	9,000	9,250	9,250	-
	<u>254,000</u>	<u>262,250</u>	<u>265,476</u>	<u>3,226</u>
Licenses, permits, billings				
City stickers	13,000	13,000	18,244	5,244
Franchise fees	68,000	77,500	77,981	481
Insurance premiums	210,000	200,000	181,587	(18,413)
Building permits	2,000	2,200	2,195	(5)
	<u>293,000</u>	<u>292,700</u>	<u>280,007</u>	<u>(12,693)</u>
Fines and forfeitures				
Parking Tickets/Arrest Fees	1,600	1,600	1,175	(425)
	<u>1,600</u>	<u>1,600</u>	<u>1,175</u>	<u>(425)</u>
Intergovernmental revenue				
Base court revenue	11,000	11,000	9,593	(1,407)
Police incentive pay	14,500	15,500	17,348	1,848
Local economic assistance	2,300	2,300	2,054	(246)
Other grants	159,365	13,500	13,500	-
Fire equipment grant	8,250	8,250	8,250	-
	<u>195,415</u>	<u>50,550</u>	<u>50,745</u>	<u>195</u>
Charges for services				
Fishing permits	1,200	1,850	1,730	(120)
Accident reports	1,000	1,200	1,110	(90)
	<u>2,200</u>	<u>3,050</u>	<u>2,840</u>	<u>(210)</u>
Other revenues				
Interest income	1,200	1,200	3,718	2,518
Management fees	135,000	135,000	135,000	-
Other revenues	17,000	32,500	47,747	15,247
	<u>153,200</u>	<u>168,700</u>	<u>186,465</u>	<u>17,765</u>
Sale of asset				
	-	-	9,063	9,063
Total Revenue	<u>\$ 899,415</u>	<u>\$ 778,850</u>	<u>\$ 795,771</u>	<u>\$ 16,921</u>

CITY OF LIBERTY, KENTUCKY
REQUIRED SUPPLEMENTAL BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2014

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
General Government				
Salaries	\$ 106,400	\$ 101,900	\$ 103,926	\$ 2,026
Payroll taxes and employee benefits	32,719	27,550	28,379	829
KY ASAP grant	10,500	10,500	8,320	(2,180)
Planning and zoning expenses	6,000	5,500	5,205	(295)
Professional services	10,000	7,500	5,625	(1,875)
Utilities	10,000	8,400	8,286	(114)
Office supplies	3,400	3,400	4,259	859
Insurance	18,000	20,000	24,687	4,687
Travel/lodging	4,000	4,000	2,761	(1,239)
Lake Liberty expenses	10,000	1,000	383	(617)
Postage	1,400	-	-	-
Dues and subscriptions	-	-	597	597
Parks and recreation	30,000	30,000	23,693	(6,307)
Education center	-	58,832	97,954	39,122
Fireworks	22,000	19,000	22,373	3,373
Other expenses	41,500	22,000	18,899	(3,101)
	<u>305,919</u>	<u>319,582</u>	<u>355,347</u>	<u>35,765</u>
Police				
Salaries	212,500	207,400	212,130	4,730
Payroll taxes and employee benefits	84,029	74,918	83,115	8,197
Motor fuels	18,000	18,000	17,227	(773)
Utilities	4,000	4,000	4,307	307
Equipment	15,000	7,500	6,980	(520)
Vehicle repairs	8,000	4,000	3,668	(332)
Uniforms	2,000	2,000	2,958	958
Insurance	17,000	23,000	22,627	(373)
Travel and lodging	500	-	-	-
Miscellaneous	4,500	4,500	6,359	1,859
	<u>365,529</u>	<u>345,318</u>	<u>359,371</u>	<u>14,053</u>
Fire				
Labor	44,400	47,900	47,600	(300)
Repairs and maintenance	2,000	2,000	1,897	(103)
Equipment	15,000	25,000	22,049	(2,951)
Utilities	8,400	11,500	11,161	(339)
Insurance	5,200	8,000	7,807	(193)
Motor fuel	5,000	3,000	2,586	(414)
Miscellaneous	3,000	5,500	6,547	1,047
	<u>83,000</u>	<u>102,900</u>	<u>99,647</u>	<u>(3,253)</u>

CITY OF LIBERTY, KENTUCKY
REQUIRED SUPPLEMENTAL BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2014

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Streets and Public Works				
Street repairs	\$ 10,000	\$ 6,000	\$ 5,360	\$ (640)
Repairs and maintenance	2,000	5,000	4,687	(313)
Utilities	50,000	69,000	64,622	(4,378)
Supplies	6,000	1,500	-	(1,500)
Insurance	2,300	2,300	-	(2,300)
	<u>70,300</u>	<u>83,800</u>	<u>74,669</u>	<u>(9,131)</u>
Capital Outlay	<u>163,865</u>	<u>58,600</u>	<u>127,595</u>	<u>68,995</u>
Debt Service	<u>35,110</u>	<u>35,110</u>	<u>33,857</u>	<u>(1,253)</u>
Total Expenditures	<u>1,023,723</u>	<u>945,310</u>	<u>1,050,486</u>	<u>105,176</u>
Other Financing Sources (Uses)				
Note proceeds	-	-	74,650	74,650
Transfers in (out)	<u>160,000</u>	<u>174,000</u>	<u>192,513</u>	<u>18,513</u>
TOTAL EXPENDITURES AND TRANSFERS	<u>\$ 863,723</u>	<u>\$ 771,310</u>	<u>\$ 783,323</u>	<u>\$ 12,013</u>

Note 1: Adopted budgets failed to include \$24,123 of council approved expenditures related to the education center project.

Note 2: Capital outlay includes expenditures for items funded through note proceeds that were netted against revenue and not budgeted.

**CITY OF LIBERTY, KENTUCKY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014**

	Cemetery Fund	Municipal Road Aid Fund	Total Governmental Funds
ASSETS			
Cash	\$ 32,363	\$ -	\$ 32,363
Investments	57,914	-	57,914
Receivables, net	-	4,503	4,503
Due from other funds	-	156,941	156,941
 Total assets	 \$ 90,277	 \$ 161,444	 \$ 251,721
LIABILITIES AND FUND BALANCES			
Liabilities			
Due to other funds	\$ 4,786	\$ -	\$ 4,786
Total liabilities	4,786	-	4,786
 Fund balance	 85,491	 161,444	 246,935
 Total liabilities and fund balances	 \$ 90,277	 \$ 161,444	 \$ 251,721

**CITY OF LIBERTY, KENTUCKY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 for the year ended June 30, 2014**

	<u>Cemetery Fund</u>	<u>Municipal Road Aid Fund</u>	<u>Total</u>
REVENUES			
Intergovernmental	\$ -	\$ 50,167	\$ 50,167
Other revenues	<u>6,964</u>	<u>-</u>	<u>6,964</u>
Total revenues	<u>6,964</u>	<u>50,167</u>	<u>57,131</u>
EXPENDITURES			
Current			
General government	4,217	-	4,217
Streets department	<u>-</u>	<u>11,330</u>	<u>11,330</u>
Total expenditures	<u>4,217</u>	<u>11,330</u>	<u>15,547</u>
Excess (deficiency) of revenues over expenditures	<u>2,747</u>	<u>38,837</u>	<u>41,584</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	<u>-</u>	<u>(36,400)</u>	<u>(36,400)</u>
Total other financing sources and uses	<u>-</u>	<u>(36,400)</u>	<u>(36,400)</u>
Net change in fund balances	2,747	2,437	5,184
Fund balances-beginning	<u>82,744</u>	<u>159,007</u>	<u>241,751</u>
Fund balances-ending	<u>\$ 85,491</u>	<u>\$ 161,444</u>	<u>\$ 246,935</u>

CITY OF LIBERTY, KENTUCKY
COMBINING STATEMENT OF OPERATING REVENUES AND EXPENSES
WATER AND SEWER PROPRIETARY FUND
for the year ended June 30, 2014

	WATER	SEWER	2014 TOTAL	2013 Totals
OPERATING REVENUES				
Charges for service	\$ 813,753	\$ 320,604	\$ 1,134,357	\$ 1,117,183
	<u>813,753</u>	<u>320,604</u>	<u>1,134,357</u>	<u>1,117,183</u>
OPERATING EXPENSES				
Salaries and wages	161,574	55,757	217,331	203,419
Casual labor	16,361	16,361	32,722	21,129
Payroll taxes	11,617	4,008	15,625	14,406
Retirement	28,596	9,868	38,464	31,407
Uniforms and laundry	7,255	6,177	13,432	8,789
Maintenance and repairs	230,882	85,423	316,305	354,375
Motor fuel	13,093	7,306	20,399	20,133
Office expense and postage	4,680	3,488	8,168	7,739
Legal and professional	17,049	12,357	29,406	30,631
Utilities	63,171	53,178	116,349	111,218
Insurance	56,240	23,258	79,498	74,857
Sludge hauling	-	-	-	35,201
Pretreatment expenses	-	15,938	15,938	15,893
Management fees	32,714	10,286	43,000	43,000
Other expense	14,336	8,461	22,797	12,100
Amortization	-	-	-	3,338
Depreciation	344,731	345,185	689,916	698,756
	<u>1,002,299</u>	<u>657,051</u>	<u>1,659,350</u>	<u>1,686,391</u>
OPERATING INCOME	<u>\$ (188,546)</u>	<u>\$ (336,447)</u>	<u>\$ (524,993)</u>	<u>\$ (569,208)</u>



Certified Public Accountants and Consultants

**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**

Mayor and the City Council
City of Liberty
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, 2014, 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 December 29, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

230 Lexington Green Circle, Suite 600 • Lexington, Kentucky 40503-3326
Phone: 859-231-1800 • Fax: 859-422-1800 • Toll-Free: 1-800-342-7299
www.rfhco.com

Members American Institute of Certified Public Accountants and Kentucky Society of Certified Public Accountants

**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**

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.

Ray, Foley, Hensley & Company

Ray, Foley, Hensley and Company, PLLC
December 29, 2014

2. Provide copies of Liberty's annual Uniform Financial Information Report, prepared pursuant to KRS 65.905, for fiscal years 2014, 2015, and 2016.

RESPONSE: Copies of Liberty's Uniform Financial Information Report for fiscal years 2014 and 2015 are attached. The Uniform Financial Information Report for fiscal year 2016 has not been finalized.

WITNESS: Bridgett Blake



City Uniform Financial Information Report Fiscal Year 2014 - 2015

Part I - Reporting Information

City Name	City of Liberty
Address	PO Box 127
City, State, Zip	Liberty, KY 42539
County	Casey
City Classification	Fifth

(Please correct any error in name, address, and ZIP Code)



Please save the worksheet to your hard drive. Once completed, attach the worksheet to an email and forward to DLG-CSD@ky.gov.



Return to:
Department for Local Government
Cities and Special Districts Branch
1024 Capital Center Drive, Suite 340
Frankfort, KY 40601

SEND ONE ORIGINAL AND TWO COPIES OF THE COMPLETED FORM to the Department for Local Government **BY MAY 1, 2016.**

Note - Data supplied by your city in this report will be used by State and Federal Agencies and public interest groups in Kentucky. By filing this report, you will not receive local government finance reporting forms from the U.S. Census Bureau.

Part II - Contact Information

Name of person who completed form		Telephone
RFH, PLLC		859-231-1800
Title		Date
CPA		05/27/16
Company (if not city)	Reporting Format (accounting basis)	Telephone
RFH, PLLC	MODIFIED ACCRUAL	859-231-1800

RELATED ORGANIZATIONS – Please list related organizations such as Boards, Commissions, or Utilities, whose Board members are appointed by the City's Mayor or legislative body, or who receive a major portion of their funding from city resources.

Organization/Address	Chief Executive	Telephone

Part III - Certification - Completed report must be signed prior to filing.

This is to certify that the data contained in this report is accurate to the best of my knowledge and belief.

Signature of Official	Title	Date completed
	CITY CLERK	05/27/16
Printed Name of Official		Telephone
SHARLEEN BOLTON		606-787-9973


Kentucky
 UNBRIDLED SPIRIT
F-65(ky-3)0 9/2015
City UFIR

Before filling out this form, please read carefully each part and all related definitions and instructions.

All information should be provided on a basis consistent with generally accepted accounting principles for the fiscal year July 1, 2014 through June 30, 2015.	Combine all items that are not entered in specific categories provided and enter the total in the "Other" line item. Amounts classified as "Other" should not exceed 5% of the corresponding category total.
ROUND TO THE NEAREST DOLLAR. DO NOT SHOW CENTS FOR REVENUES OR EXPENDITURES	THE ACTUAL TAX RATE LEVIED, COLUMN (c), PART IV MUST BE COMPLETED EVEN IF THERE WAS NOT A CHANGE IN THE TAX RATE FROM FISCAL YEAR 2013 - 2014.
Tax rates should be reported as decimal amounts. For instance a rate of 22 and 7/10 cents per \$100 assessed value should be reported as .227	PLEASE BE SURE THAT AN OFFICIAL SIGNS THE CERTIFICATION. FORMS WILL NOT BE ACCEPTED WITHOUT SIGNATURE.
Part IV - City Revenue requests the fee, rate or amount charged per unit of service. If any line-item has a multiple rate schedule, please provide a copy of the rate schedule. The schedule is only required in years when the rates have been revised or implemented.	Please be sure to reconcile subtotals and totals to the city's annual financial statements.
Report only new debt or lease agreements. DO NOT COMPLETE THESE SECTIONS AGAIN IF THEY WERE REPORTED LAST YEAR AND THERE WERE NO CHANGES IN THE DEBT OR LEASE AGREEMENT.	DLG has developed an electronic version of the UFIR. You can access this document on the DLG website: http://www.kydlgweb.ky.gov/ . For more information contact DLG-CSD@ky.gov or 800-346-5606.
Information in this report should match financial information in the city's annual audited financial statements prepared in accordance with KRS 91A.020	

Note Especially

Please report amounts covering all funds and accounts of your city except for employee-retirement funds administered by your city. Include bond redemption and interest funds, and construction or development funds as well as current funds. Exclude refunds and transfers between funds.	Please use black or blue ball point pen.
Since this form applies to cities of different sizes and complexity, some items may not apply to your city. However, read the definitions carefully for each item in the report.	Do not change any categories. Call for clarification.
This report must be returned to the Department of Local Government by May 1, 2016 per requirements of KRS 65.905.	Financial information for all utilities connected with the city must be reported on this form.
Please note your basis of accounting (cash, modified accrual or accrual) in this report.	Depreciation - to be shown as a part of "Other Operations".

General Definitions

The following general definitions will apply to grouping of expenditure categories:

General Government - includes all general functions of your city including finance, administration, elected officials, public buildings and general insurance coverage if not assigned to individual operating departments.

Public Safety - includes all police, fire, ambulance, correctional, inspection and code enforcement activities, and any other activity that promotes the protection of life and property.

Public Services - includes maintenance and construction of basic infrastructure and solid waste activities. Streets and roads, leaf and brush collection, solid waste collection and recycling, operation of public parking, riverports, and stormwater and natural resource management.

Community Service - includes parks and recreation, public health, public welfare and assistance activities, housing and community development, mass transit programs, and educational support programs.

Utilities - include water sewerage, natural gas, electric and telecommunications systems. Please report stormwater utility costs within Public Services even if a fee is charged to support the program as a utility.

Part IV - TAX RATES

FORM F-65(KY-3)O - 9/2015

A. Property Tax Rates	Compensating (a)	4% Increase (b)	Adopted Rate (c)
1. Real			.217
2. Personal			.217
3. Motor vehicle/watercraft			.208
B. Other Rates			
1. Occupational license fee (payroll tax)			
2. Net profits			
3. Gross receipt tax			
4. Insurance premium tax		8.000000	
5. Bank deposits		.025000	
6. Restaurant tax		3.000000	
7. Motel tax			

Part V - TAX AND OTHER REVENUES

Please list all tax revenues received for the reporting period. Intergovernmental revenues should be listed under the source from which you received them, i.e. State, Federal, or from a City, County or a Special District. This may include revenues received from services you provide to another government.

A. Property Tax	
1. Real	\$248,536
2. Personal	
3. Motor vehicle/watercraft	\$17,277
4. Bank deposits franchise tax	
5. Delinquent (all years)	\$5,706
SUBTOTAL Property Taxes	\$271,519
B. License and Permit Fees	
1. City vehicle licensing (auto stickers)	\$4,917
2. Right of way/street cut permits	
3. Alcoholic beverage licenses	
4. Planning, zoning, development fees	
5. Other licensing and permit fees including: Animal control; building, electrical, and plumbing permits; Electrical contractors' licenses, development impact fees, unloading fees, building, electrical, plumbing and natural gas inspections.)	\$595
SUBTOTAL License & Permit Fees	\$5,512

Please continue on next page

Part V – TAX AND OTHER REVENUES – Continued

FORM F-65(KY-3)O - 9/2015

C. Occupation and Business Fees

1. Occupational license fees	
(a) Payroll	
(b) Net profits	
(c) Gross receipts	
2. Fixed rate business license	
SUBTOTAL for Occupation and Business Fees	\$0

D. Other Taxes/Fees

1. Franchise fees	
(a) Electric	\$70,018
(b) Natural gas	
(c) Water/wastewater	
(d) Other franchise fees	\$5,998
2. Motel tax	
3. Restaurant tax	\$96,394
4. Insurance premium tax	\$233,844
SUBTOTAL for Other Taxes/Fees	\$406,254

Function activity	From cities, counties, or special districts (a)	From State (b)	From Federal (c)
-------------------	--	-------------------	---------------------

E. Intergovernmental Revenues

1. General Support	\$2,455	\$22,623	
2. Government payments in lieu of taxes			
3. Public Safety			
(a) Police		\$52,475	
(b) Fire/EMS		\$11,450	
(c) Corrections			
4. Public Services			
(a) Streets and roads		\$47,964	
5. Community Services			
(a) Parks and recreation			
(b) Public welfare			
(c) Public health			
(d) Housing and community development			
(e) Transit/bus systems			
(f) Educational support			

Please continue on next page

Part V - Tax and Other Revenues - Continued

FORM F-65(KY-3)O - 9/2015

	From cities, counties, or special districts (a)	From State (b)	From Federal (c)
E. Intergovernmental Revenues - Continued			
6. Utilities			
(a) Water supply	\$0		
(b) Sewerage systems			
(c) Electric power systems			
(d) Natural gas systems	\$0		
(e) Telecommunications			
7. Other intergovernmental revenues (Include: Local government economic assistance; area development fund grant; other from local, state or federal governments.)			
SUBTOTAL for Intergovernment Revenues	\$2,455	\$134,512	\$0
F. Other Revenues/Charges			
1. Airport revenue			
2. Utility sales			
(a) Water		\$802,734	
(b) Sewerage		\$323,504	
(c) Electric			
(d) Natural gas		\$1,142,573	
(e) Telecommunications/cable			
3. Parking (lots, meters, garages, etc)			
4. Parks and recreation receipts			
5. River ports, locks, etc.			
6. Special assessments			
7. Sale of real or surplus property			
8. Investment/interest earnings (Exclude construction and pensions)		\$19,149	
9. Fines and forfeits (including parking violations)		\$1,240	
10. Transit authority			
11. Penalties and interest			
12. Donations			
13. Rents			

Please continue on next page

Part V - TAX AND OTHER REVENUES - Continued

FORM F-65(KY-3)O - 9/2015

14. Solid waste collection and disposal	\$376,267
15. Other miscellaneous revenues (Include: recoveries, impounded vehicles, ambulance runs, fire protection, police arrest fees, etc)	\$206,077
16. Bond proceeds	
SUBTOTAL Other Revenues/Charges	\$2,871,544
TOTAL Municipal Revenues	\$3,691,796

Part VI – EXPENDITURES

List all city spending both as direct expenditures and costs associated with services provided by other governments. An example might be spending for sewerage treatment by another city, or police or fire services provided by the county government. Include costs your city incurs for services provided by other non-profit agencies such as social services, public health, and public welfare.

Function activity	To other cities, counties, or special districts (a)	To State (b)	To Federal (c)
A. Intergovernmental Expenditures ---(all payments to other governments for services, programs, or reimbursements)			
1. General government			
2. Public safety			
3. Public services			
4. Community services			
5. Utilities			
SUBTOTAL for Intergovernmental Expenditures	\$0	\$0	\$0

Provide spending directly attributed to the city's operations by salaries and wages, other operations, and capital outlay. Salaries and wages should only include direct salary costs including any overtime and differential pay. Do not include fringe benefits or other costs such as unemployment insurance. Operations include all other costs including materials, supplies, contractual services and other miscellaneous costs. Capital outlay is normally defined as items costing at least \$1,000 and having a useful life of more than three years.

Function activity	Salaries and wages (a)	Other operations (b)	Capital Outlay	
			Equipment, land and existing structures (c)	Construction (d)
B. Direct Expenditures by the City				
1. General government (Administrative, legal, overhead, public buildings)	\$111,460	\$1,157,918	\$122,941	
2. General government: Financial Administration				
3. Public Safety				
(a) Police	\$212,282	\$62,787		
(b) Fire/EMS/Ambulance	\$54,000	\$60,222		
(c) Code enforcement/inspection				
(d) Corrections				
(e) Other costs (e.g., dispatch)				
SUBTOTAL Direct Expenditures by City	\$377,742	\$1,280,927	\$122,941	\$0

Please continue on next page

Part VI – EXPENDITURES - Continued

FORM F-65(KY-3)O - 9/2015

Function activity	Salaries and wages (a)	Other operations (b)	Capital Outlay	
			Equipment, land and existing structures	Construction (d)
4. Public services				
(a) Streets and roads		\$144,909		
(b) Sanitation/solid waste	\$51,423	\$262,163		
(c) Natural resources				
(d) Riverport facilities				
(e) Parking facilities				
(f) Cemeteries				
SUBTOTAL for Public Services	\$51,423	\$407,072	\$0	\$0
5. Community services				
(a) Parks and recreation				
(b) Public health				
(c) Public welfare				
(d) Housing and community development				
(e) Transit/bus system				
(f) Educational support				
SUBTOTAL for Community Services	\$0	\$0	\$0	\$0
6. Utilities				
(a) Water systems	\$183,542	\$1,138,758		
(b) Sewerage systems	\$33,700	\$211,913		
(c) Electric power systems				
(d) Natural gas systems	\$195,177	\$586,257		
(e) Cable/telecommunications				
SUBTOTAL for Utilities	\$412,419	\$1,936,928	\$0	\$0
7. Debt payments (include all principal and interest)				
(a) General Government		\$40,831		
(b) Public safety				
(c) Public services				
(d) Community services				
(e) Utilities		\$412,719		
SUBTOTAL for Debt Payments		\$453,550		
8. Bond insurance costs				
9. Miscellaneous expenditures				
SUBTOTAL Bond Ins & Misc Expenditures	\$0	\$0	\$0	\$0
SUBTOTAL Direct Expenditures by City	\$841,584	\$4,078,477	\$122,941	\$0

Please continue on next page

Part VII - PENSION AND BENEFIT COSTS

FORM F-65(KY-3)O - 09/2015

Personnel Expenditures	
1. CERS non-hazardous	\$99,802
2. CERS hazardous	
3. City pensions	
4. Health insurance	\$175,723
5. All other employee benefits	
SUBTOTAL Pension & Benefits	\$275,525

Part VIII - INDEBTEDNESS

List a summary of total city debt outstanding at the beginning and end of the fiscal year. Include new debt incurred during the reporting period. Segregate the total debt by revenue and general obligation bonds.

Activity	Outstanding beginning FY (a)	Issued (b)	Retired (c)	Outstanding ending FY (d)	General obligation (e)	Revenue bonds (f)
1. General governmental funds	\$148,003	\$850,000	\$29,224	\$968,779	\$968,779	
2. Business type funds (water, sewer, gas, electric)	\$5,159,875		\$254,875	\$4,905,000	\$0	\$4,905,000
3. Private activity bonds (industrial revenue, non profits...)				\$0		
4. Short-term debt (All government funds)						
(a) Beginning of fiscal year						
(b) End of fiscal year						
5. Interest paid on						
(a) Water debt				\$157,844		
(b) Electric debt						
(c) Gas debt						
(d) Transit debt						
(b) All other debt				\$11,607		
TOTAL Interest Paid				\$169,451		
TOTAL Municipal Expenditures Sum totals of Parts VI and VII						\$5,318,527

Part IX - CASH AND INVESTMENTS

1. Beginning of fiscal year	\$1,892,393
2. End of fiscal year	
(a) Sinking funds	\$164,250
(b) Bond proceeds	
(c) Other reserved funds	\$315,209
(d) All non-reserved cash and investments	\$1,374,460

Finished



City Uniform Financial Information Report Fiscal Year 2013-2014

Part I - Reporting Information	
City Name	City of Liberty
Address	PO Box 127
City, State, Zip	Liberty, KY 42539
County	Casey
City Classification	Fifth
<small>(Please correct any error in name, address, and ZIP Code)</small>	
	Please save the worksheet to your hard drive. Once completed you can attach the worksheet to an email and forward to DLG-CSD@ky.gov

Return to:
 Department for Local Government
 Cities and Special Districts Branch
 1024 Capital Center Drive, Suite 340
 Frankfort, KY 40601

SEND ONE ORIGINAL AND TWO COPIES OF THE COMPLETED FORM to the Department for Local Government BY MAY 1, 2015.

Note - Data supplied by your city in this report will be used by State and Federal Agencies and public interest groups in Kentucky. By filing this report, you will not receive local government finance reporting forms from the U.S. Census Bureau.

Part II - Contact Information		
Name of person who completed form		Telephone
RAY, FOLEY, HENSLEY & COMPANY, PLLC		8592311800
Title		Date
CPA'S		
Company (if not city)	Reporting Format (accounting basis)	Telephone
RAY, FOLEY, HENSLEY & COMPANY, PLLC	MODIFIED ACCRUAL	8592311800
RELATED ORGANIZATIONS – Please list related organizations such as Boards, Commissions, or Utilities, whose Board members are appointed by the City's Mayor or legislative body, or who receive a major portion of their funding from city resources.		
Organization/Address	Chief Executive	Telephone

Part III - Certification - Completed report must be signed prior to filing.		
<small>This is to certify that the data contained in this report is accurate to the best of my knowledge and belief.</small>		
Signature of Official	Title	Date completed
	CITY CLERK	
Printed Name of Official		Telephone
SHARLEEN RODGERS		6067879973



Before filling out this form, please read carefully each part and all related definitions and instructions.

All information should be provided on a basis consistent with generally accepted accounting principles for the fiscal year July 1, 2013 through June 30, 2014.	Combine all items that are not entered in specific categories provided and enter the total in the "Other" line item. Amounts classified as "Other" should not exceed 5% of the corresponding category total.
ROUND TO THE NEAREST DOLLAR. DO NOT SHOW CENTS FOR REVENUES OR EXPENDITURES	THE ACTUAL TAX RATE LEVIED, COLUMN (c), PART IV MUST BE COMPLETED EVEN IF THERE WAS NOT A CHANGE IN THE TAX RATE FROM FISCAL YEAR 2012- 2013.
Tax rates should be reported as decimal amounts. For instance a rate of 22 and 7/10 cents per \$100 assessed value should be reported as .227	PLEASE BE SURE THAT AN OFFICIAL SIGNS THE CERTIFICATION. FORMS WILL NOT BE ACCEPTED WITHOUT SIGNATURE.
Part IV - City Revenue requests the fee, rate or amount charged per unit of service. If any line-item has a multiple rate schedule, please provide a copy of the rate schedule. The schedule is only required in years when the rates have been revised or implemented.	Please be sure to reconcile subtotals and totals to the city's annual financial statements.
Report only new debt or lease agreements. DO NOT COMPLETE THESE SECTIONS AGAIN IF THEY WERE REPORTED LAST YEAR AND THERE WERE NO CHANGES IN THE DEBT OR LEASE AGREEMENT.	DLG has developed an electronic version of the UFIR. You can access this document on the DLG website: www.dlg.ky.gov.org . For more information contact DLG-CSD@ky.gov or 800-346-5606.
Information in this report should match financial information in the city's annual audited financial statements prepared in accordance with KRS 91A.020	

Note Especially

Please report amounts covering all funds and accounts of your city except for employee-retirement funds administered by your city. Include bond redemption and interest funds, and construction or development funds as well as current funds. Exclude refunds and transfers between funds.	Please use black or blue ball point pen.
Since this form applies to cities of different sizes and complexity, some items may not apply to your city. However, read the definitions carefully for each item in the report.	Do not change any categories. Call for clarification.
This report must be returned to the Department of Local Government by May 1, 2015 per requirements of KRS 65.905.	Financial information for all utilities connected with the city must be reported on this form.
Please note your basis of accounting (cash, modified accrual or accrual) in this report.	Depreciation - to be shown as a part of "Other Operations".

General Definitions

The following general definitions will apply to grouping of expenditure categories:

General Government - includes all general functions of your city including finance, administration, elected officials, public buildings and general insurance coverage if not assigned to individual operating departments.

Public Safety - includes all police, fire, ambulance, correctional, inspection and code enforcement activities, and any other activity that promotes the protection of life and property.

Public Services - includes maintenance and construction of basic infrastructure and solid waste activities. Streets and roads, leaf and brush collection, solid waste collection and recycling, operation of public parking, riverports, and stormwater and natural resource management.

Community Service - includes parks and recreation, public health, public welfare and assistance activities, housing and community development, mass transit programs, and educational support programs.

Utilities - include water sewerage, natural gas, electric and telecommunications systems. Please report stormwater utility costs within Public Services even if a fee is charged to support the program as a utility.

Part IV - TAX RATES

FORM F-65(KY-3)O - 9/2014

A. Property Tax Rates	Compensating (a)	4% Increase (b)	Adopted Rate (c)
1. Real			.223
2. Personal			.223
3. Motor vehicle/watercraft			.208
B. Other Rates			
1. Occupational license fee (payroll tax)			
2. Net profits			
3. Gross receipt tax			
4. Insurance premium tax		8.000000	
5. Bank deposits		.025000	
6. Restaurant tax			
7. Motel tax			

Part V - TAX AND OTHER REVENUES

Please list all tax revenues received for the reporting period. Intergovernmental revenues should be listed from the source from which you received them, i.e. State, Federal, or from another City or Special District. This may include revenues received from services you provide to another government.

A. Property Tax	
1. Real	\$237,117
2. Personal	
3. Motor vehicle/watercraft	\$17,331
4. Bank deposits franchise tax	
5. Delinquent (all years)	\$1,778
SUBTOTAL Property Taxes	\$256,226
B. License and Permit Fees	
1. City vehicle licensing (auto stickers)	\$18,244
2. Right of way/street cut permits	
3. Alcoholic beverage licenses	
4. Planning, zoning, development fees	
5. Other licensing and permit fees including: Animal control; building, electrical, and plumbing permits; Electrical contractors' licenses, development impact fees, unloading fees, building, electrical, plumbing and natural gas inspections.)	\$2,195
SUBTOTAL License & Permit Fees	\$20,439

Please continue on next page

Part V – TAX AND OTHER REVENUES – Continued

FORM F-65(KY-3)O - 9/2013

C. Occupation and Business Fees

1. Occupational license fees

(a) Payroll

(b) Net profits

(c) Gross receipts

2. Fixed rate business license

SUBTOTAL for Occupation and Business Fees

\$0

D. Other Taxes/Fees

1. Franchise fees

(a) Electric

\$70,043

(b) Natural gas

(c) Water/wastewater

(d) Other franchise fees

\$7,938

2. Motel tax

3. Restaurant tax

4. Insurance premium tax

\$181,587

SUBTOTAL for Other Taxes/Fees

\$259,568

Function activity	From cities, counties, or special districts (a)	From State (b)	From Federal (c)
-------------------	--	-------------------	---------------------

E. Intergovernmental Revenues

1. General Support

\$2,054

\$23,093

2. Government payments in lieu of taxes

\$9,250

3. Public Safety

(a) Police

\$17,348

(b) Fire/EMS

\$8,250

(c) Corrections

4. Public Services

(a) Streets and roads

\$50,167

5. Community Services

(a) Parks and recreation

(b) Public welfare

(c) Public health

(d) Housing and community development

(e) Transit/bus systems

(f) Educational support

Please continue on next page

Part V - Tax and Other Revenues - Continued

FORM F-65(KY-3)O - 9/2014

	From cities, counties, or special districts (a)	From State (b)	From Federal (c)
E. Intergovernmental Revenues - Continued			
6. Utilities			
(a) Water supply	\$4,281		
(b) Sewerage systems			
(c) Electric power systems			
(d) Natural gas systems	\$2,350		
(e) Telecommunications			
7. Other intergovernmental revenues (Include: Local government economic assistance; area development fund grant; other from local, state or federal governments.)			\$0
SUBTOTAL for Intergovernment Revenues	\$17,935	\$98,858	\$0
F. Other Revenues/Charges			
1. Airport revenue			
2. Utility sales			
(a) Water		\$813,753	
(b) Sewerage		\$320,604	
(c) Electric			
(d) Natural gas		\$1,192,674	
(e) Telecommunications/cable			
3. Parking (lots, meters, garages, etc)			
4. Parks and recreation receipts			
5. River ports, locks, etc.			
6. Special assessments			
7. Sale of real or surplus property			
8. Investment/interest earnings (Exclude construction and pensions)		\$31,915	
9. Fines and forfeits (including parking violations)		\$1,175	
10. Transit authority			
11. Penalties and interest			
12. Donations			
13. Rents			

Please continue on next page

Part V - TAX AND OTHER REVENUES - Continued

FORM F-65(KY-3)O - 9/2014

14. Solid waste collection and disposal	\$372,040
15. Other miscellaneous revenues (Include: recoveries, impounded vehicles, ambulance runs, fire protection, police arrest fees, etc)	\$189,367
16. Bond proceeds	
SUBTOTAL Other Revenues/Charges	\$2,921,528
TOTAL Municipal Revenues	\$3,574,554

Part VI – EXPENDITURES

List all city spending both as direct expenditures and costs associated with services provided by other governments. An example might be spending for sewerage treatment by another city, or police or fire services provided by the county government. Include costs your city incurs for services provided by other non-profit agencies such as social services, public health, and public welfare.

Function activity	To other cities, counties, or special districts (a)	To State (b)	To Federal (c)
A. Intergovernmental Expenditures ---(all payments to other governments for services, programs, or reimbursements)			
1. General government			
2. Public safety			
3. Public services			
4. Community services			
5. Utilities			
SUBTOTAL for Intergovernmental Expenditures	\$0	\$0	\$0

Provide spending directly attributed to the city's operations by salaries and wages, other operations, and capital outlay. Salaries and wages should only include direct salary costs including any overtime and differential pay. Do not include fringe benefits or other costs such as unemployment insurance. Operations include all other costs including materials, supplies, contractual services and other miscellaneous costs. Capital outlay is normally defined as items costing at least \$1,000 and having a useful life of more than three years.

Function activity	Salaries and wages (a)	Other operations (b)	Capital Outlay	
			Equipment, land and existing structures (c)	Construction (d)
B. Direct Expenditures by the City				
1. General government (Administrative, legal, overhead, public buildings)	\$103,926	\$230,742	\$127,595	
2. General government: Financial Administration				
3. Public Safety				
(a) Police	\$225,603	\$66,100		
(b) Fire/EMS/Ambulance	\$47,600	\$52,047		
(c) Code enforcement/inspection				
(d) Corrections				
(e) Other costs (ie dispatch)				
SUBTOTAL Direct Expenditures by City	\$377,129	\$348,889	\$127,595	\$0

Please continue on next page

Part VI – EXPENDITURES - Continued

FORM F-65(KY-3)O - 9/2014	Capital Outlay			
Function activity	Salaries and wages (a)	Other operations (b)	Equipment, land and existing structures	Construction (d)
4. Public services				
(a) Streets and roads		\$85,999		
(b) Sanitation/solid waste	\$89,241	\$245,890		
(c) Natural resources				
(d) Riverport facilities				
(e) Parking facilities				
(f) Cemeteries				
SUBTOTAL for Public Services	\$89,241	\$331,889	\$0	\$0
5. Community services				
(a) Parks and recreation				
(b) Public health				
(c) Public welfare				
(d) Housing and community development				
(e) Transit/bus system				
(f) Educational support				
SUBTOTAL for Community Services	\$0	\$0	\$0	\$0
6. Utilities				
(a) Water systems	\$161,574	\$1,119,662		
(b) Sewerage systems	\$55,757	\$233,248		
(c) Electric power systems				
(d) Natural gas systems	\$174,502	\$730,953		
(e) Cable/telecommunications				
SUBTOTAL for Utilities	\$391,833	\$2,083,863	\$0	\$0
7. Debt payments (include all principal and interest)				
(a) General Government		\$33,857		
(b) Public safety				
(c) Public services				
(d) Community services				
(e) Utilities		\$446,708		
SUBTOTAL for Debt Payments		\$480,565		
8. Bond insurance costs				
9. Miscellaneous expenditures				
SUBTOTAL Bond Ins & Misc Expenditures	\$0	\$0	\$0	\$0
SUBTOTAL Direct Expenditures by City	\$858,203	\$3,245,206	\$127,595	\$0

Please continue on next page

Part VII - PENSION AND BENEFIT COSTS

FORM F-65(KY-3)O - 09/2014

Personnel Expenditures	
1. CERS non-hazardous	\$128,441
2. CERS hazardous	
3. City pensions	
4. Health insurance	\$164,197
5. All other employee benefits	
SUBTOTAL Pension & Benefits	\$292,638

Part VIII - INDEBTEDNESS

List a summary of total city debt outstanding at the beginning and end of the fiscal year. Include new debt incurred during the reporting period. Segregate the total debt by revenue and general obligation bonds.

Activity	Outstanding beginning FY (a)	Issued (b)	Retired (c)	Outstanding ending FY (d)	General obligation (e)	Revenue bonds (f)
1. General governmental funds	\$102,894	\$74,650	\$29,541	\$148,003	\$148,003	
2. Business type funds (water, sewer, gas, electric)	\$5,441,949		\$282,074	\$5,159,875	\$17,792	\$5,142,083
3. Private activity bonds (industrial revenue, non profits...)				\$0		
4. Short-term debt (All government funds)						
(a) Beginning of fiscal year						
(b) End of fiscal year						
5. Interest paid on						
(a) Water debt				\$164,634		
(b) Electric debt						
(c) Gas debt						
(d) Transit debt						
(b) All other debt				\$4,315		
TOTAL Interest Paid				\$168,949		
TOTAL Municipal Expenditures						
Sum totals of Parts VI and VII						\$4,523,642

Part IX - CASH AND INVESTMENTS

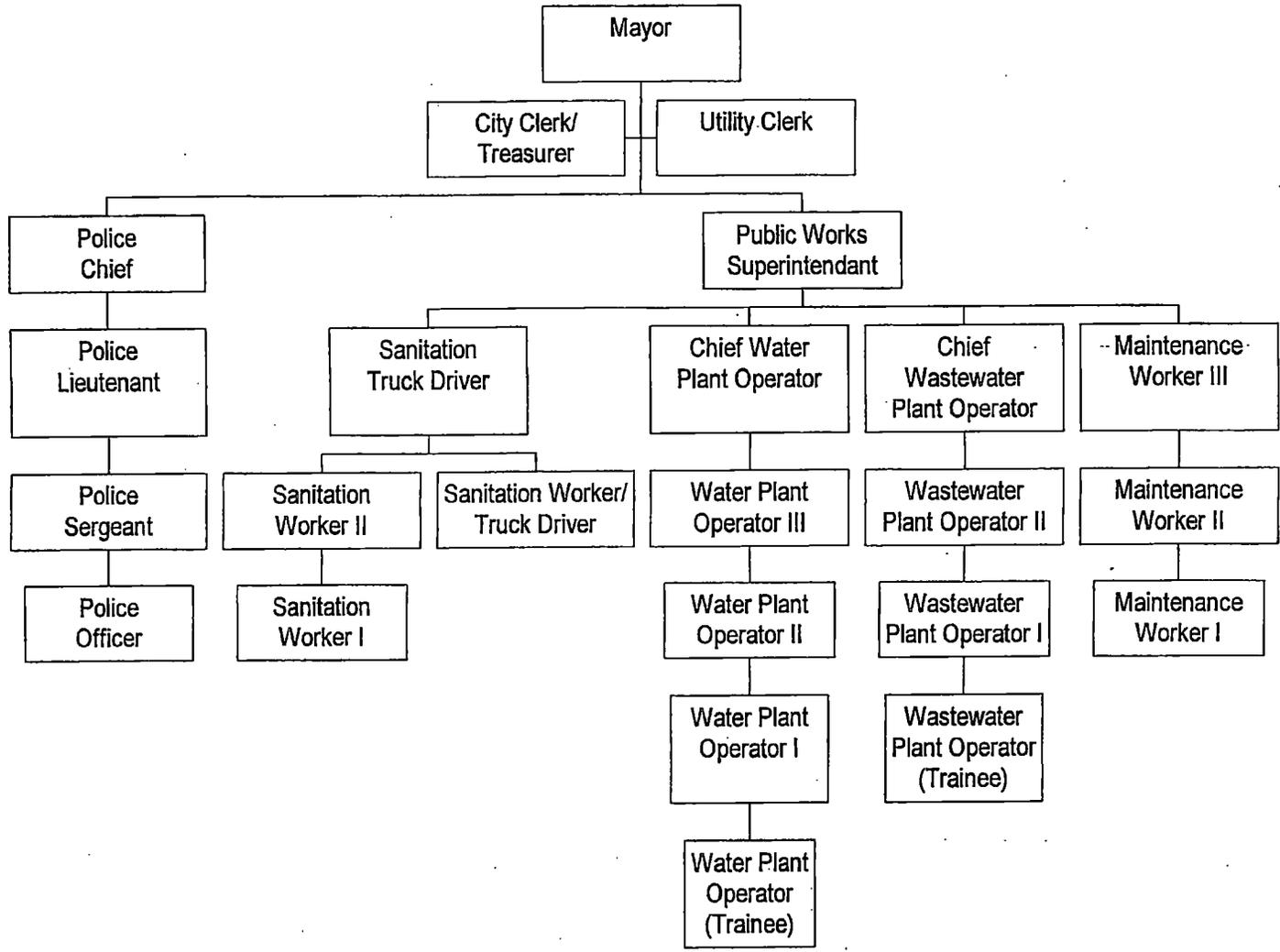
1. Beginning of fiscal year	\$2,130,937
2. End of fiscal year	
(a) Sinking funds	
(b) Bond proceeds	
(c) Other reserved funds	\$164,250
(d) All non-reserved cash and investments	\$1,728,143

Finished

3. Provide a copy of the organizational chart for Liberty's gas operations.

RESPONSE: A copy of the organizational chart for the City of Liberty is attached. The City notes that the position of Public Works Superintendent is not filled. The two employees in the Maintenance Worker III positions (Greg Rodgers and Darren Atwood) report directly to the mayor.

WITNESS: Bridgett Blake



4. Refer to Liberty's Response filed March 7, 2017 ("Response"), pages 1-2. Provide the names, titles, and job duties for the five full-time employees who provide maintenance for Liberty's gas operations, and provide the name and job duties for the director or superintendent of Liberty's gas operations, if he or she is not one of the five full-time employees referenced above.

RESPONSE: Greg Rodgers and Darren Atwood are classified within the Maintenance Worker III position. Because there is no Public Works Superintendent, Rodgers and Atwood act as co-managers of Liberty's gas operations. Jeff Wethington and Chris Dial are classified within the Maintenance Worker II position. Darrin Wesley is classified within the Maintenance Worker I position. Their position's general duties are described in the attached documents. With respect to the gas operations, these five individuals perform all field tasks related to the City's gas distribution system when those tasks are performed by City employees.

WITNESS: Bridgett Blake

CITY OF LIBERTY
POSITION DESCRIPTION

Class Title: Maintenance Worker III

Department: Public Works

Supervisor: Public Works Superintendent

Supervises: May Supervise Maintenance Workers in Lower Classes in the Absence of the Public Works Superintendent

Class Characteristics: Assists the Department Director with activities and programs of the department as requested. Supervise assigned personnel while performing required duties, including skilled and semi-skilled work of a varied nature in the construction, installation, maintenance and/or cleanliness of city water plant, wastewater plant, utility lines, streets and roads, parking lots, alleys, sidewalks, storm sewers, manholes, lift stations, culverts, drainage ditches, street signs, barricades, etc.; performs related work as required.

Distinguishing Features of the Class: The work in this class involves assisting the Public Works Superintendent with all public works functions of the city. Supervises assigned Maintenance Workers as requested. Performs a variety of skilled and semi-skilled work. Work is physically demanding, involving heavy lifting, shoveling, digging, and related work.

General Duties and Responsibilities (Illustrative Only):

Essential:

1. Assists the Public Works Superintendent with all activities of the department as requested.
2. Supervises assigned personnel in the absence of the Public Works Superintendent.
3. Assists with the construction, installation, maintenance and/or cleanliness of all city streets and roads, water plant, wastewater plant, utility lines, parking lots, alleys, sidewalks, storm sewers, manholes, lift stations, culverts, drainage ditches, street signs, and barricades, etc.
4. Installs water and gas meters.
5. Pulls pumps at plants.
6. Reads water and gas meters on a scheduled basis; disconnects meters in cases of delinquent accounts.
7. Operates equipment needed to maintain/connect water and gas distribution systems, wastewater collection systems, drainage ditches, storm sewers, culverts, etc.
8. Mows grass; cuts/trims trees and tree limbs; clears city right-of-way.
9. Removes snow from city streets, sidewalks, parking lots, etc.
10. Paints curbs and parking lots.
11. Operates departmental vehicles and equipment.
12. Pours concrete; makes forms.
13. Performs preventive maintenance on departmental vehicles and equipment;

may perform mechanic duties on all city vehicles and equipment.

14. Installs and repairs street signs, including traffic control signs, on all city streets.

15. Assists with maintaining inventory of equipment, spare parts and supplies for the department.

16. Prepares and maintains required reports and records.

Non-essential: None.

DESIRABLE QUALIFICATIONS

Training and Experience: Graduation from high school or equivalent supplemented by seven years work experience in public works or related field.

Special Knowledge, Skills and Abilities:

Knowledge:

1. Considerable knowledge of water and gas distribution systems, and wastewater collection system.
2. Considerable knowledge of the methods and equipment used in departmental activities.
3. Considerable knowledge of materials, methods and techniques utilized in construction, maintenance and operation of departmental activities.
4. Considerable knowledge of work hazards and applicable safety precautions associated with departmental equipment, vehicles, tools, and procedures.
5. Considerable knowledge of departmental rules and regulations.
6. Considerable knowledge of streets and water drainage systems within the city.
7. Considerable knowledge of departmental equipment, vehicles and tools.
8. Considerable knowledge of the geography of the city.
9. Considerable knowledge of traffic control and traffic safety.
10. Considerable knowledge of record keeping requirements.

Abilities:

1. Ability to assist with the planning, organizing, directing, and evaluating the activities of the department.
2. Ability to supervise assigned personnel while assisting with required duties.
3. Ability to operate departmental vehicles and equipment.
4. Ability to install water and gas meters.
5. Ability to accurately read and record usage information on water and gas meters.
6. Ability to establish and maintain an effective working relationship with city officers and employees, and the general public.
7. Ability to perform mechanical duties on all city vehicles and equipment; ability

to perform preventive maintenance on all departmental equipment, vehicles and tools.

8. Ability to perform heavy labor for extended periods of time, often under adverse weather conditions.

9. Possess mechanical aptitude, manual dexterity and good physical condition.

ADDITIONAL INFORMATION

Instructions: Somewhat general; many aspects are covered specifically, but must use own judgment most of the time.

Processes: Must occasionally consider different courses of action, or deviate from standard operating procedures, to get the job done.

Review of Work: Work is generally reviewed through reports.

Analytical Requirements: Problems generally require analysis based on precedent.

Tools, Equipment and Vehicles Used: Heavy equipment (loaders, backhoe, trucks, tractors, mowers, jack hammer, salt spreader,); vehicles; departmental hand tools.

Physical Requirements of the Job: Work is performed both indoors and outdoors; however, most work is completed outdoors regardless of weather conditions. Must lift heavy objects (more than 25 pounds); must operate vehicle and equipment as a job requirement; exposed to machinery and its moving parts; exposed to high places, confined spaces; must use ladders and stairs; exposed to fumes, chemicals and toxic substances.

Contacts: Frequent public and internal contacts requiring tact and diplomacy are requirements of the job.

Confidential Information: Limited use of confidential information.

Mental Effort: Moderate/heavy.

Interruptions: Frequent.

Special Licensing Requirements: Must possess and maintain valid commercial drivers license issued by the Commonwealth of Kentucky.

Availability: Must be able to respond to calls at all hours.

Certification Requirements: May be required to obtain Class II Distribution License issued by the Commonwealth of Kentucky. Membership in American Public Works Association and attendance at training programs and seminars preferred, but not required.

Additional Requirements: Must meet job-related physical and psychological

Maintenance Worker III, Page 4

requirements in effect at the time of appointment, and must pass any job-related mental, psychological and/or physical qualifying examination that may be prescribed.

Drug Testing: Must participate in mandatory drug testing as a condition of employment in the class.

Overtime Provision: Non-exempt.

CITY OF LIBERTY
POSITION DESCRIPTION

Class Title: Maintenance Worker II

Department: Public Works

Supervisor: Public Works Superintendent

Supervises: May Supervise Assigned Maintenance Workers in the Absence of a Higher Authority

Class Characteristics: Assists the Department Director with activities and programs of the department as requested. May supervise assigned personnel while performing required duties, including manual skilled work of a varied nature in the construction, installation, maintenance and/or cleanliness of city utility lines, streets and roads, parking lots, alleys, sidewalks, storm sewers, manholes, lift stations, culverts, drainage ditches, street signs, barricades, etc.; performs related work as required.

Distinguishing Features of the Class: The work in this class involves assisting the Public Works Superintendent with all public works functions of the city. May supervise assigned Maintenance Workers. Performs a variety of manual and semi-skilled labor of routine and moderate difficulty. Work is physically demanding, involving heavy lifting, shoveling, digging, and related work.

General Duties and Responsibilities (Illustrative Only):

Essential:

1. Assists the Public Works Superintendent with all activities of the department as requested.
2. May supervise assigned personnel in the absence of a higher authority.
3. Assists with the construction, installation, maintenance and/or cleanliness of all city streets and roads, utility lines, parking lots, alleys, sidewalks, storm sewers, manholes, lift stations, culverts, drainage ditches, street signs, and barricades, etc.
4. Installs water and gas meters.
5. Reads water and gas meters on a scheduled basis; disconnects meters in cases of delinquent accounts.
6. Operates equipment needed to maintain/connect water and gas distribution systems, wastewater collection systems, drainage ditches, storm sewers, culverts, etc.
7. Mows grass; cuts/trims trees and tree limbs; clears city right-of-way.
8. Removes snow from city streets, sidewalks, parking lots, etc.
9. Paints curbs and parking lots.
10. Operates departmental vehicles and equipment.
11. Pours concrete; makes forms.
12. Performs preventive maintenance on departmental vehicles and equipment; may perform mechanic duties on all city vehicles and equipment.

13. Installs and repairs street signs, including traffic control signs, on all city streets.
14. Assists with maintaining inventory of equipment, spare parts and supplies for the department.
15. Prepares and maintains required reports and records.

Non-essential: None.

DESIRABLE QUALIFICATIONS

Training and Experience: Graduation from high school or equivalent supplemented by three years work experience in public works or related field.

Special Knowledge, Skills and Abilities:

Knowledge:

1. Thorough knowledge of water and gas distribution systems, and wastewater collection system.
2. Thorough knowledge of the methods and equipment used in departmental activities.
3. Thorough knowledge of materials, methods and techniques utilized in construction, maintenance and operation of departmental activities.
4. Knowledge of work hazards and applicable safety precautions associated with departmental equipment, vehicles, tools, and procedures.
5. Thorough knowledge of departmental rules and regulations.
6. Thorough knowledge of streets and water drainage systems within the city.
7. Thorough knowledge of departmental equipment, vehicles and tools.
8. Thorough knowledge of the geography of the city.
9. Thorough knowledge of traffic control and traffic safety.
10. Thorough knowledge of record keeping requirements.

Abilities:

1. Ability to assist with the planning, organizing, directing, and evaluating the activities of the department.
2. Ability to operate departmental vehicles and equipment.
3. Ability to install water and gas meters.
4. Ability to accurately read and record usage information on water and gas meters.
5. Ability to establish and maintain an effective working relationship with city officers and employees, and the general public.
6. Ability to perform mechanical duties on all city vehicles and equipment; ability to perform preventive maintenance on all departmental equipment, vehicles and tools.

7. Ability to perform heavy labor for extended periods of time, often under adverse weather conditions.
8. Possess mechanical aptitude, manual dexterity and good physical condition.

ADDITIONAL INFORMATION

Instructions: Somewhat general; many aspects are covered specifically, but must use own judgment most of the time.

Processes: Must occasionally consider different courses of action, or deviate from standard operating procedures; to get the job done.

Review of Work: Work is generally reviewed through reports.

Analytical Requirements: Problems generally require analysis based on precedent.

Tools, Equipment and Vehicles Used: Heavy equipment (loaders, backhoe, trucks, tractors, mowers, jack hammer, salt spreader,); vehicles; departmental hand tools.

Physical Requirements of the Job: Work is performed both indoors and outdoors; however, most work is completed outdoors regardless of weather conditions. Must lift heavy objects (more than 25 pounds); must operate vehicle and equipment as a job requirement; exposed to machinery and its moving parts; exposed to high places, confined spaces; must use ladders and stairs; exposed to fumes, chemicals and toxic substances.

Contacts: Frequent public and internal contacts requiring tact and diplomacy are requirements of the job.

Confidential Information: Limited use of confidential information.

Mental Effort: Moderate/heavy.

Interruptions: Frequent.

Special Licensing Requirements: Must possess and maintain valid commercial drivers license issued by the Commonwealth of Kentucky.

Availability: Must be able to respond to calls at all hours.

Certification Requirements: May be required to obtain Class II Distribution License issued by the Commonwealth of Kentucky. Membership in American Public Works Association and attendance at training programs and seminars preferred, but not required.

Additional Requirements: Must meet job-related physical and psychological requirements in effect at the time of appointment, and must pass any job-related mental,

psychological and/or physical qualifying examination that may be prescribed.

Drug Testing: Must participate in mandatory drug testing as a condition of employment in the class.

Overtime Provision: Non-exempt.

CITY OF LIBERTY
POSITION DESCRIPTION

Class Title: Maintenance Worker I

Department: Public Works

Supervisor: Public Works Superintendent

Supervises: None.

Class Characteristics: Assists the Department Director with activities and programs of the department as requested. Performs required duties, including manual skilled work of a varied nature in the construction, installation, maintenance and/or cleanliness of city utility lines, streets and roads, parking lots, alleys, sidewalks, storm sewers, manholes, lift stations, culverts, drainage ditches, street signs, barricades, etc. After three years related experience, may be promoted to Maintenance worker II upon recommendation of the Department Director and approval of the Mayor. Performs related work as required.

Distinguishing Features of the Class: The work in this class involves assisting the Public Works Superintendent with all public works functions of the city. Performs a variety of manual and semi-skilled labor of routine and moderate difficulty. Work is physically demanding, involving heavy lifting, shoveling, digging, and related work.

General Duties and Responsibilities (Illustrative Only):

Essential:

1. Assists the Public Works Superintendent with all activities of the department as requested.
2. Assists with the construction, installation, maintenance and/or cleanliness of all city streets and roads, utility lines, parking lots, alleys, sidewalks, storm sewers, manholes, lift stations, culverts, drainage ditches, street signs, and barricades, etc.
3. Installs water and gas meters.
4. Reads water and gas meters on a scheduled basis; disconnects meters in cases of delinquent accounts.
5. Operates equipment needed to maintain/connect water and gas distribution systems, wastewater collection systems, drainage ditches, storm sewers, culverts, etc.
6. Mows grass; cuts/trims trees and tree limbs; clears city right-of-way.
7. Removes snow from city streets, sidewalks, parking lots, etc.
8. Paints curbs and parking lots.
9. Operates departmental vehicles and equipment.
10. Pours concrete; makes forms.
11. Performs preventive maintenance on departmental vehicles and equipment; may perform mechanic duties on all city vehicles and equipment.
12. Installs and repairs street signs, including traffic control signs, on all city streets.

13. Assists with maintaining inventory of equipment, spare parts and supplies for the department.

14. Prepares and maintains required reports and records.

Non-essential: None.

DESIRABLE QUALIFICATIONS

Training and Experience: Graduation from high school or equivalent; no previous work experience requirements.

Special Knowledge, Skills and Abilities:

Knowledge:

1. Knowledge of, or ability to learn, water and gas distribution systems, and wastewater collection system.

2. Knowledge of, or ability to learn, the methods and equipment used in departmental activities.

3. Knowledge of, or ability to learn, materials, methods and techniques utilized in construction, maintenance and operation of departmental activities.

4. Knowledge of work hazards and applicable safety precautions associated with departmental equipment, vehicles, tools, and procedures.

5. Knowledge of, or ability to learn, departmental rules and regulations.

6. Knowledge of, or ability to learn, streets and water drainage systems within the city.

7. Knowledge of, or ability to learn, departmental equipment, vehicles and tools.

8. Knowledge of, or ability to learn, the geography of the city.

9. Knowledge of, or ability to learn, traffic control and traffic safety.

10. Knowledge of, or ability to learn, record keeping requirements.

Abilities:

1. Ability to assist with the planning, organizing, directing, and evaluating the activities of the department.

2. Ability to operate departmental vehicles and equipment after receiving proper training.

3. Ability to install water and gas meters.

4. Ability to accurately read and record usage information on water and gas meters.

5. Ability to establish and maintain an effective working relationship with city officers and employees, and the general public.

6. Ability to perform mechanical duties on all city vehicles and equipment; ability to perform preventive maintenance on all departmental equipment, vehicles and tools.

7. Ability to perform heavy labor for extended periods of time, often under

diverse weather conditions.

8. Possess mechanical aptitude, manual dexterity and good physical condition.

ADDITIONAL INFORMATION

Instructions: Instructions are initially very specific, but become more general with additional work experience.

Processes: Must occasionally consider different courses of action, or deviate from standard operating procedures, to get the job done.

Review of Work: Work is initially closely reviewed, but becomes more general with additional work experience.

Analytical Requirements: Problems generally require analysis based on precedent.

Tools, Equipment and Vehicles Used: Heavy equipment (loaders, backhoe, trucks, tractors, mowers, jack hammer, salt spreader,); vehicles; departmental hand tools.

Physical Requirements of the Job: Work is performed both indoors and outdoors; however, most work is completed outdoors regardless of weather conditions. Must lift heavy objects (more than 25 pounds); must operate vehicle and equipment as a job requirement; exposed to machinery and its moving parts; exposed to high places, confined spaces; must use ladders and stairs; exposed to fumes, chemicals and toxic substances.

Contacts: Frequent public and internal contacts requiring tact and diplomacy are requirements of the job.

Confidential Information: Limited use of confidential information.

Mental Effort: Moderate/heavy.

Interruptions: Frequent.

Special Licensing Requirements: Must possess and maintain valid commercial drivers license issued by the Commonwealth of Kentucky.

Availability: Must be able to respond to calls at all hours.

Certification Requirements: Membership in American Public Works Association and attendance at training programs and seminars preferred, but not required.

Additional Requirements: Must meet job-related physical and psychological requirements in effect at the time of appointment, and must pass any job-related mental, psychological and/or physical qualifying examination that may be prescribed.

Drug Testing: Must participate in mandatory drug testing as a condition of employment in the class.

Overtime Provision: Non-exempt.

5. Provide the name, title, and job duty of each employee responsible for ensuring the compliance of Liberty's gas operations with leakage survey requirements.

RESPONSE: Ultimately, the City itself is responsible for ensuring the compliance of Liberty's gas operations with leakage survey requirements. Liberty Mayor Brown has designated City Clerk Bridgett Blake as the primary City employee to ensure that leakage surveys are performed within proper time limit and proper records are maintained. She will work collaboratively with the City employees who work on the gas distribution system to schedule leakage surveys by Heath Consultants or other qualified individuals. The City Clerk's general duties are described in the attached document.

WITNESS: Bridgett Blake

CITY OF LIBERTY
POSITION DESCRIPTION

Class Title: City Clerk/Treasurer

Department: Administration

Supervisor: Mayor

Supervises: None.

Class Characteristics: Under the general direction of the Mayor, serves as City Clerk for the city; performs accounts payable functions for the city; serves as Payroll/Personnel Officer; performs related work as required.

Distinguishing Features of the Class: The work in this class involves responsibility for performing professional functions within the office, including preparing agenda and attending all meetings of the City Council, maintaining all records of the city not assigned to another office; financial management activities, etc. The work requires considerable discretion and independent judgment in planning, coordinating and directing activities within the framework of established policy and applicable laws and ordinances. May assume responsibility for the department in the absence of the Mayor. Work is performed under the administrative direction of the Mayor, who reviews work performance through evaluation of reports and results, analysis of complaints, and personal preference.

General Duties and Responsibilities (Illustrative Only):

Essential:

1. Prepares agenda for and attends all regular and special Council meetings.
2. Advertises special Council meetings.
3. Prepares and maintains complete and accurate minutes of Council proceedings, and records them in appropriate books.
4. Files and maintains all permanent records of the city.
5. Serves as custodian of the Seal of the City.
6. Insures that all ordinances meet publication requirements.
7. Insures that ordinances are indexed or codified as required.
8. Types minutes, ordinances, resolutions, reports, correspondence, licenses, permits, etc.
9. Accepts telephone calls and receives visitors at office, listens to problems, complaints or information requests, and handles personally or directs to department or individual for appropriate action.
10. Assists in preparation and administration of annual budget; prepares financial records for computer input.
11. Prepares and/or proofs and forwards notices for property taxes and other licenses and fees; collects payment for taxes, licenses, permits and fees; prepares licenses or permits after receipt of payment.

12. Maintains petty cash fund for the city.
13. Administers law enforcement incentive program for Police Department.
14. Opens and processes mail.
15. Prepares bank deposits for all revenues except utility services.
16. Balances cash drawer daily.
17. Performs accounts payable functions for the city, including reviewing all invoices, preparing checks, and insuring that bills and receipts reconcile with each account balance.
18. Prepares sales and utility tax reports.
19. Issues purchase orders; maintains files for each.
20. Reconciles bank statements to general ledger.
21. Recommends investment of excess funds.
22. Prepares and distributes payroll checks; prepares and forwards required payroll-related reports.
23. Maintains personnel files for all city departments.
24. Administers employee benefits program.
25. Reviews employee time cards for accuracy; prepares and distributes payroll; forwards payments and reports to state and federal agencies on scheduled basis.
26. Maintains personnel file on each employee; administers employee benefits program; accrues leave benefits; administers worker's compensation and unemployment programs; insures confidentiality of personnel records.
27. Assists with grants writing and administration.
28. Assists Utility Clerk with all duties and responsibilities as requested.
29. May attend meetings on behalf of the Mayor and/or Council.
30. Monitors delinquent property taxes; prepares and mails notices of legal action.
31. Works with computer hardware and software vendors for the city.

Non-essential:

1. Prepares agenda for Glenwood Cemetery meetings; attends all cemetery related meetings; prepares minutes of meetings; records cemetery plots; collects and deposits money for cemetery plots; prepares quarterly Glenwood Cemetery documents.
2. Prepares agenda for Planning Commission Zoning Issues and forwards to zoning officers; attends meetings; prepares minutes of meetings.
3. Attends meetings and prepares/maintains records of special projects.

DESIRABLE QUALIFICATIONS

Training and Experience: Graduation from high school or equivalent supplemented by five years work experience in an office setting; additional education may be substituted for work experience requirements on a year-for-year basis up to a maximum of two years.

Special Knowledge, Skills and Abilities:

Knowledge:

1. Thorough knowledge of the legal requirements relating to the recording and preservation of official minutes and records.
2. Thorough knowledge of parliamentary procedures for Council meetings.
3. Thorough knowledge of public administration theories and practices.
4. Thorough knowledge of federal, state and local laws, administrative regulations, and ordinances relating to local government operations.
5. Thorough knowledge of financial management principles, practices and regulations.
6. Knowledge of modern office practices, procedures, equipment, and record keeping systems.
7. Knowledge of banking procedures.

Skills:

1. Exceptional skill in working with the public.
2. Excellent communication skills.
3. Decision making skills.
4. Skill in working with computer hardware and software.

Abilities:

1. Ability to record and transcribe minutes of meetings.
2. Ability to prepare minutes, ordinances, orders, resolutions, correspondence, reports, forms, etc., from rough draft.
3. Ability to maintain important records efficiently and accurately in compliance with federal, state and local laws, administrative regulations, and ordinances.
4. Ability to prepare and maintain financial records.
5. Ability to type efficiently and accurately.
6. Ability to make mathematical computations accurately.
7. Ability to establish and maintain effective working relationships with city officials, employees, and the general public.
8. Analytical abilities. Thoroughness. Resourcefulness. Courtesy. Firmness. Tact. Orderliness. Sound judgment. Integrity.

ADDITIONAL INFORMATION

Instructions: Very general; must use own judgment most of the time.

Processes: Must occasionally consider different courses of action, or deviate from standard procedures, to get the work done.

Review of Work: Work is generally not reviewed, except for approval of minutes.

Analytical Requirements: Assignments involve decisions based on a wide knowledge of many factors where application of advanced or technical concepts are required.

Tools, Equipment and Vehicles Used: Normal office equipment, including telephone, computer, typewriter, fax machine, copier, etc.

Physical Requirements of the Job: Work is typically performed in an office sitting at a desk or table; lifting light objects of less than 25 pounds is a requirement of the job.

Contacts: Frequent public and internal contacts requiring tact and diplomacy are requirements of the job.

Confidential Information: Regular use of confidential information.

Mental Effort: Moderate/heavy.

Interruptions: Constant.

Special Licensing Requirements: Must possess and maintain a valid drivers license.

Availability: Must be able to attend meetings at irregular hours.

Certification Requirements: Must complete Municipal Clerks Certification Program as approved by the International Institute of Municipal Clerks within five years after appointment to the class.

Additional Requirements: Must be bonded.

Drug Testing: Must participate in mandatory drug testing as a condition of employment in the class.

Overtime Provision: Non-exempt.

6. Refer to the Response, page 2, footnote 1. Explain why Liberty states that it is possible that Ronnie Wesley, the then-lead operator, performed leakage surveys for Liberty's gas operations prior to his death in 2014.

RESPONSE: The underlying facts show that a Commission inspector specifically found that the City complied with periodic-leak-survey requirements in March 2012. In 2015, a Commission inspector noted that the City had not conducted a leakage survey since 2009. The City admits that it does not have records of a leakage survey performed during this time period. In an attempt to provide one possible explanation for the discrepancy between the two Commission-inspection reports and the lack of documentation or knowledge of a leakage survey by the City, the City mentioned that it was possible that the City's former lead operator, Ronnie Wesley, performed leakage surveys on the City's system prior to his death in 2014. As previously stated by the City, it has not located any records to demonstrate that Wesley or any other person performed leakage surveys. In its Response, the City merely wanted to offer one possible explanation as to why a Commission inspector would find that there were no deficiencies related to the City's gas system in 2012.

WITNESS: Bridgett Blake

7. Refer to the Response, page 2, footnote 1, in which Liberty states “The City has reports of regular patrols of the gas system, which are designed to locate leaks.” In its response to data requests contained in an appendix to an Order entered December 1, 2016, in Case No. 2016-00391, Liberty stated, “No instruments were used during their patrolling” in regard to patrols conducted by employees of Liberty’s gas operations in 2012 through 2014. Explain why Liberty states that regular patrols are designed to locate leaks and how any leaks are detected if no instruments are used during the patrols.

RESPONSE: Patrolling is performed to discover potential gas leaks and other factors that can affect safety and operation of the gas system. By observing surface conditions above the distribution system, individuals can notice certain conditions that may suggest a gas leak is present. Possible signs that a gas leak may be present include dead grass or other vegetation; dust, dirt, or debris being blown into the air from the ground; the hissing noise of a leak; or a noticeable smell from odorant added to natural gas. In addition, individuals may learn about construction activity of which they were previously unaware and that could negatively impact. To the extent that observations during patrolling result in the belief that a gas leak may be present, testing and necessary repairs are performed.

WITNESS: Bridgett Blake

8. Refer to the Response, page 3. Provide a copy of Liberty's contract with Heath Consultants, Inc. to perform leakage surveys in 2017.

RESPONSE: A copy of Liberty's contract with Heath Consultants, Inc. ("Heath") to perform leakage surveys in 2017 is attached. Liberty signed the contract with Heath in 2016. It has an option to renew that can be unilaterally exercised by Liberty. ("Under this agreement. Client will have the option to renew the Agreement on a year-to-year basis by completing and returning the Option to Renew attached hereto.") The City executed the Option to Renew and returned it to Heath at the same time that it returned the original contract. City Clerk Bridgett Blake has contacted Heath Consultants and requested a leakage survey to be conducted in early August 2017. As of the date of this response, the City is waiting for Heath to provide the specific dates of the leakage survey to be conducted.

WITNESS: Bridgett Blake

SERVICES AGREEMENT (INDEPENDENT CONTRACTOR)

This Services Agreement ("Agreement"), effective June 3, 2016, is between Liberty Gas Company, ("Client") and Heath Consultants Incorporated ("Contractor").

SECTION ONE-SCOPE OF WORK:

The work to be performed by Contractor will be set forth in Exhibit A, Scope of Work.

SECTION TWO-PRICE/PAYMENT:

Client will pay Contractor for work performed as set forth in Exhibit B, Price Schedule. Heath Consultants Incorporated reserves the right to invoice the client for additional items required, but not disclosed in the RFP/Quote process as an additional pass through cost to the client as agreed to by both parties. Terms are Net 30 days.

SECTION THREE-RELATIONSHIP OF PARTIES:

The parties intend that an independent contractor relationship will be created by this Agreement. Performance and control of the work will lie solely with Contractor. The Contractor is not to be considered an agent or employee of Client for any purpose.

SECTION FOUR-CONTRACTOR'S EMPLOYEES QUALIFIED TO PERFORM THE WORK REQUIRED UNDER THIS AGREEMENT UNDER SUBPART N OF SECTION 192 OF THE FEDERAL PIPELINE SAFETY REGULATIONS/WARRANTIES

Contractor warrants and represents that it has an Operator Qualification Program as required by Subpart N of Section 192 of the Federal Pipeline Safety Regulations and that the employees who will perform the Work required under this Agreement have been evaluated and are qualified to perform the tasks required under this Agreement.

SECTION FIVE-INSURANCE TO BE SECURED:

Contractor agrees to maintain such insurance acceptable to Client as set forth on Exhibit C, Insurance Requirements.

SECTION SIX-INDEMNIFICATION

Contractor shall indemnify and hold Client and its agents, employees, partners, parents, subsidiaries, insurers and affiliates harmless from any losses, costs, claims (including claims of Contractor's employees), expenses (including attorneys' fees and court costs), suits, actions, judgments, fines, penalties or damages of every nature and description (collectively "losses") arising out of or resulting from the Contractor's Work under this Agreement, except that Contractor's obligation to indemnify Client shall not apply to any losses or liabilities arising from Client's sole negligence, or that portion of any liabilities that arise out of Client's contributing negligent acts or negligent omissions.

Client shall indemnify and hold Contractor and its agents, employees, partners, parents, subsidiaries, insurers and affiliates harmless from any losses, costs, claims (including claims of

Client's employees), expenses (including attorneys' fees and court costs), suits, actions, judgments, fines, penalties or damages of every nature and description (collectively "losses") arising out of or alleged to arise out of the action or inaction of Client in connection with the Work under this Agreement except that Client's obligation to indemnify Contractor shall not apply to any losses or liabilities arising from Contractor's sole negligence, or that portion of any liabilities that arise out of Contractor's contributing negligent acts or negligent omissions.

This indemnification obligation shall survive the expiration or termination of the Agreement.

This indemnification obligation shall extend to all costs, expenses and damages arising from any infringement, misappropriation or claim of infringement or misappropriation of any process, product, apparatus or combination patent resulting from the use of any designs or other information furnished by the other party and incorporated in the Work or Ancillary Work.

SECTION SEVEN-COMPLIANCE WITH LAW AND SAFETY REQUIREMENTS:

All Work will be performed in accordance with the Federal Pipeline Safety Regulations, NFPA 58 and all applicable propane and pipeline industry safety practices and standards, and in accordance with federal, state and local statutes, rules regulations and ordinances.

SECTION EIGHT-DURATION/RENEWAL/CANCELLATION:

This Agreement expires December 31, 2016. Under this agreement, Client will have the option to renew the Agreement on a year-to-year basis by completing and returning the Option to Renew attached hereto. Client or Contractor may cancel the Agreement upon one (1) week's advance notice. In the event this Agreement is terminated under the foregoing provision, Client shall pay Contractor any amounts due for Work performed by Contractor and/or materials or supplies ordered prior to the date that the termination notice is provided to the non-terminating party.

SECTION NINE-CONFIDENTIALITY:

Contractor will not disclose to third parties any information concerning its work for Client, including, but not limited to, confidential or trade secret information or information regarding Client's customers or potential customers, business and marketing plans, customer lists, credit information, gas usage patterns, pricing and marketing policies and practices, financial information and other operating policies and procedures. Contractor understands that if it violates this Agreement, Client will suffer irreparable harm. Therefore, in addition to any other remedies available to it, Client will be entitled to seek and obtain injunctive or equitable relief, including orders prohibiting violations of this Agreement.

Client will not disclose to third parties any information concerning its work with Contractor, including, but not limited to, confidential or trade secret information or information, business and marketing plans, customer lists, credit information, pricing and marketing policies and practices, financial information and other operating policies and procedures. Client understands that if it violates this Agreement, Contractor will suffer irreparable harm. Therefore, in addition to any other remedies available to it, Contractor will be entitled to seek and obtain injunctive or equitable relief, including orders prohibiting violations of this agreement.

SECTION TEN-MISCELLANEOUS:

- (a) **Waiver.** Neither the failure nor any delay on the part of either party to exercise any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the same or of any other right, remedy, power or privilege, nor shall any waiver of any right, remedy, power or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.
- (b) **Binding Nature of Agreement.** This Agreement shall be binding upon and inure to the benefit of Client and its successors and assigns and shall be binding upon and inure to the benefit of Contractor, its successors and assigns.
- (c) **Provisions Separable.** The provisions of this Agreement are independent of and separable from each other, and no provision shall be affected or rendered invalid or unenforceable by virtue of the fact that for any reason any other or others of them may be invalid or unenforceable in whole or in part.
- (d) **Entire Agreement.** This Agreement contains the entire understanding among the parties hereto with respect to the subject matter hereof, and supersedes all prior and contemporaneous agreements and understandings, inducements or conditions, express or implied, oral or written, except as herein contained. The express terms hereof control and supersede any course of performance and/or usage of the trade inconsistent with any of the terms hereof. This Agreement may not be modified or amended other than by an agreement in writing.
- (e) **Paragraph Headings.** The paragraph headings in this Agreement are for convenience only; they form no part of this Agreement and shall not affect its interpretation.
- (f) **Gender, Etc.** Words used herein, regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context indicates is appropriate.
- (g) **Number of Days.** In computing the number of days for purposes of this Agreement, all days shall be counted, including Saturdays, Sundays and holidays; provided, however, that if the final day of any time period falls on a Saturday, Sunday or holiday on which federal banks are or may elect to be closed, then the final day shall be deemed to be the next day which is not a Saturday, Sunday or holiday.
- (h) This Agreement may be executed in multiple counterparts, each of which shall be deemed an original for all purposes and all of which shall be deemed collectively to be one agreement. The parties agree that execution of this Agreement by a

party and the delivery of such party's signature by mail, facsimile transmission, or electronic (e-mail) transmission shall be fully effective as the original signature of such party to the fullest extent as if it were the original copy thereof.

- (i) This Agreement shall be governed and interpreted in accordance with the laws of the State of Texas. Venue of any dispute shall lie in Harris County, Texas.

SECTION ELEVEN-FORCE MAJEURE

Neither party hereto shall be liable for any failure to perform the terms of this Agreement when such a failure is due to "force majeure" as hereinafter defined. The term "force majeure" as used in this Agreement shall mean any delay or default in performance due to any cause beyond the control of the party claiming force majeure and without such party's fault or negligence, including but not restricted to acts of God or the public, civil disturbances, arrests and restraints by rulers and people; acts of the public enemy, wars, riots, insurrections, sabotage; acts, requests or interruptions of the federal, state or local government or any agency thereof; court orders, present and future valid orders of any governmental authority, or nay officer, agency or any instrumentality thereof; floods, fires, storms, epidemics, landslides, lightning, earthquakes, washouts, explosions, quarantine, strikes, lockouts, or industrial disturbances; interruption of transportation, freight embargos or delays in delivery of equipment or service necessary to the performance of any provision of this Agreement; inability to secure right of way, labor shortages, breakage or accident to machinery or lines of pipe, or any other cause, whether of the kind herein enumerated or otherwise, not reasonable within the control of the party claiming force majeure. Nothing contained in this section, however, shall be construed to require either party to settle a labor dispute against its will.

If as a result of force majeure wither party is unable, wholly or in part, to carryout its obligation under this Agreement, other than the obligation to make payment of money due, then, upon such party's giving notice and a description of such cause in writing to the other party as soon as possible after the occurrence of the cause, the obligation of the party giving such notice, so far as it is affected by the cause specified in such notice, shall be suspended for the duration of the cause. Such cause shall, as far as possible, be remedied with all reasonable dispatch.

SECTION TWELVE--NOTICES

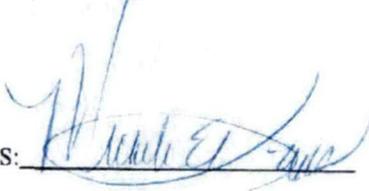
All notices, except verbal or email notices with respect to minor questions, shall be in writing and shall be delivered by United States first class mail, postage prepaid, personal delivery, facsimile (with printed confirmation), electronic transmission (e-mail) or nationally recognized overnight carrier to the appropriate party using the following respective addresses:

For Client: Liberty Gas Company
Bridgett Blake
P.O. Box 127
Liberty, KY 42539
Phone: 606-787-9973
Email: LIBERTYBB@WINDSTREAM.NET

For Contractor: Heath Consultants Incorporated
9030 Monroe Road
Houston, Texas 77061
Attention: Gary Lape, Vice President-Operations
Phone: 713-844-1303
Email: contractsadmin@heathus.com

All notices shall be effective on the party addressee from the time received by such party.

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year shown beneath their signatures.

WITNESS: 

HEATH CONSULTANTS INCORPORATED

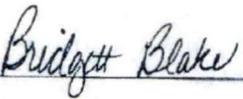
By: 

Name: Gary Lape (Print)

Title: VP Operations (Print)

Thereunto duly authorized

Date: 6-22-16

WITNESS: 

LIBERTY GAS COMPANY

By: 

Name: Steven Brown (Print)

Title: Mayor (Print)

Thereunto duly authorized

Date: 06/13/16

PLEASE RETURN EXECUTED CONTRACT TO: contractsadmin@heathus.com

-OR-

by mail to Contracts Administrator, Heath Consultants Incorporated, 9030 Monroe Rd., Houston, TX 77061

Option to Renew

Client hereby exercises its option to renew its Independent Contractor Agreement between itself and _____ Dated _____ for one (1) year ending on _____.

HEATH CONSULTANTS INCORPORATED

BY:

WITNESS: _____

Signature

Name: _____ (Print)

Title: _____ (Print)

Thereunto duly authorized

Date: _____

LIBERTY GAS COMPANY

BY:

WITNESS: Budger Blake

Steven Brown

Signature

Name: Steven Brown (Print)

Title: Mayor (Print)

Thereunto duly authorized

Date: 06/13/16

PLEASE RETURN EXECUTED CONTRACT TO: contracts@hca.com

-OR-

by mail to Contracts Administrator, Heath Consultants Incorporated, 9030 Monroe Rd., Houston, TX 77061

EXHIBIT A

SCOPE OF WORK

Leak Survey of Facilities, to include leakage inspection and leakage classification. The inspection will be performed with the use of a DP-IR™, or an RMLD-IS®. All leaks are classified with the use of a Combustible Gas Indicator to GPTC Standards. All leakage and Abnormal Operating Conditions will be documented and reported to the client on Heath forms.

Heath Consultants Incorporated will provide one fully trained and Operator Qualified Technician, along with transportation and all equipment required to perform the Leak Survey, including but not limited to, Heath Consultants Incorporated DP-IR™, RMLD-IS®, Combustible Gas Indicator, and Plunger Bar.

EXHIBIT B

PRICE SCHEDULE

The price for this service will be **\$75 per hour per Technician** and **\$75 per hour** for drive time to and from the project (portal to portal). This price is inclusive of all technician, equipment, vehicle and administrative costs.

See attached Proposal Letter

EXHIBIT C
INSURANCE REQUIREMENTS

PLEASE SEE ATTACHED HEATH STANDARD CERTIFICATES.

9. Refer to the Response, page 3. Provide documentation of the "extra steps" Liberty has taken to ensure compliance with federal leakage survey requirements and identify who is responsible for acting upon each step.

RESPONSE: As stated in its Response, the City has taken extra steps to ensure that similar problems do not occur in the future. The City has contracted with Heath to perform leakage surveys. The City has evidenced its desire to maintain an annual inspection by exercising its Option to Renew on the contract with Heath. City Clerk Bridgett Blake has been and will continue to be the primary City employee responsible for coordinating with Heath.

The City has developed a calendaring system, whereby each of the utility maintenance employees has access to a calendar that displays deadlines for required inspections, tasks, and after-action reports. This calendar will add transparency within the department to ensure that requirements are completed in a timely fashion. (A copy of the calendar is attached.) In addition, each operator has been provided a binder that includes this calendar, relevant forms, the operations and maintenance plan, and the emergency plan. The calendaring system and distribution of binders were designed to ensure future compliance. The City Clerk will work collaboratively with the manager(s) of the gas system to ensure that the calendar and binders are updated as necessary.

WITNESS: Bridgett Blake

July 2016

Sun	Mon	Tue	Wed	Thu	Fri	Sat
					1	2
3	4 Independence Day	5	6	7	8	9
10	11	12	13	14	15 Odorant Monitoring	16
17	18	19	20	21	22	23
24	25 Rectifier Reading – Pipe-to-Soil	26	27	28	29	30

August 2016

Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15 Odorant Monitoring	16	17	18	19	20
21	22	23	24	25 Rectifier Reading – Pipe-to-Soil	26	27
28	29	30	31			

September 2016

Sun	Mon	Tue	Wed	Thu	Fri	Sat
				1	2	5
4	5 Labor Day	6 Critical Valve Inspection	7	8	9	10
11	12	13	14	15 Odorant Monitoring	16	17
18	19	20	21	22	23 Rectifier Reading – Pipe-to-Soil	24
25	26 Patrolling – Business Districts and Outside Business Districts	27	28	29	30 Corrosion Control – Cathodic Protection	

Schedule Regulator Inspections with Cox Meter Service

October 2016

Sun	Mon	Tue	Wed	Thu	Fri	Sat
						1
2	3	4	5	6	7	8
9	10 Columbus Day	11	12	13	14 Odorant Monitoring	15
16	17	18	19	20	21	22
23	27	25 Rectifier Reading – Pipe-to-Soil	26	27	28	29
30	31					

November 2016

Sun	Mon	Tue	Wed	Thu	Fri	Sat
		1	2	3	4	5
6	7	8	9	10	11 Veterans Day	12
13	14	15 Odorant Monitoring	16	17	18	19
20	21	18	23 Rectifier Reading – Pipe-to-Soil	24	25	26
27	28	29	30			

December 2016

Sun	Mon	Tue	Wed	Thu	Fri	Sat
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15 Odorant Monitoring	16	17
18	19	20	21	22	23 Rectifier Reading – Pipe-to-Soil	24
25 Christmas	26 Patrolling – Business Districts	27	28	29	30	31

January 2017

Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2 Public Awareness Notices (BB)	3	4	5	6	7
8	9	10	11	12	13	14
15	16 Odorant Monitoring	17	18	19	20	21
22	23	24	25 Rectifier Reading – Pipe-to-Soil	26	27	28
29	30	31				

February 2017

Sun	Mon	Tue	Wed	Thu	Fri	Sat
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15 Odorant Monitoring	16	17	18
19	20	21	22	23	24 Rectifier Reading – Pipe-to-Soil	25
26	27	28				

March 2017

Sun	Mon	Tue	Wed	Thu	Fri	Sat
			1 EIA-176 Report Due (BB)	2	3	4
5	6	7	8	9	10	11
12	13	14 Odorant Monitoring	15 Annual Gas Report Due (BB)	16	17	18
19	20	21	22	23	24 Rectifier Reading – Pipe-to-Soil	25
26	27 Patrolling – Business Districts and Outside Business Districts	28	29	30	31	

Call and schedule Leakage Survey on Business District with Heath Consultants for July 2017

April 2017

Sun	Mon	Tue	Wed	Thu	Fri	Sat
						1
2	3	4	5	6	7	8
9	10	11	12	13	14 Odorant Monitoring	15
16	17	18	19	20	21	22
23	24	25 Rectifier Reading – Pipe-to-Soil	26	27	28	29
30						

May 2017

Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15 Odorant Monitoring	16	17	18	19	20
21	22	23	24	25 Rectifier Reading – Pipe-to-Soil	26	27
28	29	30	31			

June 2017

Sun	Mon	Tue	Wed	Thu	Fri	Sat
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15 Odorant Monitoring	16	17
18	19	20	21	22	23 Rectifier Reading – Pipe-to-Soil	24
25	26 Patrolling – Business Districts	27	28	29 Review O&M & Emergence Plan (BB)	30	

July 2017 - Public Awareness Notices (BB)

July 2017

Sun	Mon	Tue	Wed	Thu	Fri	Sat
						1
2	3	4	5	6	7	8
9	10	11	12	13	14 Odorant Monitoring	15
16	17	18	19	20	21	22
23	24	25	26	27	28 Rectifier Reading – Pipe-to-Soil	29
30	31					

August 2017

Sun	Mon	Tue	Wed	Thu	Fri	Sat
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15 Odorant Monitoring	16	17	18	19
20	21	22	23	24	25 Rectifier Reading – Pipe-to-Soil	26
27	28	29	30	31		

September 2017

Sun	Mon	Tue	Wed	Thu	Fri	Sat
					1	2
3	4	5 Critical Valve Inspection	6	7	8	9
10	11	12	13	14	15 Odorant Monitoring	16
17	18	19	20	21	22 Rectifier Reading – Pipe-to-Soil	23
24	25 Patrolling – Business Districts and Outside Business Districts	26	27	28	29 Corrosion Control – Cathodic Protection	30

Schedule Regulator Inspections with Cox Meter Service

October 2017

Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16 Odorant Monitoring	17	18	19	20	21
22	23	24	25	26	27 Rectifier Reading – Pipe-to-Soil	28
29	30	31				

November 2017

Sun	Mon	Tue	Wed	Thu	Fri	Sat
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15 Odorant Monitoring	16	17	18
19	20	21	22	23	24 Rectifier Reading – Pipe-to-Soil	25
26	27	28	29	30		

December 2017

Sun	Mon	Tue	Wed	Thu	Fri	Sat
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15 Odorant Monitoring	16
17	18	19	20	21	22	23
24	25	26	27	28	29 Rectifier Reading – Pipe-to-Soil	30
31						

January 2018

Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1 Public Awareness Notices (BB)	2	3	4	5	6
7	8	9	10	11	12	13
14	15 Odorant Monitoring	16	17	18	19	20
21	22	23	24	25	26 Rectifier Reading – Pipe-to-Soil	27
28	29	30	31			

February 2018

Sun	Mon	Tue	Wed	Thu	Fri	Sat
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15 Odorant Monitoring	16	17
18	19	20	21	22	23 Rectifier Reading – Pipe-to-Soil	24
25	26	27	28			

March 2018

Sun	Mon	Tue	Wed	Thu	Fri	Sat
				1 EIA-176 Report Due (BB)	2	3
4	5	6	7	8	9	10
11	12	13	14	15 Annual Gas Report Due (BB) Odorant Monitoring	16	17
18	19	20	21	22	23 Rectifier Reading – Pipe-to-Soil	24
25	26 Patrolling – Business Districts and Outside Business Districts	27	28	29	30	31

Call and schedule Leakage Survey on Business District with Heath Consultants for July 2018
(Leakage Survey in both Business and non-Business Districts to be completed in summer 2019)

April 2018

Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16 Odorant Monitoring	17	18	19	20	21
22	23	24	25	26	27 Rectifier Reading – Pipe-to-Soil	28
29	30					

May 2018

Sun	Mon	Tue	Wed	Thu	Fri	Sat
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15 Odorant Monitoring	16	17	18	19
20	21	22	23	24	25 Rectifier Reading – Pipe-to-Soil	26
27	28	29	30	31		

June 2018

Sun	Mon	Tue	Wed	Thu	Fri	Sat
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15 Odorant Monitoring	16
17	18	19	20	21	22 Rectifier Reading – Pipe-to-Soil	23
24	25 Patrolling – Business Districts	26	27	28 Review O&M & Emergence Plan (BB)	29	30

July 2017 - Public Awareness Notices (BB)

10. Explain how the budget is determined for Liberty's gas operations, including, but not limited to, whether Liberty's budget is based upon revenues derived from the gas operation.

RESPONSE: The budget for Liberty's gas operations is based on a comparison of estimated, actual, and budgeted year-end revenues and expenses for prior fiscal years. Reasonable adjustments are made to budgeted revenues and expenses based on anticipated projects and circumstances. The City of Liberty's budget for its General Fund includes revenue for payment in lieu of taxes and a transfer from the gas fund to the General Fund. Since Mayor Brown became mayor in 2015, the two City budgets have reflected smaller amounts of transfers from the gas fund to the General Fund. The actual amounts of transfer from the gas fund in fiscal year 2016 and to date in fiscal year 2017 have also been reduced as compared to the previous year, which is consistent with the budgeting trend.

WITNESSES: Bridgett Blake and Mayor Steven Brown

AFFIDAVIT

The undersigned, Bridgett Blake, being duly sworn, deposes and says that she is the City Clerk for the City of Liberty, that she has supervised the preparation of the foregoing responses to the Commission Staff's First Request for Information, and that the responses are true and accurate to the best of her knowledge, information, and belief formed after a reasonable inquiry .

Bridgett Blake
Bridgett Blake, Affiant

NOTARY CERTIFICATE

STATE OF KENTUCKY

COUNTY OF CASEY

Subscribed, acknowledged and sworn to before me by Bridgett Blake on this 16 day
of March, 2017.

My commission expires: 10-24-17.

Janice Jones
NOTARY PUBLIC