

CITY OF LIBERTY
Liberty, Kentucky

FINANCIAL STATEMENTS
June 30, 2023

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Liberty, Kentucky, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Liberty, Kentucky, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules, and other post-employment benefits (OPEB) schedules on pages 4–11 and 42–50 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Prior-Year Comparative Information

We have previously audited the City of Liberty, Kentucky's financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated January 26, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

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

RFH

RFH, PLLC
Lexington, Kentucky
January 26, 2024

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, 2023. Please read in conjunction with the auditor's report on page 1-3 and the City's financial statements, which begin on page 12.

FINANCIAL HIGHLIGHTS

- The City's net position increased in the governmental activities and decreased in the business-type activities. The net position of the governmental activities increased by \$113,646, and the net position of the business-type activities decreased by \$75,271, which was a 1.0 percent decrease from the previous year.
- In the City's governmental activities, revenues increased by \$383,914 or 31.4 percent, and expenses increased by 23.7 percent to \$1,492,209. In the business-type activities, revenues increased to \$3,323,454 which is an increase of 12.3 percent, while expenses increased by 2.5 percent to \$3,404,445.

OVERVIEW OF THIS ANNUAL REPORT

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

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

GOVERNMENT – WIDE FINANCIAL STATEMENTS

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

The City has two kinds of funds:

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

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

NET POSITION

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

Table A-1

Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>FY 2023</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2022</u>
Current and Other Assets	\$ 1,132,014	\$ 1,262,248	\$ 2,001,004	\$ 2,253,229	\$ 3,133,018	\$ 3,515,477
Capital Assets	2,360,038	2,351,178	13,979,162	14,304,972	16,339,200	16,656,150
Deferred Outflows	<u>201,686</u>	<u>198,507</u>	<u>376,842</u>	<u>456,443</u>	<u>578,528</u>	<u>654,950</u>
Total Assets and and Deferred Outflows	<u>3,693,738</u>	<u>3,811,933</u>	<u>16,357,008</u>	<u>17,014,644</u>	<u>20,050,746</u>	<u>20,826,577</u>
Long-Term Debt Outstanding	365,399	423,990	6,445,568	6,797,990	6,810,967	7,221,980
Net Pension	798,501	628,441	1,423,770	1,388,026	2,222,271	2,016,467
Net OPEB	217,947	188,660	388,612	416,689	606,559	605,349
Deferred Inflows	133,470	219,671	237,985	485,180	371,455	704,851
Current Liabilities	<u>283,461</u>	<u>569,857</u>	<u>764,472</u>	<u>754,887</u>	<u>1,047,933</u>	<u>1,324,744</u>
Total Liabilities and Deferred Inflows	<u>1,798,778</u>	<u>2,030,619</u>	<u>9,260,407</u>	<u>9,842,772</u>	<u>11,059,185</u>	<u>11,873,391</u>
Net Position:						
Net Investment in						
Capital Assets	2,360,038	2,351,178	7,198,393	7,176,430	9,558,431	9,527,608
Restricted	203,833	118,681	237,783	225,500	441,616	344,181
Unrestricted	<u>(668,911)</u>	<u>(688,545)</u>	<u>(339,575)</u>	<u>(230,058)</u>	<u>(1,008,486)</u>	<u>(918,603)</u>
Total Net Position	<u>\$ 1,894,960</u>	<u>\$ 1,781,314</u>	<u>\$ 7,096,601</u>	<u>\$ 7,171,872</u>	<u>\$ 8,991,561</u>	<u>\$ 8,953,186</u>

The net position of the City's governmental activities increased from \$1,781,314 in 2022 to \$1,894,960 in 2023, which is an increase of \$113,646. The net position of the business-type activities decreased from \$7,171,872 to \$7,096,601 in 2023, which is a 1.0 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 2023</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2022</u>
Revenues						
<u>Program Revenues</u>						
Charges for Service	\$ 65,759	\$ 9,780	\$ 3,013,522	\$ 2,942,293	\$ 3,079,281	\$ 2,952,073
Operating Grants & Contributions	593,960	334,200	3,548	24,089	597,508	358,289
Capital Grants & Contributions	-	20,700	292,591	-	292,591	20,700
<u>General Revenue</u>					-	-
Taxes	331,774	316,516	-	-	331,774	316,516
License fees	489,114	391,991	-	-	489,114	391,991
Other Grants and Contributions	1,911	1,330	-	-	1,911	1,330
Investment Earnings (loss)	9,870	(3,641)	13,793	(7,521)	23,663	(11,162)
Management fees	109,000	109,000	-	-	109,000	109,000
Miscellaneous	4,467	42,065	-	-	4,467	42,065
Total Revenue	<u>1,605,855</u>	<u>1,221,941</u>	<u>3,323,454</u>	<u>2,958,861</u>	<u>4,929,309</u>	<u>4,180,802</u>
Program Expenses						
General Government	474,280	478,392	-	-	474,280	478,392
Public Safety - Police	746,198	516,118	-	-	746,198	516,118
Public Safety - Fire	129,218	112,692	-	-	129,218	112,692
Streets Department	131,151	86,948	-	-	131,151	86,948
Interest on Debt	11,362	12,471	-	-	11,362	12,471
Utility	-	-	3,404,445	3,321,652	3,404,445	3,321,652
Total Program Expenses	<u>1,492,209</u>	<u>1,206,621</u>	<u>3,404,445</u>	<u>3,321,652</u>	<u>4,896,654</u>	<u>4,528,273</u>
Other Changes						
Transfers	-	-	-	-	-	-
Gain (loss) on sale of assets	-	5,985	5,720	-	5,720	5,985
Total Other Changes	<u>-</u>	<u>5,985</u>	<u>5,720</u>	<u>-</u>	<u>5,720</u>	<u>5,985</u>
Change In Net Position	<u>\$ 113,646</u>	<u>\$ 21,305</u>	<u>\$ (75,271)</u>	<u>\$ (362,791)</u>	<u>\$ 38,375</u>	<u>\$ (341,486)</u>

The City's total revenue increased by 17.9 percent and the total cost of all programs reflected an increase of 8.1 percent. On the following page is a more in-depth description of the revenues and expenses of the governmental and business-type activities.

Looking at the business-type activities, revenues for the City increased to \$3,323,454, or 12.3 percent, while total expenses increased 2.4 percent. The increase of revenues combined with the increase of expenses and increase in other changes decreased net position by \$75,271. The City's major source of revenue in the business-type activities is charges for services, which increased to \$3,013,522. This revenue source makes up 90.7 percent of total revenues.

GOVERNMENTAL ACTIVITIES

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

Table A-3

Condensed Governmental Funds - Revenues & Expenditures

	<u>FY 2023</u>	<u>FY 2022</u>	<u>Change</u>
Taxes	\$ 331,774	\$ 316,516	\$ 15,258
Licenses and Permits	489,114	391,991	97,123
Intergovernmental	595,871	356,230	239,641
Charges for Services	10,820	9,780	1,040
Investment earnings (loss)	9,870	(3,641)	13,511
Other Revenues	<u>119,890</u>	<u>151,065</u>	<u>(31,175)</u>
Total Revenues	<u>1,557,339</u>	<u>1,221,941</u>	<u>335,398</u>
General Government	405,739	392,609	13,130
Public Safety	688,186	544,503	143,683
Streets Department	131,151	86,948	44,203
Capital Outlay	154,667	84,768	69,899
Debt Service	<u>68,544</u>	<u>68,544</u>	<u>-</u>
Total Expenditures	<u>1,448,287</u>	<u>1,177,372</u>	<u>270,915</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ 109,052</u>	<u>\$ 44,569</u>	<u>\$ 64,483</u>

Revenues for the City's governmental activities increased by 27.4 percent, while total expenditures increased by 23.0 percent. Governmental activities excess of revenues over expenditures before other financing sources (uses) increased by \$64,483.

BUDGET HIGHLIGHTS

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Taxes	\$ 327,675	\$ 331,774	\$ 4,099
Licenses and Permits	481,325	473,781	(7,544)
Intergovernmental	672,713	550,169	(122,544)
Charges for Services	6,505	8,570	2,065
Investment Earnings (loss)	7,308	8,066	758
Other Revenues	124,586	119,890	(4,696)
Sale of Asset	-	-	-
Total Revenues and Other Financing Sources	<u>\$ 1,620,112</u>	<u>\$1,492,250</u>	<u>\$ (127,862)</u>

Table A-5

General Fund - Expenditures

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Government	\$ 520,406	\$ 384,810	\$ (135,596)
Public Safety	670,325	686,626	16,301
Streets Department	93,104	101,064	7,960
Transfers out, net	11,400	17,700	
Debt Service	68,544	68,544	-
Capital Outlay	<u>183,447</u>	<u>154,667</u>	<u>(28,780)</u>
Total Expenditures	<u>\$ 1,547,226</u>	<u>\$1,413,411</u>	<u>\$ (133,815)</u>

In the General Fund, the City budgeted for a total of \$1,620,112 in revenues and other financing sources for 2023, but ended up having revenues of \$1,492,250 which put the City under the revenue budget by \$127,862. A total of \$1,547,226 was budgeted for expenses, and actual expenditures totaled \$1,413,411 at the end of 2023. The City was under budget on expenses by \$133,815, as detailed above.

CAPITAL ASSETS

As discussed in Table A-6, the City has a total of \$34,106,719 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 1.9 percent increase from last year's total investment of \$33,477,399.

The major capital additions in the governmental activities were fire department equipment for \$24,050, and a new stage for \$126,617. The business-type activities major capital additions were various water, gas and sewer equipment for \$224,398. The business-type activities also had construction in progress of \$173,355.

Table A-6

Capital Assets at Year End Without Depreciation

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>FY 2023</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2022</u>
Land & Improvements	\$ 1,819,248	\$ 1,815,248	\$ 104,272	\$ 104,272	\$ 1,923,520	\$ 1,919,520
Construction in Progress	-	-	173,355	25,500	173,355	25,500
Infrastructure	237,726	237,726	-	-	237,726	237,726
Buildings & Improvements	1,131,841	1,005,224	-	-	1,131,841	1,005,224
Vehicles & Equipment	1,188,380	1,164,330	-	-	1,188,380	1,164,330
Water & Sewer System	-	-	29,451,897	29,125,099	29,451,897	29,125,099
Total Capital Assets	<u>\$ 4,377,195</u>	<u>\$ 4,222,528</u>	<u>\$ 29,729,524</u>	<u>\$ 29,254,871</u>	<u>\$ 34,106,719</u>	<u>\$ 33,477,399</u>

DEBT

This year the City has \$7,221,054 in debt, a 5.3 percent decrease from last year's total of \$7,626,794.

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>FY 2023</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2022</u>
Notes Payable	\$ 423,063	\$ 480,248	\$ 3,566,740	\$ 3,693,212	\$ 3,989,803	\$ 4,173,460
Revenue Bonds Payable	-	-	3,231,251	3,453,334	3,231,251	3,453,334
Total Debt Outstanding	<u>\$ 423,063</u>	<u>\$ 480,248</u>	<u>\$ 6,797,991</u>	<u>\$ 7,146,546</u>	<u>\$ 7,221,054</u>	<u>\$ 7,626,794</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected officials consider many factors when setting the fiscal year 2024 budget. Some of the factors are the local economy, expected grant money, and anticipated tax revenue.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF LIBERTY, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2023

	Primary Government			2022
	Governmental	Business-type	Totals	Totals
	Activities	Activities		
ASSETS				
Current assets				
Cash	\$ 643,768	\$ 700,572	\$ 1,344,340	\$ 1,871,068
Investments	138,715	788,087	926,802	916,445
Receivables, net	363,308	253,133	616,441	407,275
Interest receivable	34	2,092	2,126	2,506
Prepaid assets	-	5,526	5,526	92,683
Internal balances	(13,811)	13,811	-	-
Total current assets	<u>1,132,014</u>	<u>1,763,221</u>	<u>2,895,235</u>	<u>3,289,977</u>
Noncurrent assets				
Restricted assets				
Cash	-	237,783	237,783	225,500
Capital assets				
Construction in progress	-	173,355	173,355	25,500
Land and improvements	879,602	104,272	983,874	983,874
Utility systems, net	-	13,701,535	13,701,535	14,175,200
Depreciable buildings, property, and equipment, net	<u>1,480,436</u>	<u>-</u>	<u>1,480,436</u>	<u>1,471,576</u>
Total noncurrent assets	<u>2,360,038</u>	<u>14,216,945</u>	<u>16,576,983</u>	<u>16,881,650</u>
Total assets	<u>3,492,052</u>	<u>15,980,166</u>	<u>19,472,218</u>	<u>20,171,627</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	109,329	194,940	304,269	283,201
Deferred outflows - OPEB	92,357	164,680	257,037	353,745
Defeasance on refunding	<u>-</u>	<u>17,222</u>	<u>17,222</u>	<u>18,004</u>
Total deferred outflows of resources	<u>201,686</u>	<u>376,842</u>	<u>578,528</u>	<u>654,950</u>
Total assets and deferred outflows of resources	<u>\$ 3,693,738</u>	<u>\$ 16,357,008</u>	<u>\$ 20,050,746</u>	<u>\$ 20,826,577</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 29,535	\$ 136,603	\$ 166,138	\$ 96,932
Accrued liabilities	19,881	176,872	196,753	195,832
Customer deposits	-	86,445	86,445	81,426
Unearned revenue	176,381	-	176,381	532,906
Accrued interest payable	-	12,129	12,129	12,834
Current portion of long-term obligations	<u>57,664</u>	<u>352,423</u>	<u>410,087</u>	<u>404,814</u>
Total current liabilities	<u>283,461</u>	<u>764,472</u>	<u>1,047,933</u>	<u>1,324,744</u>
Noncurrent liabilities				
Noncurrent portion of long-term obligations	365,399	6,445,568	6,810,967	7,221,980
Net pension liability	798,501	1,423,770	2,222,271	2,016,467
Net OPEB liability	<u>217,947</u>	<u>388,612</u>	<u>606,559</u>	<u>605,349</u>
Total noncurrent liabilities	<u>1,381,847</u>	<u>8,257,950</u>	<u>9,639,797</u>	<u>9,843,796</u>
Total liabilities	<u>1,665,308</u>	<u>9,022,422</u>	<u>10,687,730</u>	<u>11,168,540</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension	39,481	70,395	109,876	391,559
Deferred inflows - OPEB	<u>93,989</u>	<u>167,590</u>	<u>261,579</u>	<u>313,292</u>
Total deferred inflows of resources	<u>133,470</u>	<u>237,985</u>	<u>371,455</u>	<u>704,851</u>
NET POSITION				
Net investment in capital assets	2,360,038	7,198,393	9,558,431	9,527,608
Restricted for other purposes	203,833	237,783	441,616	344,181
Unrestricted	<u>(668,911)</u>	<u>(339,575)</u>	<u>(1,008,486)</u>	<u>(918,603)</u>
Total net position	<u>1,894,960</u>	<u>7,096,601</u>	<u>8,991,561</u>	<u>8,953,186</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 3,693,738</u>	<u>\$ 16,357,008</u>	<u>\$ 20,050,746</u>	<u>\$ 20,826,577</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, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			2022 Totals
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
Primary government								
Governmental activities								
General government	\$ 474,280	\$ 62,694	500,275	\$ -	\$ 88,689	\$ -	\$ 88,689	\$ (201,354)
Public safety-Police	746,198	3,065	36,983	-	(706,150)	-	(706,150)	(485,092)
Public safety-Fire	129,218	-	11,000	-	(118,218)	-	(118,218)	(98,992)
Street department	131,151	-	45,702	-	(85,449)	-	(85,449)	(44,032)
Interest on long-term debt	11,362	-	-	-	(11,362)	-	(11,362)	(12,471)
Total governmental activities	1,492,209	65,759	593,960	-	(832,490)	-	(832,490)	(841,941)
Business-type activities								
Utility	3,404,445	3,013,522	3,548	292,591	-	(94,784)	(94,784)	(355,270)
Total business-type activities	3,404,445	3,013,522	3,548	292,591	-	(94,784)	(94,784)	(355,270)
Total primary government	\$ 4,896,654	\$ 3,079,281	\$ 597,508	\$ 292,591	(832,490)	(94,784)	(927,274)	(1,197,211)
General revenues								
Taxes								
Property taxes, levied for general purposes					331,774	-	331,774	316,516
Licenses and permits								
Franchise					163,306	-	163,306	154,269
Insurance premiums					245,658	-	245,658	237,722
City stickers					60,200	-	60,200	-
ABC license fees					19,950	-	19,950	-
Grants and contributions								
not restricted to specific programs					1,911	-	1,911	1,330
Investment earnings (loss)					9,870	13,793	23,663	(11,162)
Management fees					109,000	-	109,000	109,000
Miscellaneous					4,467	-	4,467	42,065
Total general revenues					946,136	13,793	959,929	849,740
Gain (loss) on sale of assets					-	5,720	5,720	5,985
Total general revenues, gain (loss) on sale of assets					946,136	19,513	965,649	855,725
Change in net position					113,646	(75,271)	38,375	(341,486)
Net position-beginning					1,781,314	7,171,872	8,953,186	9,294,672
NET POSITION-ENDING					\$ 1,894,960	\$ 7,096,601	\$ 8,991,561	\$ 8,953,186

The accompanying notes are an integral
part of the financial statements

CITY OF LIBERTY, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

	General	Other Governmental Funds	Total Governmental Funds	2022 Totals
ASSETS				
Cash	\$ 636,970	\$ 6,798	\$ 643,768	\$ 934,118
Investments	80,989	57,726	138,715	137,997
Receivables, net	348,603	14,705	363,308	132,226
Interest receivable	34	-	34	34
Prepaid assets	-	-	-	71,684
Due from other funds	4,495	75,252	79,747	64,047
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ 1,071,091	\$ 154,481	\$ 1,225,572	\$ 1,340,106
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 28,734	\$ 801	\$ 29,535	\$ 21,786
Accrued liabilities	19,881	-	19,881	20,907
Due to other funds	88,772	4,786	93,558	77,858
Unearned revenue	176,381	-	176,381	470,906
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	313,768	5,587	319,355	591,457
Deferred inflows of resources				
Unavailable revenue	48,516	-	48,516	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	48,516	-	48,516	-
Fund balances				
Nonspendable	-	-	-	71,684
Restricted	6,423	148,894	155,317	118,681
Unassigned	702,384	-	702,384	558,284
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	708,807	148,894	857,701	748,649
Total liabilities, deferred inflows of resources and fund balances	\$ 1,071,091	\$ 154,481	\$ 1,225,572	\$ 1,340,106
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:				
Fund balances represented above			\$ 857,701	\$ 748,649
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds			2,360,038	2,351,178
Unavailable revenue is considered revenue for government-wide purposes			48,516	-
Net deferred inflows/outflows related to the long-term net pension and OPEB liability are not reported in the funds			68,216	(21,164)
Long-term liabilities, including notes payable, net pension liability, and net OPEB liability are not due and payable in the current period and therefore are not reported in the funds			(1,439,511)	(1,297,349)
			<u> </u>	<u> </u>
Net position of governmental activities			\$ 1,894,960	\$ 1,781,314

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, 2023

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>2022 Totals</u>
REVENUES				
Taxes	\$ 331,774	\$ -	\$ 331,774	\$ 316,516
Licenses and permits	473,781	15,333	489,114	391,991
Intergovernmental	550,169	45,702	595,871	356,230
Charges for service	8,570	2,250	10,820	9,780
Investment earnings (loss)	8,066	1,804	9,870	(3,641)
Other revenues	119,890	-	119,890	151,065
Total revenues	<u>1,492,250</u>	<u>65,089</u>	<u>1,557,339</u>	<u>1,221,941</u>
EXPENDITURES				
Current				
General government	384,810	20,929	405,739	392,609
Public safety - Police	591,828	1,560	593,388	463,426
Public safety - Fire	94,798	-	94,798	81,077
Streets department	101,064	30,087	131,151	86,948
Capital outlay	154,667	-	154,667	84,768
Debt service	68,544	-	68,544	68,544
Total expenditures	<u>1,395,711</u>	<u>52,576</u>	<u>1,448,287</u>	<u>1,177,372</u>
Excess (deficiency) of revenues over expenditures	<u>96,539</u>	<u>12,513</u>	<u>109,052</u>	<u>44,569</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	-	-	-	8,984
Transfers in (out)	<u>(17,700)</u>	<u>17,700</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>(17,700)</u>	<u>17,700</u>	<u>-</u>	<u>8,984</u>
Net change in fund balances	78,839	30,213	109,052	53,553
Fund balances-beginning	<u>629,968</u>	<u>118,681</u>	<u>748,649</u>	<u>695,096</u>
FUND BALANCES-ENDING	<u>\$ 708,807</u>	<u>\$ 148,894</u>	<u>\$ 857,701</u>	<u>\$ 748,649</u>
Reconciliation to government-wide change in net position:				
Net change in fund balances			\$ 109,052	\$ 53,553
add: capital outlay expenditures capitalized			154,667	84,768
add: debt service expenditures			68,544	68,544
add: unavailable revenue			48,516	-
less: depreciation on governmental activities capital assets			(145,807)	(141,877)
less: net book value of disposed assets			-	(2,999)
less: change in net pension liability			(66,438)	(20,989)
less: change in net OPEB liability			(43,526)	(7,224)
less: interest on long term debt			(11,362)	(12,471)
Change in net position governmental activities			<u>\$ 113,646</u>	<u>\$ 21,305</u>

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

CITY OF LIBERTY, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2023

	Business-type Activities				
	Water Fund	Sewer Fund	Gas Fund	Totals	2022 Totals
ASSETS					
Current assets					
Cash	\$ 420,578	\$ 110,236	\$ 169,758	\$ 700,572	\$ 936,950
Investments	58,776	-	729,311	788,087	778,448
Receivables, net	106,262	74,715	72,156	253,133	275,049
Interest receivable	30	-	2,062	2,092	2,472
Prepaid assets	1,842	1,842	1,842	5,526	20,999
Due from other funds	322,041	-	9,842	331,883	331,883
Total current assets	<u>909,529</u>	<u>186,793</u>	<u>984,971</u>	<u>2,081,293</u>	<u>2,345,801</u>
Noncurrent assets					
Restricted assets					
Cash	109,766	128,017	-	237,783	225,500
Capital assets:					
Construction in progress	18,000	155,355	-	173,355	25,500
Land	-	66,872	37,400	104,272	104,272
Depreciable fixed assets	14,059,604	14,553,729	838,564	29,451,897	29,125,099
Less accumulated depreciation	<u>(7,568,372)</u>	<u>(7,620,203)</u>	<u>(561,787)</u>	<u>(15,750,362)</u>	<u>(14,949,899)</u>
Total noncurrent assets	<u>6,618,998</u>	<u>7,283,770</u>	<u>314,177</u>	<u>14,216,945</u>	<u>14,530,472</u>
Total assets	<u>7,528,527</u>	<u>7,470,563</u>	<u>1,299,148</u>	<u>16,298,238</u>	<u>16,876,273</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows - pension	87,113	25,886	81,941	194,940	194,940
Deferred outflows - OPEB	73,591	21,868	69,221	164,680	243,499
Defeasance on refunding	<u>10,900</u>	<u>6,322</u>	<u>-</u>	<u>17,222</u>	<u>18,004</u>
Total deferred outflows of resources	<u>171,604</u>	<u>54,076</u>	<u>151,162</u>	<u>376,842</u>	<u>456,443</u>
Total assets and deferred outflows of resources	<u>\$ 7,700,131</u>	<u>\$ 7,524,639</u>	<u>\$ 1,450,310</u>	<u>\$ 16,675,080</u>	<u>\$ 17,332,716</u>
LIABILITIES					
Current liabilities					
Accounts payable	\$ 40,523	\$ 84,858	\$ 11,222	\$ 136,603	\$ 75,146
Accrued liabilities	32,480	5,474	138,918	176,872	174,925
Due to other funds	8,449	309,623	-	318,072	318,072
Customer deposits	45,568	-	40,877	86,445	81,426
Unearned revenue	-	-	-	-	62,000
Accrued interest payable	5,953	6,176	-	12,129	12,834
Current portion of long-term obligations	<u>142,403</u>	<u>210,020</u>	<u>-</u>	<u>352,423</u>	<u>348,556</u>
Total current liabilities	<u>275,376</u>	<u>616,151</u>	<u>191,017</u>	<u>1,082,544</u>	<u>1,072,959</u>
Noncurrent liabilities					
Noncurrent portion of long-term obligations	1,902,656	4,542,912	-	6,445,568	6,797,990
Net pension liability	636,245	189,059	598,466	1,423,770	1,388,026
Net OPEB liability	<u>173,660</u>	<u>51,603</u>	<u>163,349</u>	<u>388,612</u>	<u>416,689</u>
Total noncurrent liabilities	<u>2,712,561</u>	<u>4,783,574</u>	<u>761,815</u>	<u>8,257,950</u>	<u>8,602,705</u>
Total liabilities	<u>2,987,937</u>	<u>5,399,725</u>	<u>952,832</u>	<u>9,340,494</u>	<u>9,675,664</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows - pension	31,457	9,348	29,590	70,395	269,527
Deferred inflows - OPEB	<u>74,891</u>	<u>22,255</u>	<u>70,444</u>	<u>167,590</u>	<u>215,653</u>
Total deferred inflows of resources	<u>106,348</u>	<u>31,603</u>	<u>100,034</u>	<u>237,985</u>	<u>485,180</u>
NET POSITION					
Net investment in capital assets	4,475,073	2,409,143	314,177	7,198,393	7,176,430
Restricted for debt service	109,766	128,017	-	237,783	225,500
Unrestricted	<u>21,007</u>	<u>(443,849)</u>	<u>83,267</u>	<u>(339,575)</u>	<u>(230,058)</u>
Total net position	<u>4,605,846</u>	<u>2,093,311</u>	<u>397,444</u>	<u>7,096,601</u>	<u>7,171,872</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 7,700,131</u>	<u>\$ 7,524,639</u>	<u>\$ 1,450,310</u>	<u>\$ 16,675,080</u>	<u>\$ 17,332,716</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, 2023

	Business-type Activities				
	Water Fund	Sewer Fund	Gas Fund	Totals	2022 Totals
Operating revenues					
Charges for services	\$ 1,131,455	\$ 744,524	\$ 1,137,543	\$ 3,013,522	\$ 2,942,293
Other revenues	1,048	2,500	-	3,548	23,799
Total operating revenues	<u>1,132,503</u>	<u>747,024</u>	<u>1,137,543</u>	<u>3,017,070</u>	<u>2,966,092</u>
Operating expenses					
Salaries and wages	292,178	85,466	293,830	671,474	615,990
Casual labor	9,159	4,869	6,751	20,779	37,574
Gas purchases	-	-	413,011	413,011	448,188
Payroll taxes	23,311	6,590	20,889	50,790	46,245
Retirement	113,541	1,152	(99,896)	14,797	162,363
Uniforms and laundry	3,434	-	4,992	8,426	5,386
Maintenance and repairs	342,309	170,152	41,116	553,577	388,555
Motor fuel	11,248	804	9,649	21,701	22,782
Office expense and postage	10,511	5,737	8,929	25,177	11,721
Legal and professional	19,497	26,917	7,972	54,386	51,563
Utilities	106,687	88,057	10,076	204,820	181,086
Insurance	95,840	43,680	75,538	215,058	206,776
Pretreatment expenses	-	17,731	-	17,731	19,258
Management fees	32,714	10,286	66,000	109,000	109,000
Sludge hauling	40,877	7,448	-	48,325	41,034
Training and certifications	2,829	-	6,060	8,889	3,551
Other expense	9,217	2,511	3,050	14,778	18,663
Depreciation	<u>277,470</u>	<u>501,596</u>	<u>21,396</u>	<u>800,462</u>	<u>793,376</u>
Total operating expenses	<u>1,390,822</u>	<u>972,996</u>	<u>889,363</u>	<u>3,253,181</u>	<u>3,163,111</u>
Operating income (loss)	(258,319)	(225,972)	248,180	(236,111)	(197,019)
Nonoperating revenues (expenses)					
Investment earnings (loss)	3,552	1,228	9,013	13,793	(7,521)
Interest expense	(73,846)	(77,418)	-	(151,264)	(158,541)
Gain (loss) on sale of capital assets	-	-	5,720	5,720	-
Income (loss) before capital contributions and transfers	<u>(328,613)</u>	<u>(302,162)</u>	<u>262,913</u>	<u>(367,862)</u>	<u>(363,081)</u>
Capital contributions and transfers					
Tap fees	4,750	3,000	-	7,750	290
Grant revenues	129,486	155,355	-	284,841	-
Transfers in (out)	-	91,195	(91,195)	-	-
Change in net position	<u>(194,377)</u>	<u>(52,612)</u>	<u>171,718</u>	<u>(75,271)</u>	<u>(362,791)</u>
Total net position-beginning	<u>4,800,223</u>	<u>2,145,923</u>	<u>225,726</u>	<u>7,171,872</u>	<u>7,534,663</u>
TOTAL NET POSITION-ENDING	<u>\$ 4,605,846</u>	<u>\$ 2,093,311</u>	<u>\$ 397,444</u>	<u>\$ 7,096,601</u>	<u>\$ 7,171,872</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, 2023

	Business-type Activities				2022
	Water Fund	Sewer Fund	Gas Fund	Totals	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 1,136,115	\$ 758,089	\$ 1,144,782	\$ 3,038,986	\$ 2,900,752
Payments to suppliers	(603,802)	(298,590)	(188,527)	(1,090,919)	(1,436,565)
Payments for interfund services (payment in lieu of taxes)	(32,714)	(10,286)	(66,000)	(109,000)	(109,000)
Payments for employee services and benefits	(412,759)	(119,944)	(796,910)	(1,329,613)	(887,340)
Net cash provided (used) by operating activities	<u>86,840</u>	<u>329,269</u>	<u>93,345</u>	<u>509,454</u>	<u>467,847</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal payments on capital debt	(140,557)	(207,999)	-	(348,556)	(342,612)
Capital contributions	134,236	96,355	-	230,591	290
Proceeds from unearned grant	-	-	-	-	62,000
Purchases of capital assets	(152,146)	(206,348)	(116,162)	(474,656)	(69,194)
Interest paid on capital debt	(74,165)	(77,804)	-	(151,969)	(158,349)
Net cash (used) by capital and related financing activities	<u>(232,632)</u>	<u>(395,796)</u>	<u>(116,162)</u>	<u>(744,590)</u>	<u>(507,865)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Net transfers in (out)	-	91,195	(91,195)	-	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>91,195</u>	<u>(91,195)</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends	3,609	1,519	5,913	11,041	4,919
Purchase of investments	-	-	-	-	(4,408)
Net cash provided (used) by investing activities	<u>3,609</u>	<u>1,519</u>	<u>5,913</u>	<u>11,041</u>	<u>511</u>
Net increase (decrease) in cash and cash equivalents	(142,183)	26,187	(108,099)	(224,095)	(39,507)
Cash and cash equivalents-beginning of the year	<u>672,527</u>	<u>212,066</u>	<u>277,857</u>	<u>1,162,450</u>	<u>1,201,957</u>
CASH AND CASH EQUIVALENTS-END OF THE YEAR	<u>\$ 530,344</u>	<u>\$ 238,253</u>	<u>\$ 169,758</u>	<u>\$ 938,355</u>	<u>\$ 1,162,450</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ (258,319)	\$ (225,972)	\$ 248,180	\$ (236,111)	\$ (197,019)
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation expense	277,470	501,596	21,396	800,462	793,376
Net pension adjustment	11,458	(22,338)	(152,508)	(163,388)	3,610
Net OPEB adjustment	23,655	184	(21,160)	2,679	4,698
Change in assets and liabilities					
Receivables, net	3,612	11,065	7,239	21,916	(68,238)
Prepaid assets	16,045	(1,842)	1,270	15,473	(10,767)
Accounts and other payables	22,602	66,289	(22,415)	66,476	(26,197)
Accrued expenses	(9,683)	287	11,343	1,947	(31,616)
Net cash provided by operating activities	<u>\$ 86,840</u>	<u>\$ 329,269</u>	<u>\$ 93,345</u>	<u>\$ 509,454</u>	<u>\$ 467,847</u>

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

CITY OF LIBERTY, KENTUCKY
STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUND
June 30, 2023

	Restaurant Tax Custodial Fund	2022 Totals
	<u> </u>	<u> </u>
ASSETS		
Cash	\$ 32,017	\$ 29,372
Receivables, net	<u>29,780</u>	<u>28,338</u>
 Total assets	 <u>\$ 61,797</u>	 <u>\$ 57,710</u>
 LIABILITIES		
Liabilities		
Due to Tourism Commission	<u>\$ 61,797</u>	<u>\$ 57,710</u>
 Total liabilities	 <u>61,797</u>	 <u>57,710</u>
 NET POSITION		
Restricted net position	<u>-</u>	<u>-</u>
 Total net position	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>

CITY OF LIBERTY, KENTUCKY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUND
June 30, 2023

	Restaurant Tax Custodial Fund	2022 Totals
	<u> </u>	<u> </u>
ADDITIONS		
Restaurant tax collected for Tourism	\$ 353,311	\$ 319,822
	<u> </u>	<u> </u>
Total deposits	353,311	319,822
	<u> </u>	<u> </u>
DEDUCTIONS		
Restaurant tax disbured for Tourism	353,311	319,822
	<u> </u>	<u> </u>
Total payments	353,311	319,822
	<u> </u>	<u> </u>
Total increase (decrease) of fiduciary net position	<u> -</u>	<u> -</u>
Net position - beginning of year	<u> -</u>	<u> -</u>
Net position - end of year	<u><u> -</u></u>	<u><u> -</u></u>

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

B. Basis of Presentation

Government-wide Financial Statements

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

Fund Financial Statements

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

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

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, continued

The following funds are used by the City of Liberty:

Governmental Funds

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

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

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

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

Proprietary Funds

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

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

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

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

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

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

C. Basis of Accounting

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

Government-wide Financial Statements

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

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting, continued

Fund Financial Statements

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

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

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

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

D. Budgeting

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

E. Internal Balances

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

F. Revenues and Receivables

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

G. Unearned Revenue

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

H. Unavailable Revenue

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

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Fund Balances

Fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned – all other spendable amounts.

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

As of June 30, 2023, fund balances are composed of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable	\$ -	\$ -	\$ -
Restricted:			
Opioid settlement	6,423	-	6,423
ABC fund	-	13,170	13,170
Road surface repairs	-	79,642	79,642
Cemetery fund	-	56,082	56,082
Unassigned	<u>702,384</u>	<u>-</u>	<u>702,384</u>
Total fund balances	<u>\$ 708,807</u>	<u>\$ 148,894</u>	<u>\$ 857,701</u>

J. Capital Assets

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

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

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Use of Estimates

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

L. Pensions

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

M. Postemployment Benefits Other Than Pensions (OPEB)

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

N. Other Accounting Policies

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

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

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

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

O. Leases

Effective July 1, 2021, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease receivable and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Management determined it does not have any material leases required to be recorded as of June 30, 2023.

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Change in Accounting Policy

Effective July 1, 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-based Information Technology Arrangements. GASB Statement No. 96 requires recognition of a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability for subscription-based information technology arrangements (SBITA) that were previously classified as operating expenses. It establishes uniform guidance for SBITA accounting based on the foundational principle that SBITA are financings of the right to use vendor-provided information technology assets. Government entities are required to recognize a subscription liability and an intangible right-to-use subscription asset. These changes had no effect on the financial statements.

Q. Management's Review of Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through January 26, 2024, 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, 2023, have not been evaluated by the City.

2. CASH AND INVESTMENTS

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

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

Interest Rate Risk

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

Custodial Credit Risk

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

The City's deposits and investments were substantially covered by federal depository insurance, the Securities Investor Protection Corporation, or by collateral held by the custodial banks in the City's name. The carrying amount of the City's deposits, including investments and fiduciary funds, totaled \$2,508,925 and the bank balances totaled \$2,555,244. As of June 30, 2023, approximately \$923,752 of the City's deposits are insured by FDIC insurance and/or SIPC insurance, and approximately \$1,631,492 of the City's deposits are collateralized by the custodial banks in the City's name.

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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, 2023, the City held investments in the following municipal bonds. Bond ratings were not available for disclosure.

Municipal Bonds

American Municipal Power Inc OH Series A
Colorado State Board of Governors
Fresno California Water System Revenue Series A2
Louisiana Local Government Monroe Refunding
Maine Health and Education Facilities Authority Revenue
Maricopa County Arizona University
Massachusetts Health and Education Northeast University
Michigan Financial School Loan Revolving Fund
New Hampshire State Federal Highway Grant Anticipation
New Orleans Louisiana Public Improvement General Obligation Series A
Village of Skokie Illinois Series 2018A
Stratford Connecticut General Obligation 2013
Twinsburg Ohio
Walnut California Energy Center
Washington County School District

Concentration of Credit Risk

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

The City's investments at June 30, 2023, are as follows:

<u>Investment Type</u>	<u>Book Value</u>	<u>Investment Maturities in Years</u>			
		<u>1 year or less</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
Certificates of deposit	\$ 676,483	\$ 9,183	\$ 667,300	\$ -	\$ -
Money market funds	4,937	4,937	-	-	-
Mutual funds	160,958	160,958	-	-	-
Municipal bonds	<u>84,424</u>	<u>-</u>	<u>30,179</u>	<u>21,366</u>	<u>32,879</u>
	<u>\$ 926,802</u>	<u>\$ 175,078</u>	<u>\$ 697,479</u>	<u>\$ 21,366</u>	<u>\$ 32,879</u>

Investment Valuation

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

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

2. CASH AND INVESTMENTS (Continued)

For those investments measured at fair value, the investments' fair value measurements are as follows at June 30, 2023:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Money market funds	\$ 4,937	\$ 4,937	\$ -	\$ -
Mutual funds	160,958	160,958	-	-
Municipal bonds	<u>84,424</u>	<u>-</u>	<u>84,424</u>	<u>-</u>
	<u>\$ 250,319</u>	<u>\$ 165,895</u>	<u>\$ 84,424</u>	<u>\$ -</u>

3. ACCOUNTS RECEIVABLE

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

	General Fund	Nonmajor Funds	Governmental Funds Total	
Governmental Funds:				
Taxes	\$ 12,308	\$ -	\$ 12,308	
Licenses, permits, billings	82,926	10,315	93,241	
Intergovernmental	<u>260,232</u>	<u>4,390</u>	<u>264,622</u>	
Gross receivables	355,466	14,705	370,171	
Less: allowance for uncollectible	<u>(6,863)</u>	<u>-</u>	<u>(6,863)</u>	
Net receivables	<u>\$ 348,603</u>	<u>\$ 14,705</u>	<u>\$ 363,308</u>	
	Water Fund	Sewer Fund	Gas Fund	Business-Type Activities Total
Business-type Activities:				
Customer	\$ 119,651	\$ 88,983	\$ 132,900	\$ 341,534
Other	-	10,966	-	10,966
Less: allowance for uncollectible	<u>(13,389)</u>	<u>(25,234)</u>	<u>(60,744)</u>	<u>(99,367)</u>
Net receivables	<u>\$ 106,262</u>	<u>\$ 74,715</u>	<u>\$ 72,156</u>	<u>\$ 253,133</u>

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

4. CAPITAL ASSETS

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

	Balance June 30, 2022	Additions/ Transfers	Deductions/ Transfers	Balance June 30, 2023
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 879,602	\$ -	\$ -	\$ 879,602
Capital assets that are depreciated:				
Land Improvements	935,646	4,000	-	939,646
Buildings and improvements	1,005,224	126,617	-	1,131,841
Infrastructure	237,726	-	-	237,726
Vehicles	808,334	-	-	808,334
Equipment	355,996	24,050	-	380,046
Totals	3,342,926	154,667	-	3,497,593
Total capital assets	4,222,528	154,667	-	4,377,195
Less accumulated depreciation:				
Land improvements	453,305	46,150	-	499,455
Buildings and improvements	581,187	30,833	-	612,020
Infrastructure	15,660	5,943	-	21,603
Vehicles	657,024	35,941	-	692,965
Equipment	164,174	26,940	-	191,114
Totals	1,871,350	145,807	-	2,017,157
Capital assets, net	\$ 2,351,178	\$ 8,860	\$ -	\$ 2,360,038
Business-type activities				
Capital assets not depreciated:				
Land	\$ 104,272	\$ -	\$ -	\$ 104,272
Construction in progress	25,500	155,355	(7,500)	173,355
Totals	129,772	155,355	(7,500)	277,627
Capital assets that are depreciated:				
Water plant	13,907,458	152,146	-	14,059,604
Sewer plant	14,495,239	50,990	7,500	14,553,729
Gas lines & equipment	722,402	116,162	-	838,564
Totals	29,125,099	319,298	7,500	29,451,897
Total capital assets	29,254,871	474,653	-	29,729,524
Less accumulated depreciation	14,949,899	800,463	-	15,750,362
Capital assets, net	\$ 14,304,972	\$ (325,810)	\$ -	\$ 13,979,162

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

4. CAPITAL ASSETS (Continued)

Depreciation expense was charged to the governmental functions as follows:

General government	\$ 83,090
Police	28,297
Fire	<u>34,420</u>
Total depreciation expense	<u>\$ 145,807</u>

5. INTERFUND ACTIVITY

Interfund transactions at June 30, 2023, consisted of the following due to/from other funds and transfers in/out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$ 4,495	\$ 88,772	\$ -	\$ 17,700
Nonmajor Gov. Funds	75,252	4,786	17,700	-
Gas Fund	9,842	-	-	91,195
Water Fund	322,041	8,449	-	-
Sewer Fund	<u>-</u>	<u>309,623</u>	<u>91,195</u>	<u>-</u>
	<u>\$ 411,630</u>	<u>\$ 411,630</u>	<u>\$ 108,895</u>	<u>\$ 108,895</u>

Due To/From Other Funds

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

Due From Primary Government/Due To Business-Type Activities

As of June 30, 2023, the proprietary funds provided short-term loans of \$13,811 to the General Fund.

Interfund Transfers

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

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

6. LONG - TERM DEBT

BUSINESS - TYPE ACTIVITIES

In February 2013, the Kentucky Bond Corporation issued Series 2013A Revenue Bonds for the City in order to refund all prior outstanding Water Fund and Sewer Fund revenue bonds. This current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt in the amount of \$25,293. The deferred amount on refunding is being amortized as a component of interest expense over the life of the new bond issue. The new issue will reduce debt service payments by \$1,962,458 and has a net economic gain of \$731,039. As part of the issuance, the City was required to deposit \$164,250 in a debt service reserve fund managed by the Kentucky Bond Corporation. Beginning January 1, 2039, the reserve funds will be used to reduce the City's monthly payment. The balance in the debt service reserve is \$173,433 at June 30, 2023. The annual requirements to amortize the Series 2013A Revenue Bonds as of June 30, 2023, are as follows:

June 30	Principal	Interest	Total
2024	\$ 225,000	\$ 110,294	\$ 335,294
2025	225,000	103,638	328,638
2026	229,167	96,326	325,493
2027	237,083	88,878	325,961
2028	221,250	81,173	302,423
2029-2033	967,917	304,650	1,272,567
2034-2038	871,667	142,113	1,013,780
2039-2040	<u>254,167</u>	<u>13,765</u>	<u>267,932</u>
	<u>\$ 3,231,251</u>	<u>\$ 940,837</u>	<u>\$ 4,172,088</u>

The following is a summary of the revenue bonds outstanding for the year ended June 30, 2023:

	Total Outstanding June 30, 2023	Sewer Fund Allocation June 30, 2023	Water Fund Allocation June 30, 2023
Revenue Bonds			
Water and Sewer Funds - \$5,475,000			
Kentucky Bond Corporation – 2013A Series			
due in monthly installments of \$12,917			
to \$21,364 through 2040, Interest at 2.0%-3.4%	<u>\$ 3,231,251</u>	<u>\$ 1,186,192</u>	<u>\$ 2,045,059</u>

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

6. LONG - TERM DEBT (Continued)

BUSINESS - TYPE ACTIVITIES (Continued)

During 2017, the City began construction on a project to install a one-million-gallon wet weather flow equalization basin, replace various wastewater treatment plant components and make improvements to the laboratory and office facilities of the waste water treatment plant. The project was completed during fiscal year 2019 at a total cost of \$5.65 million. The project was funded with a \$1 million Community Development Block Grant and a \$4.60 million Kentucky Infrastructure Authority federally assisted wastewater revolving loan. As part of the loan agreement, the City is entitled to principal forgiveness in the amount of 10% of the original loan amount, not to exceed \$415,600. Due to this provision, the City has recognized \$415,600 of principal forgiveness in prior years. The loan bears interest at .75% with a loan term of 30 years with principal payments that began in June of 2019. As of June 30, 2023 the loan had a balance of \$3,566,740. The City is also required to deposit \$11,700 into a replacement reserve account each year until the reserve balance reaches \$117,000. The balance in the replacement reserve is \$64,350 at June 30, 2023. The annual requirements for the Kentucky Infrastructure Authority loan as of June 30, 2023, are as follows:

June 30	Principal	Interest	Total
2024	\$ 127,423	\$ 33,582	\$ 161,005
2025	128,380	32,369	160,749
2026	129,345	31,147	160,492
2027	130,317	29,916	160,233
2028	131,296	28,676	159,972
2029-2033	671,427	124,446	795,873
2034-2038	697,035	92,009	789,044
2039-2043	723,619	58,336	781,955
2044-2048	751,218	23,378	774,596
2049	<u>76,680</u>	<u>364</u>	<u>77,044</u>
	<u>\$ 3,566,740</u>	<u>\$ 454,223</u>	<u>\$ 4,020,963</u>

The following is a summary of the changes in long-term debt for the year ended June 30, 2023:

	July 1, 2022	Additions	Retirements	June 30, 2023
W&S Bond 2013A	\$ 3,453,334	\$ -	\$ (222,083)	\$ 3,231,251
Direct Borrowing - KIA Loan - WWTP	<u>3,693,212</u>	<u>-</u>	<u>(126,472)</u>	<u>3,566,740</u>
	<u>\$ 7,146,546</u>	<u>\$ -</u>	<u>\$ (348,555)</u>	<u>\$ 6,797,991</u>

The Water and Sewer Funds are in compliance with all significant limitations and restrictions contained in the bond indenture. As of June 30, 2023, the amount reserved for bond principal and interest payments was \$173,433. Additionally, the City has designated \$52,116 for the Sewer Fund and \$270,535 for the Water Fund as a depreciation reserve and \$64,350 for the Sewer Fund is restricted as a replacement reserve.

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

6. LONG - TERM DEBT (Continued)

GOVERNMENTAL ACTIVITIES

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

The following is a summary of changes in general long-term debt for the year ended June 30, 2023:

	July 1, 2022	Additions	Retirements	June 30, 2023
Casey County Bank - 2015	\$ 480,248	\$ -	\$ (57,185)	\$ 423,063

The following is a summary of debt service requirements as of June 30, 2023:

June 30,	Principal	Interest	Total
2024	\$ 57,664	\$ 10,880	\$ 68,544
2025	59,106	9,439	68,545
2026	60,583	7,961	68,544
2027	62,098	6,447	68,545
2028	63,650	4,894	68,544
2029-2030	<u>119,962</u>	<u>4,975</u>	<u>124,937</u>
TOTAL	\$ 423,063	\$ 44,596	\$ 467,659

7. PROPERTY TAX CALENDAR

Property taxes for fiscal year 2023 were levied in October 2022 on the assessed valuation of property located in Casey County as of the preceding January 1, the lien date. The due date and collection periods for all taxes, exclusive of vehicle taxes, are as follows:

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

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

8. RETIREMENT PLAN

CERS

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

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.

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

8. RETIREMENT PLAN (Continued)

Contributions – For the year ended June 30, 2023, plan members were required to contribute 5% of wages for non-hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2023, participating employers contributed 26.79% of each employee's wages for non-hazardous job classifications. The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described in Note 9. Plan members contributed 23.40% to the pension trust for non-hazardous job classifications. The contribution rate is equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

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

For the year ended June 30, 2023, the City contributed \$273,676, or 100% of the required contribution. The contribution was allocated \$239,045 to the CERS pension fund and \$34,631 to the CERS insurance fund.

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

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

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

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

8. RETIREMENT PLAN (Continued)

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

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2023, the City reported a liability of \$2,222,271 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, and rolled forward using generally accepted actuarial procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2022, the City's proportionate share was .0307 percent, which was a decrease of .0009 percent from its proportion at June 30, 2021.

For the year ended June 30, 2023, the City recognized pension expense of \$155,782. At June 30, 2023, 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	\$ 2,376	\$ 19,790
Changes of assumptions	-	-
Net difference between projected and actual earnings on Plan investments	56,971	-
Changes in proportion and differences between City contributions and proportionate share of contributions	5,877	90,086
City contributions subsequent to the measurement date	<u>239,045</u>	<u>-</u>
Total	<u>\$ 304,269</u>	<u>\$ 109,876</u>

The \$239,045 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, 2024. 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,

2024	\$ (67,882)
2025	\$ (21,226)
2026	\$ (18,675)
2027	\$ 63,131

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

8. RETIREMENT PLAN (Continued)

Actuarial Assumptions – The total pension liability reported at June 30, 2022, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

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

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

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total pension liability was rolled-forward from the valuation date (June 30, 2021) to the plan's fiscal year ending June 30, 2022.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	60.00%	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Liquidity	20.00%	
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	-0.91%
Inflation Protected	20.00%	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Total	100.00%	4.28%
Long term inflation assumption		2.30%
Expected nominal return for portfolio		6.58%

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

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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 6.25%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	Discount rate	City's proportionate share of net pension liability
1% decrease	5.25%	\$ 2,777,563
Current discount rate	6.25%	\$ 2,222,271
1% increase	7.25%	\$ 1,762,998

Payable to the Pension Plan – At June 30, 2023, the City reported a payable of \$34,563 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2023. The payable includes both the pension and insurance contribution allocation.

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

Contributions – As more fully described in Note 8, plan members contribute to CERS for non-hazardous job classifications. For the year ending June 30, 2023, the employer's contribution was 3.39% to the insurance trust for non-hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

For the year ended June 30, 2023, the City contributed \$34,631, or 100% of the required contribution for non-hazardous job classifications.

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

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

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

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

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2023, the City reported a liability for its proportionate share of the net OPEB liability of \$606,559.

The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021 and rolled forward using generally accepted actuarial procedures. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2022 the City's proportionate share was .0307 percent, which was a decrease of .0009 percent from its proportion at June 30, 2021.

For the year ended June 30, 2023, the City recognized OPEB expense of \$88,723. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 61,055	\$ 139,098
Changes of assumptions	95,932	79,047
Net difference between projected and actual earnings on Plan investments	24,619	-
Changes in proportion and differences between City contributions and proportionate share of contributions	18,931	43,434
City contributions subsequent to the measurement date	<u>56,500</u>	<u>-</u>
Total	<u>\$ 257,037</u>	<u>\$ 261,579</u>

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

The \$56,500 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. This includes an adjustment of \$21,869 related to the implicit subsidy, which is required to be recognized as a deferred outflow of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in expense as follows:

Year ending June 30,	
2024	\$ (4,401)
2025	\$ (7,619)
2026	\$ (48,527)
2027	\$ (495)

Actuarial Assumptions – The total OPEB liability reported at June 30, 2022, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

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

Pre – 65: Initial trend starting at 6.20% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

Post – 65: Initial trend starting at 9.00% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

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

The actuarial assumption used in the June 30, 2022, valuation was based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total OPEB liability was rolled-forward from the valuation date (June 30, 2021) to the plan's fiscal year ending June 30, 2022.

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	60.00%	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Liquidity	20.00%	
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	-0.91%
Inflation Protected	20.00%	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Total	100.00%	4.28%
Long term inflation assumption		2.30%
Expected nominal return for portfolio		6.58%

Discount Rate – The discount rate used to measure the total OPEB liability was 5.70% for non-hazardous classifications. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the closed 24-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.69%, as reported in Fidelity Index's "20 –Year Municipal GO AA Index". However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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

	Discount rate	Proportionate share of net OPEB liability
1% decrease	4.70%	\$ 810,873
Current discount rate	5.70%	\$ 606,559
1% increase	6.70%	\$ 437,660

CITY OF LIBERTY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

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

	Proportionate share of net OPEB liability
1% decrease	\$ 450,963
Current trend rate	\$ 606,559
1% increase	\$ 793,401

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

10. RISK MANAGEMENT

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

11. CONCENTRATIONS

The City has a concentration of revenue in the Water Fund and the Gas Fund. One customer generated approximately 64% of the Water Fund's service revenue and 63% of the accounts receivable at June 30, 2023. In addition, one industrial company generated approximately 32% of gas service charges and comprised 43% of the accounts receivable balance reported in the Gas Fund at June 30, 2023.

12. CONTINGENT LIABILITY

The City has booked an estimated liability of \$97,560, which is included in accrued liabilities on the financial statements, for amounts the City was potentially underbilled by their gas supplier. The amount accrued is an estimate. The actual amount the City owes its gas supplier is unknown.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LIBERTY, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2023

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Taxes				
Property and motor vehicle taxes	\$ 307,100	\$ 314,015	\$ 318,354	\$ 4,339
Payment in lieu of taxes	13,660	13,660	13,420	(240)
	<u>320,760</u>	<u>327,675</u>	<u>331,774</u>	<u>4,099</u>
Licenses and permits				
Franchise fees	150,520	157,826	163,306	5,480
Insurance premiums	250,000	262,919	245,658	(17,261)
City stickers	110,000	58,480	60,200	1,720
ABC license fees	-	2,100	4,617	2,517
	<u>510,520</u>	<u>481,325</u>	<u>473,781</u>	<u>(7,544)</u>
Intergovernmental				
Base court revenue	6,000	6,932	7,143	211
Police incentive pay	16,000	31,546	31,128	(418)
Local economic assistance	1,660	2,089	1,911	(178)
Other grants	120,183	620,146	498,987	(121,159)
Fire equipment grant	10,500	12,000	11,000	(1,000)
	<u>154,343</u>	<u>672,713</u>	<u>550,169</u>	<u>(122,544)</u>
Charges for service				
Accident reports	900	920	870	(50)
Building permits	400	3,515	5,505	1,990
Parking tickets/arrest fees	2,100	2,070	2,195	125
	<u>3,400</u>	<u>6,505</u>	<u>8,570</u>	<u>2,065</u>
Investment earnings (loss)				
Investment earnings (loss)	1,000	7,308	8,066	758
	<u>1,000</u>	<u>7,308</u>	<u>8,066</u>	<u>758</u>
Other revenues				
Management fees	109,000	109,000	109,000	-
Other revenues	53,700	15,586	10,890	(4,696)
	<u>162,700</u>	<u>124,586</u>	<u>119,890</u>	<u>(4,696)</u>
Total revenues	<u>\$ 1,152,723</u>	<u>\$ 1,620,112</u>	<u>\$ 1,492,250</u>	<u>\$ (127,862)</u>

CITY OF LIBERTY, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2023

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
General government				
Salaries	\$ 100,800	\$ 99,390	\$ 100,430	\$ 1,040
Payroll taxes and employee benefits	29,730	31,845	25,747	(6,098)
KY ASAP grant	34,000	68,818	82,251	13,433
Planning and zoning expenses	6,000	6,254	6,254	-
Professional services	7,200	7,992	7,912	(80)
Utilities	7,500	7,919	7,837	(82)
Office supplies	8,200	8,914	9,857	943
Insurance	10,080	13,271	13,676	405
Lake Liberty expenses	600	576	636	60
Postage	500	69	69	-
Dues and subscriptions	200	210	210	-
Parks and recreation	15,000	23,669	27,904	4,235
Other expenses	<u>20,010</u>	<u>251,479</u>	<u>102,027</u>	<u>(149,452)</u>
	<u>239,820</u>	<u>520,406</u>	<u>384,810</u>	<u>(135,596)</u>
Public safety - police				
Salaries	310,900	331,462	338,758	7,296
Payroll taxes and employee benefits	129,400	149,880	163,701	13,821
Motor fuels	25,000	27,294	22,391	(4,903)
Utilities	5,200	8,082	7,991	(91)
Equipment	6,600	6,381	10,450	4,069
Vehicle repairs	7,200	5,813	7,705	1,892
Uniforms	2,000	2,326	2,938	612
Insurance	23,620	24,633	29,633	5,000
Miscellaneous	<u>14,000</u>	<u>7,752</u>	<u>8,261</u>	<u>509</u>
	<u>523,920</u>	<u>563,623</u>	<u>591,828</u>	<u>28,205</u>
Public safety - fire				
Labor	42,400	52,440	52,440	-
Repairs and maintenance	3,500	6,680	6,680	-
Equipment	20,000	24,820	14,627	(10,193)
Utilities	5,600	6,325	6,230	(95)
Insurance	7,120	7,122	7,122	-
Motor fuel	2,700	3,487	3,162	(325)
Miscellaneous	<u>6,500</u>	<u>5,828</u>	<u>4,537</u>	<u>(1,291)</u>
	<u>87,820</u>	<u>106,702</u>	<u>94,798</u>	<u>(11,904)</u>

CITY OF LIBERTY, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2023

	<u>Enacted Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Street department				
Street repairs	\$ 1,500	\$ 5,897	\$ 2,970	\$ (2,927)
Repairs and maintenance	3,500	20,036	30,636	10,600
Utilities	63,000	67,171	67,458	287
Supplies	500	-	-	-
	<u>68,500</u>	<u>93,104</u>	<u>101,064</u>	<u>7,960</u>
Capital outlay	<u>116,460</u>	<u>183,447</u>	<u>154,667</u>	<u>(28,780)</u>
Debt service	<u>68,545</u>	<u>68,544</u>	<u>68,544</u>	<u>-</u>
Other financing uses				
Transfers out, net	-	11,400	17,700	6,300
	<u>-</u>	<u>11,400</u>	<u>17,700</u>	<u>6,300</u>
Total expenditures and other financing uses	<u>\$ 1,105,065</u>	<u>\$ 1,547,226</u>	<u>\$ 1,413,411</u>	<u>\$ (133,815)</u>

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

Reporting Fiscal Year (Measurement Date)	2014 (2013)	2015 (2014)	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)
City's proportion of the net pension liability	0.0296%	0.0296%	0.0296%	0.0298%	0.0303%	0.0312%	0.0319%	0.0339%	0.0316%	0.0307%
City's proportionate share of the net pension liability (asset)	\$ 1,085,805	\$ 962,373	\$ 1,261,770	\$ 1,457,174	\$ 1,777,420	\$ 1,900,359	\$ 2,244,737	\$ 2,601,021	\$ 2,016,467	\$ 2,222,271
City's covered employee payroll	\$ 637,796	\$ 671,150	\$ 676,346	\$ 708,809	\$ 739,341	\$ 773,375	\$ 805,087	\$ 865,129	\$ 807,843	\$ 850,051
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	170.24%	143.39%	186.56%	205.58%	240.41%	245.72%	278.82%	300.65%	249.61%	261.43%
Plan fiduciary net position as a percentage of the total pension liability	61.22%	66.80%	59.97%	55.50%	53.32%	53.54%	50.45%	47.81%	57.33%	52.42%

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required employer contribution	\$ 93,431	\$ 87,992	\$ 88,308	\$ 103,135	\$ 111,984	\$ 130,585	\$ 166,970	\$ 155,914	\$ 193,642	\$ 239,045
Contributions relative to contractually required employer contribution	<u>93,431</u>	<u>87,992</u>	<u>88,308</u>	<u>103,135</u>	<u>111,984</u>	<u>130,585</u>	<u>166,970</u>	<u>155,914</u>	<u>193,642</u>	<u>239,045</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 671,150	\$ 676,346	\$ 708,809	\$ 739,341	\$ 773,375	\$ 805,087	\$ 865,129	\$ 807,843	\$ 850,051	\$1,021,561
Employer contributions as a percentage of covered-employee payroll	13.92%	13.01%	12.46%	13.95%	14.48%	16.22%	19.30%	19.30%	22.78%	23.40%

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

Reporting Fiscal Year (Measurement Date)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)
City's proportion of the net OPEB liability	0.0298%	0.0303%	0.0312%	0.0319%	0.0339%	0.0316%	0.0307%
City's proportionate share of the net OPEB liability (asset)	\$ 478,827	\$ 610,460	\$ 553,985	\$ 536,695	\$ 818,630	\$ 605,349	\$ 606,559
City's covered employee payroll	\$ 708,809	\$ 739,341	\$ 773,375	\$ 805,087	\$ 865,129	\$ 807,843	\$ 850,051
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	67.55%	82.57%	71.63%	66.66%	94.63%	74.93%	71.36%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	52.39%	57.62%	60.44%	51.67%	62.91%	60.95%

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

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required employer contribution	\$ 35,020	\$ 33,954	\$ 32,889	\$ 34,971	\$ 36,349	\$ 42,348	\$ 41,180	\$ 38,453	\$ 35,447	\$ 34,631
Contributions relative to contractually required employer contribution	<u>35,020</u>	<u>33,954</u>	<u>32,889</u>	<u>34,971</u>	<u>36,349</u>	<u>42,348</u>	<u>41,180</u>	<u>38,453</u>	<u>35,447</u>	<u>34,631</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 671,150	\$ 676,346	\$ 708,809	\$ 739,341	\$ 773,375	\$ 808,057	\$ 865,129	\$807,843	\$850,051	\$ 1,021,561
Employer contributions as a percentage of covered-employee payroll	5.22%	5.02%	4.64%	4.73%	4.70%	5.24%	4.76%	4.76%	4.17%	3.39%

CITY OF LIBERTY, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2023

1. GENERAL INFORMATION

Contributions

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

Payroll

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

2. CHANGES OF ASSUMPTIONS

June 30, 2022 – Pension and OPEB – Nonhazardous

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

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

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

June 30, 2021 – Pension and OPEB – Nonhazardous

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

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

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

June 30, 2020 – Pension and OPEB – Nonhazardous

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

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

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

June 30, 2019 – Pension and OPEB – Nonhazardous

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

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

June 30, 2018 – Pension and OPEB – Nonhazardous

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

CITY OF LIBERTY, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2023

2. CHANGES OF ASSUMPTIONS (CONTINUED)

June 30, 2017 – Pension and OPEB – Nonhazardous

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

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

June 30, 2016 – Pension and OPEB – Nonhazardous

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

June 30, 2015 – Pension – Nonhazardous

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

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

June 30, 2014 – Pension – Nonhazardous

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

June 30, 2013 – Pension – Nonhazardous

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

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

SUPPLEMENTARY INFORMATION

CITY OF LIBERTY, KENTUCKY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2023

	<u>Cemetery Fund</u>	<u>Municipal Road Aid Fund</u>	<u>ABC Fund</u>	<u>Total Governmental Funds</u>	<u>2022 Totals</u>
ASSETS					
Cash	\$ 3,943	\$ -	\$ 2,855	\$ 6,798	\$ 3,529
Investments	57,726	-	-	57,726	57,511
Receivables, net	-	4,390	10,315	14,705	4,475
Due from other funds	-	75,252	-	75,252	59,552
	<u>-</u>	<u>75,252</u>	<u>-</u>	<u>75,252</u>	<u>59,552</u>
Total assets	<u>\$ 61,669</u>	<u>\$ 79,642</u>	<u>\$ 13,170</u>	<u>\$ 154,481</u>	<u>\$ 125,067</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 801	\$ -	\$ -	\$ 801	\$ 1,600
Due to other funds	4,786	-	-	4,786	4,786
	<u>4,786</u>	<u>-</u>	<u>-</u>	<u>4,786</u>	<u>4,786</u>
Total liabilities	<u>5,587</u>	<u>-</u>	<u>-</u>	<u>5,587</u>	<u>6,386</u>
Fund balances	<u>56,082</u>	<u>79,642</u>	<u>13,170</u>	<u>148,894</u>	<u>118,681</u>
Total liabilities and fund balances	<u>\$ 61,669</u>	<u>\$ 79,642</u>	<u>\$ 13,170</u>	<u>\$ 154,481</u>	<u>\$ 125,067</u>

CITY OF LIBERTY, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
for the year ended June 30, 2023

	Cemetery Fund	Municipal Road Aid Fund	ABC Fund	Total Governmental Funds	2022 Totals
REVENUES					
Charges for services	\$ 2,250	\$ -	\$ -	\$ 2,250	\$ 6,250
Licenses and permits	-	-	15,333	15,333	-
Intergovernmental	-	45,702	-	45,702	42,916
Investment earnings (loss)	1,804	-	-	1,804	(5,127)
Other revenues	-	-	-	-	100
Total revenues	<u>4,054</u>	<u>45,702</u>	<u>15,333</u>	<u>65,089</u>	<u>44,139</u>
EXPENDITURES					
Current					
General government	20,326	-	603	20,929	17,717
Public safety - Police	-	-	1,560	1,560	-
Streets department	-	30,087	-	30,087	8,352
Total expenditures	<u>20,326</u>	<u>30,087</u>	<u>2,163</u>	<u>52,576</u>	<u>26,069</u>
Excess (deficiency) of revenues over expenditures	<u>(16,272)</u>	<u>15,615</u>	<u>13,170</u>	<u>12,513</u>	<u>18,070</u>
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	<u>17,700</u>	<u>-</u>	<u>-</u>	<u>17,700</u>	<u>-</u>
Total other financing sources and uses	<u>17,700</u>	<u>-</u>	<u>-</u>	<u>17,700</u>	<u>-</u>
Net change in fund balances	1,428	15,615	13,170	30,213	18,070
Fund balances-beginning	<u>54,654</u>	<u>64,027</u>	<u>-</u>	<u>118,681</u>	<u>100,611</u>
Fund balances-ending	<u>\$ 56,082</u>	<u>\$ 79,642</u>	<u>\$ 13,170</u>	<u>\$ 148,894</u>	<u>\$ 118,681</u>



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

To the Mayor and City Council
City of Liberty, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Liberty, Kentucky, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of Liberty, Kentucky's basic financial statements, and have issued our report thereon dated January 26, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

RFH

RFH, PLLC
Lexington, Kentucky
January 26, 2024