

CITY OF WEST LIBERTY  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

June 30, 2012



WELLS & COMPANY, P.S.C.

*Certified Public Accountants*

865 South Mayo Trail, Suite 7  
Paintsville, Kentucky 41240-1215

(606) 789-3588

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(606) 789-3588

Fax (606) 789-3326

## **INDEPENDENT AUDITOR'S REPORT**

The Honorable Jim Rupe, Mayor  
Members of the City Council  
City of West Liberty, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Liberty, Kentucky, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of West Liberty, Kentucky's, management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Liberty, Kentucky, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2012, on our consideration of the City of West Liberty, Kentucky's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 37 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of West Liberty, Kentucky's financial statements as a whole. The accompanying supplemental and other information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements. The accompanying supplemental and other information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Wells & Company, PSC*

Certified Public Accountants  
Paintsville, Kentucky  
August 27, 2012

**CITY OF WEST LIBERTY, KENTUCKY  
STATEMENT OF NET ASSETS  
JUNE 30, 2012**

**3**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash	\$ 552,513	\$ 338,690	\$ 891,203
Certificates of deposit	-	95,935	95,935
Taxes receivable	27,221	-	27,221
Accounts receivable	17,564	183,959	201,523
Interest receivable	-	75	75
Grants receivable	1,934,752	310,755	2,245,507
Other receivables	287,085	-	287,085
Internal balances	131,253	(131,253)	-
Unbilled revenues	-	78,291	78,291
Inventory	-	43,675	43,675
Other assets	-	37,001	37,001
Capital assets:			
Land and construction-in-progress	769,925	208,060	977,985
Other capital assets, net of accumulated depreciation	1,593,480	12,735,271	14,328,751
<b>Total Assets</b>	<b>5,313,793</b>	<b>13,900,459</b>	<b>19,214,252</b>
<b>LIABILITIES</b>			
Accounts payable	2,235,647	201,610	2,437,257
Retainage payable	-	8,750	8,750
Accrued payroll	12,750	10,773	23,523
Accrued payroll taxes	9,673	3,922	13,595
Accrued vacation	33,177	52,298	85,475
Accrued interest	6,257	20,788	27,045
Other accrued liabilities	16,430	15,418	31,848
Short-term note payable	200,089	-	200,089
Long-term liabilities:			
Due within one year	370,589	145,482	516,071
Due in more than one year	187,500	3,867,416	4,054,916
<b>Total Liabilities</b>	<b>3,072,112</b>	<b>4,326,457</b>	<b>7,398,569</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,805,316	8,930,433	10,735,749
Restricted for:			
Depreciation	-	141,287	141,287
Fire service	193,741	-	193,741
Highways and streets	24,701	-	24,701
Tourism	110,977	-	110,977
911 dispatch	2,470	-	2,470
Debt service	314,397	99,022	413,419
Unrestricted	(209,921)	403,260	193,339
<b>Total Net Assets</b>	<b>\$ 2,241,681</b>	<b>\$ 9,574,002</b>	<b>\$ 11,815,683</b>

See accompanying notes to basic financial statements.

**CITY OF WEST LIBERTY, KENTUCKY  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 654,852	\$ 221,140	\$ 2,014,867	\$ -	\$ 1,581,155	\$ -	\$ 1,581,155
Public safety	1,203,575	171,868	8,250	200,000	(823,457)	-	(823,457)
Streets	208,416	-	10,034	-	(198,382)	-	(198,382)
Tourism and planning	213,125	-	-	-	(213,125)	-	(213,125)
Interest on long-term debt	13,648	-	-	-	(13,648)	-	(13,648)
<b>Total governmental activities</b>	<b>2,293,616</b>	<b>393,008</b>	<b>2,033,151</b>	<b>200,000</b>	<b>332,543</b>	<b>-</b>	<b>332,543</b>
<b>Business-type activities:</b>							
Water, Sewer, Gas	3,072,789	2,351,524	248,846	98,788	-	(373,631)	(373,631)
<b>Total business-type activities</b>	<b>3,072,789</b>	<b>2,351,524</b>	<b>248,846</b>	<b>98,788</b>	<b>-</b>	<b>(373,631)</b>	<b>(373,631)</b>
<b>Total primary government</b>	<b>\$ 5,366,405</b>	<b>\$ 2,744,532</b>	<b>\$ 2,281,997</b>	<b>\$ 298,788</b>	<b>332,543</b>	<b>(373,631)</b>	<b>(41,088)</b>
<b>General revenues:</b>							
Property taxes					188,609	-	188,609
Fire taxes					22,525	-	22,525
Insurance premium taxes					322,191	-	322,191
Occupational taxes and licenses					356,479	-	356,479
Motor vehicle taxes					15,548	-	15,548
Restaurant taxes					192,248	-	192,248
Other taxes					20,207	-	20,207
Licenses and permits					5,579	-	5,579
Intergovernmental revenue					445,470	-	445,470
Interest income					4,404	2,337	6,741
Rental income					18,884	-	18,884
Insurance proceeds					458,785	-	458,785
Gain on disposal of capital assets					39,989	-	39,989
Miscellaneous					19,991	-	19,991
<b>Transfers</b>					(13,552)	13,552	-
<b>Extraordinary items:</b>							
Tornado debris cleanup and repairs					(2,486,079)	-	(2,486,079)
<b>Total general revenues, transfers and extraordinary items</b>					<b>(388,722)</b>	<b>15,889</b>	<b>(372,833)</b>
<b>Change in net assets</b>					<b>(56,179)</b>	<b>(357,742)</b>	<b>(413,921)</b>
<b>Net assets - beginning</b>					<b>2,297,860</b>	<b>9,931,744</b>	<b>12,229,604</b>
<b>Net assets - ending</b>					<b>\$ 2,241,681</b>	<b>\$ 9,574,002</b>	<b>\$ 11,815,683</b>

See accompanying notes to basic financial statements.

CITY OF WEST LIBERTY, KENTUCKY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

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	<u>General Fund</u>	<u>Tourism and Planning</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash	\$ 59,255	\$ 110,977	\$ 382,281	\$ 552,513
Due from other funds	7,500	-	155,253	162,753
Receivables:				
Property taxes	2,544	-	-	2,544
Grants	1,934,752	-	-	1,934,752
Insurance proceeds	287,085	-	-	287,085
Other	15,720	-	1,844	17,564
<b>Total Assets</b>	<u><u>\$ 2,306,856</u></u>	<u><u>\$ 110,977</u></u>	<u><u>\$ 539,378</u></u>	<u><u>\$ 2,957,211</u></u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 2,234,922	\$ -	\$ 725	\$ 2,235,647
Accrued payroll	12,750	-	-	12,750
Accrued payroll taxes	9,673	-	-	9,673
Accrued vacation	33,177	-	-	33,177
Other accrued liabilities	14,586	-	1,844	16,430
Short term note payable	200,089	-	-	200,089
Due to other funds	30,000	-	1,500	31,500
<b>Total Liabilities</b>	<u><u>2,535,197</u></u>	<u><u>-</u></u>	<u><u>4,069</u></u>	<u><u>2,539,266</u></u>
<b>Fund Balances:</b>				
Restricted for:				
Debt service	-	-	314,397	314,397
Public safety	-	-	2,470	2,470
Streets	-	-	24,701	24,701
Tourism	-	110,977	-	110,977
Assigned to:				
Public safety	-	-	193,741	193,741
Unassigned:				
General fund	(228,341)	-	-	(228,341)
<b>Total Fund Balances</b>	<u><u>(228,341)</u></u>	<u><u>110,977</u></u>	<u><u>535,309</u></u>	<u><u>417,945</u></u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 2,306,856</u></u>	<u><u>\$ 110,977</u></u>	<u><u>\$ 539,378</u></u>	<u><u>\$ 2,957,211</u></u>

See accompanying notes to basic financial statements.



**CITY OF WEST LIBERTY, KENTUCKY  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2012**

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**Fund Balances - Total Governmental Funds** **\$ 417,945**

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

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the funds.

Governmental capital assets	4,544,307
Less: accumulated depreciation	(2,180,902)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(558,089)
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Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet.	(6,257)
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Other long-term assets are not available to pay for current-period  
expenditures and therefore are deferred in the funds:

Delinquent property taxes	<u>24,677</u>
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<b>Net Assets of Governmental Activities</b>	<b><u><u>\$ 2,241,681</u></u></b>
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See accompanying notes to basic financial statements.

**CITY OF WEST LIBERTY, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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	<b>General Fund</b>	<b>Tourism and Planning</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>				
<b>Taxes:</b>				
Property	\$ 182,625	\$ -	\$ -	\$ 182,625
Insurance premium	322,191	-	-	322,191
Occupational taxes and licenses	356,479	-	-	356,479
Motor vehicle	15,548	-	-	15,548
Telecom	9,578	-	-	9,578
Fire	-	-	22,525	22,525
Restaurant	-	192,248	-	192,248
Motel	-	10,629	-	10,629
E-911	71,983	-	-	71,983
Shelter income	-	1,607	-	1,607
Wireless collections	-	-	99,885	99,885
Administrative	243,002	-	-	243,002
Licenses and permits	5,579	-	-	5,579
Intergovernmental revenues	2,291,725	-	143,894	2,435,619
Charges for garbage services	221,140	-	-	221,140
Rental income	17,277	-	-	17,277
Fines and forfeits	2,205	-	-	2,205
Interest income	655	100	3,649	4,404
Contributions	12,604	-	-	12,604
Miscellaneous revenues	5,182	-	-	5,182
<b>Total revenues</b>	<b>3,757,773</b>	<b>204,584</b>	<b>269,953</b>	<b>4,232,310</b>
<b>Expenditures:</b>				
General government	642,286	-	-	642,286
Public safety	1,027,076	-	57,664	1,084,740
Streets	65,172	-	64,654	129,826
Tourism and planning	-	164,819	-	164,819
Debt service				
Principal retirement	-	-	38,701	38,701
Interest	-	-	14,231	14,231
Capital outlay	626,025	-	128,175	754,200
<b>Total expenditures</b>	<b>2,360,559</b>	<b>164,819</b>	<b>303,425</b>	<b>2,828,803</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>1,397,214</b>	<b>39,765</b>	<b>(33,472)</b>	<b>1,403,507</b>
<b>Other financing sources (uses):</b>				
Operating transfers in	129,472	-	141,958	271,430
Operating transfers out	(155,510)	-	(129,472)	(284,982)
Issuance of debt	350,089	-	-	350,089
Proceeds from insurance	519,085	-	-	519,085
<b>Total other financing sources (uses)</b>	<b>843,136</b>	<b>-</b>	<b>12,486</b>	<b>855,622</b>
<b>Special and extraordinary items:</b>				
Tornado debris cleanup and repairs	(2,486,079)	-	-	(2,486,079)
<b>Total special and extraordinary items</b>	<b>(2,486,079)</b>	<b>-</b>	<b>-</b>	<b>(2,486,079)</b>
<b>Net change in fund balances</b>	<b>(245,729)</b>	<b>39,765</b>	<b>(20,986)</b>	<b>(226,950)</b>
<b>Fund balances - beginning</b>	<b>17,388</b>	<b>71,212</b>	<b>556,295</b>	<b>644,895</b>
<b>Fund balances - ending</b>	<b>\$ (228,341)</b>	<b>\$ 110,977</b>	<b>\$ 535,309</b>	<b>\$ 417,945</b>

See accompanying notes to basic financial statements.

**CITY OF WEST LIBERTY, KENTUCKY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT  
OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012**

**8**

**Net Change in Fund Balances - Total Governmental Funds** **\$(226,950)**

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

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

Capital asset purchases capitalized	754,200
Depreciation expense	(258,297)

The net effect of various miscellaneous transactions involving capital assets: (20,311)

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

Increase/(decrease) in property taxes	5,984
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In the statement of activities, interest is accrued on outstanding long-term  
debt, whereas in the governmental funds interest is not reported until due.  
This amount represents the net change in accrued interest payable. 583

Proceeds of long-term debt are recorded as an other financing source for governmental  
funds but it is not recorded in the statement of activities.  
Proceeds of long-term debt are liabilities. (350,089)

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

Loans payable	<u>38,701</u>
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**Change in Net Assets of Governmental Activities** **\$ (56,179)**

See accompanying notes to basic financial statements.

**CITY OF WEST LIBERTY, KENTUCKY  
STATEMENT OF NET ASSETS  
BUSINESS-TYPE ACTIVITY  
JUNE 30, 2012**

9

<b>ASSETS</b>	<b><u>Water, Sewer, Gas</u></b>
<b>Current assets:</b>	
Cash	\$ 194,316
Accounts receivable, no allowance considered necessary	183,959
Interest receivable	75
Grants receivable	310,755
Unbilled revenues	78,291
Inventory	<u>43,675</u>
<b>Total current assets</b>	<b><u>811,071</u></b>
<b>Non-current assets:</b>	
<b>Restricted assets:</b>	
Cash	144,374
Certificate of deposits	<u>95,935</u>
<b>Total restricted assets</b>	<b><u>240,309</u></b>
<b>Utility Plant:</b>	
Plant in service	22,007,222
Less accumulated depreciation	<u>(9,208,037)</u>
	12,799,185
Construction work in progress	<u>144,146</u>
<b>Net utility plant</b>	<b><u>12,943,331</u></b>
<b>Other non-current assets:</b>	
Bond issuance costs, net	<u>37,001</u>
<b>Total other non-current assets</b>	<b><u>37,001</u></b>
<b>Total assets</b>	<b><u>\$ 14,031,712</u></b>

See accompanying notes to basic financial statements.

**CITY OF WEST LIBERTY, KENTUCKY  
STATEMENT OF NET ASSETS (Continued)  
BUSINESS-TYPE ACTIVITY  
JUNE 30, 2012**

10

	<u>Water, Sewer, Gas</u>
<b>LIABILITIES AND NET ASSETS</b>	
<b>Current liabilities:</b>	
Accounts payable - trade	\$ 201,610
Retainage payable	8,750
Accrued payroll	10,773
Accrued payroll taxes	3,922
Accrued vacation	52,298
Accrued interest payable	20,788
Due to other funds	131,253
Other accrued liabilities	15,418
Current portion of long-term liabilities	<u>145,482</u>
<b>        Total current liabilities</b>	<u>590,294</u>
<b>Long-term liabilities:</b>	
Long-term debt	4,022,709
Unamortized discount	<u>(9,811)</u>
	4,012,898
Less current portion	<u>(145,482)</u>
<b>        Total long-term liabilities</b>	<u>3,867,416</u>
<b>        Total liabilities</b>	<u>4,457,710</u>
<b>Net assets:</b>	
Investments in capital assets, net of related debt	8,930,433
Restricted for:	
Debt service	99,022
Depreciation	141,287
Unrestricted	<u>403,260</u>
<b>        Total net assets</b>	<u>9,574,002</u>
<b>        Total liabilities and net assets</b>	<u><u>\$ 14,031,712</u></u>

See accompanying notes to basic financial statements.

**CITY OF WEST LIBERTY, KENTUCKY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
BUSINESS-TYPE ACTIVITY  
YEAR ENDED JUNE 30, 2012**

11

	<u><b>Water, Sewer, Gas</b></u>
<b>Operating revenues:</b>	
Sewer revenues	\$ 846,519
Water revenues	1,074,592
Gas revenues	375,135
Other operating revenues	<u>55,278</u>
<b>Total operating revenues</b>	<b>2,351,524</b>
Cost of sales - gas purchases	<u>192,667</u>
<b>Net operating revenues</b>	<b><u>2,158,857</u></b>
<b>Operating expenses:</b>	
Sewer	1,098,175
Water	1,379,790
Gas	<u>232,593</u>
<b>Total operating expenses</b>	<b><u>2,710,558</u></b>
<b>Utility operating income (loss)</b>	<b><u>(551,701)</u></b>
<b>Non-operating revenues (expenses):</b>	
Interest income	2,337
Interest expense	(168,237)
Amortization of bond issue costs	<u>(1,327)</u>
<b>Total non-operating revenues (expenses)</b>	<b><u>(167,227)</u></b>
<b>Net income (loss) before contributions from (to)</b>	<b>(718,928)</b>
Transfers	13,552
Contributions in aid of construction	<u>347,634</u>
<b>Change in net assets</b>	<b>(357,742)</b>
<b>Net assets, beginning of year</b>	<b><u>9,931,744</u></b>
<b>Net assets, end of year</b>	<b><u><u>\$ 9,574,002</u></u></b>

See accompanying notes to basic financial statements.

**CITY OF WEST LIBERTY, KENTUCKY  
STATEMENT OF CASH FLOWS  
BUSINESS-TYPE ACTIVITY  
YEAR ENDED JUNE 30, 2012**

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	<u>Water, Sewer, Gas</u>
<b>Cash flows from operating activities:</b>	
<b>Cash inflows:</b>	
Payments received from customers	\$ 2,382,006
<b>Total cash provided</b>	<u>2,382,006</u>
<b>Cash outflows:</b>	
Payments for salaries and benefits	764,198
Payments to suppliers for goods and services	<u>1,334,667</u>
<b>Total cash used</b>	<u>2,098,865</u>
<b>Net cash provided (used) by operating activities</b>	<u>283,141</u>
<b>Cash flows from noncapital financing activities:</b>	
Transfers (to) from other funds	13,552
Advances from other funds	<u>131,253</u>
<b>Net cash provided (used) by noncapital financing activities</b>	<u>144,805</u>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition of capital assets	(277,721)
Capital contributions received	36,879
Principal payments on long-term debt	(114,785)
Interest paid on long-term debt	<u>(168,499)</u>
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(524,126)</u>
<b>Cash flows from investing activities:</b>	
Interest received	<u>2,368</u>
<b>Net cash provided (used) by investing activities</b>	<u>2,368</u>
<b>Net cash inflow (outflow) from all activities</b>	(93,812)
<b>Cash and cash equivalents at beginning of period</b>	<u>528,437</u>
<b>Cash and cash equivalents at end of period</b>	<u><u>\$ 434,625</u></u>

See accompanying notes to basic financial statements.

**CITY OF WEST LIBERTY, KENTUCKY**  
**STATEMENT OF CASH FLOWS (Continued)**  
**BUSINESS-TYPE ACTIVITY**  
**YEAR ENDED JUNE 30, 2012**

13

	<u><b>Water, Sewer, Gas</b></u>
<b>Reconciliation of utility operating income to net cash provided by operating activities:</b>	
Utility operating income	\$ (551,701)
Depreciation	649,621
Bad debt expense	8,484
(Increase) decrease in:	
Accounts receivable	9,599
Unbilled revenue	12,399
Inventory	20,983
Increase (decrease) in:	
Accounts payable	128,893
Accrued liabilities and other liabilities	4,863
	<hr/>
<b>Net cash provided (used) by operating activities</b>	<b>\$ 283,141</b> <hr/>
<b>Schedule of cash and cash equivalents:</b>	
<b>Beginning of period:</b>	
Unrestricted cash	\$ 251,704
Restricted cash	276,733
	<hr/>
	<b>\$ 528,437</b> <hr/>
<b>End of period:</b>	
Unrestricted cash	\$ 194,316
Restricted cash	240,309
	<hr/>
	<b>\$ 434,625</b> <hr/>

See accompanying notes to basic financial statements.



## **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Narrative Profile**

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

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). In accordance with GASB Statement No. 20, the City's Proprietary Funds follow all FASB statements issued prior to November 30, 1989 until subsequently amended, superseded or rescinded. The more significant accounting policies of the City are described below.

### **A. Financial Reporting Entity**

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

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

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

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

### **B. Basis of Presentation**

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

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

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

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

**Fund Financial Statements:**

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

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

**General Fund –**

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

**Debt Service Fund –**

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

**Municipal Road Aid Fund –**

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

**Tourism and Planning Commission Fund –**

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

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

**CMRS Fund –**

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

**Fire Tax Fund –**

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

**Police Incentive Fund –**

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

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

**Water, Sewer, and Gas Fund –**

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

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

**C. Measurement Focus/Basis of Accounting**

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

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

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

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

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

**D. Budgetary Control**

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

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

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

**E. Cash and Investments**

The City considers all cash, certificates of deposit, and savings to be cash equivalents.

**F. Prepaid Items**

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

**G. Inventory of Supplies**

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

**H. Interfund Activity**

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

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

**I. Bond Discounts and Issue Costs**

Bond issue costs are being amortized over the life of the bonds using the straight-line method. Bond discounts are being amortized over the life of the bonds using the effective interest method.

**J. Capital Assets**

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

Assets capitalized, not including infrastructure assets, have an original cost of \$2,500 or more and over three years of useful life. Infrastructure assets capitalized have an original cost of \$25,000 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

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

**K. Compensated Absences**

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

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

**L. Net Assets**

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**M. Interest Payable**

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

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

**N. Allowance for Uncollectible Accounts**

The City's delinquent taxes and accounts receivable are considered fully collectible and therefore an allowance for uncollectible accounts is not applicable to those receivables.

**O. Estimates**

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

**P. Fund Equity**

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

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

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

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

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

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

**Q. Defined Pension Benefit Plan**

Substantially all City of West Liberty's full-time regular employees participate in the statewide Kentucky Retirement Systems ("System"), a multiple-employer public employee retirement system. Kentucky Retirement Systems is a cost sharing public employee retirement system with one exception: all risks and costs are not shared by the City but are the liability of the State of Kentucky. The payroll for employees covered by the System for the year ended June 30, 2012 was \$1,187,707; the City's total payroll was \$1,277,298.

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

All City full-time employees are eligible to participate in the System. The Plan provides for retirement, disability and death benefits.

Covered employees are required by State statute to contribute 5 percent (6 percent for newly hired employees) of creditable compensation to the System. Employer contribution rates are intended to fund the System's normal cost on a current basis plus one percent (1%) of unfunded past service cost per annum plus interest at the actuarial assumed rate. Such contribution rates are determined by the Board of Trustees of Kentucky Retirement Systems each biennial. The City contributed at 18.96% for all covered employees. The contribution requirement for the year ended June 30, 2012 was \$286,419, which consisted of \$225,189 from the City and \$61,230 from employees.

Additional information and historical trend information can be obtained from the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report.

**R. Encumbrances**

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

**S. Unbilled Receivables**

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

**NOTE 2. DEPOSITS AND INVESTMENTS**

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

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

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

Category 1 – Insured or collateralized with securities held by the City or by its agent in the City's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 – Uncollateralized.

**CITY OF WEST LIBERTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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Deposits categorized by level of risk at June 30, 2012 are as follows:

<u>Account</u>	<u>Bank Balance</u>	<u>Category</u>			<u>Carrying Amount</u>
		<u>1</u>	<u>2</u>	<u>3</u>	
Cash	<u>\$1,053,064</u>	<u>\$344,924</u>	<u>\$620,844</u>	<u>\$87,296</u>	<u>\$987,138</u>

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

**NOTE 3. PROPERTY TAXES**

Property taxes for fiscal year 2011 were levied on \$232,423,272 the assessed valuation of property and bank deposits located in Morgan County as of the preceding January 1, the lien date. Delinquent taxes are considered fully collectible and therefore no allowance for uncollected taxes is provided. A reserve for uncollectible property taxes is recorded for the amount uncollected at year end. The due date and collection periods for property taxes are as follows:

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

**NOTE 4. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2012, consisted of the following:

**Governmental Activities**

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2012</u>
<b>Capital assets, not being depreciated:</b>				
Land and land improvements	\$ 210,136	\$ -	\$ -	\$ 210,136
Construction in progress	<u>-</u>	<u>559,789</u>	<u>-</u>	<u>559,789</u>
<b>Total capital assets, not being depreciated</b>	<u>210,136</u>	<u>559,789</u>	<u>-</u>	<u>769,925</u>



**NOTE 4. CAPITAL ASSETS (Continued)**

**Capital assets, being depreciated:**

Buildings and improvements	585,359	-	-	585,359
Improvements other than buildings	688,926	-	-	688,926
Infrastructure	528,086	122,175	-	650,261
Automobiles and trucks	674,359	6,000	125,342	555,017
Machinery and equipment	<u>1,228,583</u>	<u>66,236</u>	<u>-</u>	<u>1,294,819</u>

<b>Total capital assets being depreciated</b>	<b>3,705,313</b>	<b>194,411</b>	<b>125,342</b>	<b>3,774,382</b>
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**Less accumulated depreciation for:**

Buildings and improvements	(215,575)	(12,583)	-	(228,158)
Improvements other than buildings	(418,155)	(45,258)	-	(463,413)
Infrastructure	(221,087)	(58,918)	-	(280,005)
Automobiles and trucks	(409,199)	(41,429)	(105,031)	(345,597)
Machinery and equipment	<u>(763,620)</u>	<u>(100,109)</u>	<u>-</u>	<u>(863,729)</u>
<b>Total accumulated depreciation</b>	<b><u>(2,027,636)</u></b>	<b><u>(258,297)</u></b>	<b><u>(105,031)</u></b>	<b><u>(2,180,902)</u></b>

<b>Total capital assets being depreciated, net</b>	<b><u>1,677,677</u></b>	<b><u>(63,886)</u></b>	<b><u>20,311</u></b>	<b><u>1,593,480</u></b>
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<b>Governmental activities capital assets, net</b>	<b><u>\$1,887,813</u></b>	<b><u>\$495,903</u></b>	<b><u>\$ 20,311</u></b>	<b><u>\$2,363,405</u></b>
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Depreciation was charged to governmental functions as follows:

General government	\$ 12,566
Public safety	118,835
Tourism and planning	48,306
Streets	<u>78,590</u>
<b>Total</b>	<b><u>\$258,297</u></b>

**Business-Type Activities**

	<b><u>Balance July 1, 2011</u></b>	<b><u>Additions</u></b>	<b><u>Retirements</u></b>	<b><u>Balance June 30, 2012</u></b>
<b>Capital assets, not being depreciated:</b>				
Land and land improvements	\$ 63,914	\$ -	\$ -	\$ 63,914
Construction in progress	<u>-</u>	<u>144,146</u>	<u>-</u>	<u>144,146</u>
<b>Total capital assets, not being depreciated</b>	<b><u>63,914</u></b>	<b><u>144,146</u></b>	<b><u>-</u></b>	<b><u>208,060</u></b>
<b>Capital assets, being depreciated:</b>				
Leasehold improvements	1,000	-	-	1,000
Machinery and equipment	928,635	-	-	928,635
Water plant and water system	9,412,671	-	-	9,412,671
Sewer plant and sewer system	10,572,660	20,275	-	10,592,935
Gas system	<u>886,017</u>	<u>122,050</u>	<u>-</u>	<u>1,008,067</u>
<b>Total capital assets being depreciated</b>	<b>21,800,983</b>	<b>142,325</b>	<b>-</b>	<b>21,943,308</b>

**NOTE 4. CAPITAL ASSETS (Continued)**

**Less accumulated depreciation for:**

Leasehold improvements	(626)	(31)	-	(657)
Machinery and equipment	(636,161)	(53,655)	-	(687,816)
Water plant and water system	(3,776,923)	(273,541)	-	(4,050,464)
Sewer plant and sewer system	(4,135,846)	(305,453)	-	(4,441,299)
Gas system	(8,860)	(18,941)	-	(27,801)
Total accumulated depreciation	<u>(8,558,416)</u>	<u>(649,621)</u>	<u>-</u>	<u>(9,208,037)</u>
<b>Total capital assets being depreciated, net</b>	<u>13,242,567</u>	<u>(507,296)</u>	<u>-</u>	<u>12,735,271</u>
<b>Total utilities capital assets, net</b>	<u>\$13,306,481</u>	<u>\$(363,150)</u>	<u>\$ -</u>	<u>\$12,943,331</u>

**NOTE 5: LONG-TERM DEBT**

**Business –Type Activities**

The Water and Sewer Proprietary Fund presently has six bond issues outstanding.

- 1) 1988 Series - \$579,000 Water and Sewer revenue bonds, maturing through November 1, 2023, with interest at 5.0%.
- 2) 1998 Series - \$449,000 Water and Sewer revenue bonds, maturing through November 1, 2039, with interest at 4.5%.
- 3) 2001 Series (A) - \$1,000,000 Water and Sewer revenue bonds, maturing through November 1, 2041, with interest at 3.25%.
- 4) 2001 Series (B) - \$280,000 Water and Sewer revenue bonds, maturing through November 1, 2041, with interest at 4.5%.
- 5) 2006 Series - \$801,000 Water and Sewer revenue bonds, maturing through November 1, 2045, with interest at 4.125%.
- 6) 2007 Series - \$400,000 Water and Sewer revenue bonds, maturing through November 1, 2045, with interest at 4.125%.
- 7) 2010 Series - \$740,000 Gas revenue bonds, maturing through January 1, 2040, with interest at variable rates.

Principal payments are due annually for water and sewer revenue bonds on November 1, and interest payments are due semi-annually on May 1, and November 1. Principal and interest is due monthly for the gas revenue bond.

Total bond interest expense for the year ended June 30, 2012, amounted to \$154,971.

The Water, Sewer, and Gas Proprietary Fund notes payable at June 30, 2012 consisted of the following:

In 1997, the City borrowed \$329,764 from Kentucky Infrastructure Authority, payable in semi-annual installments of \$9,298 including interest of 1.2%, final payment due on June 1, 2017.

**CITY OF WEST LIBERTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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**NOTE 5: LONG-TERM DEBT (Continued)**

During fiscal year June 30, 2011, the City assumed \$210,646 of debt on the purchase of Elam Utility Company, Inc. A loan with Commercial Bank had a balance of \$30,096 and a loan with Community Trust Bank had a balance of \$180,550. The Commercial Bank loan bears interest at 5.25%. The Community Trust Bank loan bears interest at 7.50% and is payable in monthly installments of \$2,991 with final payment due on October 22, 2016.

	<b>Amount Outstanding 6/30/2011</b>	<b>Additions</b>	<b>Deductions</b>	<b>Amount Outstanding 6/30/2012</b>	<b>Amounts Due Within One Year</b>
Bond payable – 1988 issue	\$ 400,000	\$ -	\$ (14,000)	\$ 386,000	\$ 15,000
Bond payable – 1998 issue	403,000	-	(6,500)	396,500	7,000
Bond payable – 2001 issue (A)	893,000	-	(17,000)	876,000	18,000
Bond payable – 2001 issue (B)	256,500	-	(4,000)	252,500	4,000
Bond payable – 2006 issue	773,500	-	(10,000)	763,500	10,500
Bond payable – 2007 issue	386,000	-	(5,000)	381,000	5,500
Bond payable – 2010 issue	723,793	-	(14,854)	708,939	14,846
Note payable – KIA	107,338	-	(17,359)	89,979	17,568
Note payable – Commercial Bank	27,036	-	(992)	26,044	26,044
Note payable – Community Trust Bank	<u>157,370</u>	<u>-</u>	<u>(24,934)</u>	<u>132,436</u>	<u>26,870</u>
Long-Term Debt	<u>\$4,127,537</u>	<u>\$ -</u>	<u>\$(114,639)</u>	<u>\$4,012,898</u>	<u>\$145,328</u>

Principal and interest payments to be made on all long-term debt at June 30, 2012, for each of the next five years and thereafter are as follows:

<b>Year Ending 6/30</b>	<b>Bonds</b>	<b>Notes</b>	<b>Total Principal</b>	<b>Total Interest</b>	<b>Total</b>
2013	74,846	70,482	145,328	160,427	305,755
2014	76,838	46,735	123,573	155,294	278,867
2015	79,329	49,197	128,526	149,838	278,364
2016	81,819	51,836	133,655	144,048	277,703
2017	86,892	30,209	117,101	138,442	255,543
2018-2022	496,374	-	496,374	634,278	1,130,652
2023-2027	606,108	-	606,108	524,020	1,130,128
2028-2032	637,149	-	637,149	391,770	1,028,919
2033-2037	701,134	-	701,134	261,525	962,659
2038-2042	696,450	-	696,450	111,417	807,867
2043-2046	<u>227,500</u>	<u>-</u>	<u>227,500</u>	<u>19,007</u>	<u>246,507</u>
	<u>\$3,764,439</u>	<u>\$248,459</u>	<u>\$4,012,898</u>	<u>\$2,690,066</u>	<u>\$6,702,964</u>

**CITY OF WEST LIBERTY, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

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**NOTE 5: LONG-TERM DEBT (Continued)**

**Governmental Activities**

The City presently has two bond issues outstanding.

- 1) Series A - \$300,000 Public properties first mortgage revenue bonds maturing through January 16, 2020, with interest at 6.0%.
- 2) Series B - \$118,000 Public properties first mortgage revenue bonds maturing through January 16, 2020, with interest at 6.0%.

Principal and interest payments are due annually for revenue bonds on January 1.

Total bond interest expense for the year ended June 30, 2012, amounted to \$13,680.

The City's notes payable at June 30, 2012 consisted of the following:

- 1) On June 11, 2012, the City borrowed \$350,089 at 4.9% interest from Commercial Bank for the construction of the new fire station. The loan matures on September 11, 2012 and will then be refinanced into a twenty year loan, at 3.25% interest.

	<u>Amount Outstanding 6/30/2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount Outstanding 6/30/2012</u>	<u>Amounts Due Within One Year</u>
Bond payable – series A	\$170,000	\$ -	\$(15,000)	\$155,000	\$ 15,000
Bond payable – series B	58,000	-	(5,000)	53,000	5,500
Note payable – Fire Station	-	350,089	-	350,089	350,089
Police Cars (KLC)	<u>18,701</u>	<u>-</u>	<u>(18,701)</u>	<u>-</u>	<u>-</u>
Long-Term Debt	<u>\$246,701</u>	<u>\$350,089</u>	<u>\$(38,701)</u>	<u>\$558,089</u>	<u>\$370,589</u>

Principal and interest payments to be made on all long-term debt at June 30, 2012, for each of the next five years and thereafter are as follows:

<u>Year Ending 6/30</u>	<u>Bonds</u>	<u>Notes</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total</u>
2013	\$20,500	\$350,089	\$370,589	\$16,803	\$387,392
2014	22,500	-	22,500	11,250	33,750
2015	24,000	-	24,000	9,900	33,900
2016	25,500	-	25,500	8,460	33,960
2017	27,000	-	27,000	6,949	33,949
2018-2020	<u>88,500</u>	<u>-</u>	<u>88,500</u>	<u>10,800</u>	<u>99,300</u>
	<u>\$208,000</u>	<u>\$350,089</u>	<u>\$558,089</u>	<u>\$64,162</u>	<u>\$622,251</u>

**NOTE 5: LONG-TERM DEBT (Continued)**

**Compliance with Bond Ordinances**

The bond ordinances contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds and minimum revenue bond coverages. Funds held in the various reserves at June 30, 2012 required by the revenue bond ordinances are reported in the accompanying financial statements as restricted cash and investments.

**NOTE 6 – SHORT TERM DEBT**

On June 11, 2012, the City borrowed \$200,089 at 4.9% interest from Commercial Bank for working capital until the City receives tornado insurance proceeds. The loan matures on September 11, 2012

**NOTE 7 – RESTRICTIONS ON CASH**

**Sinking Reserve Funds for Bond Retirement**

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

Proprietary Funds Bond Sinking Funds in the amount of \$60,087 is being held by the Commercial Bank of West Liberty in an interest bearing account.

Proprietary Funds Debt Service Reserve Fund in the amount of \$34,911 is being held in an interest bearing account at the Commercial Bank of West Liberty.

General Fund Bond Sinking Fund in the amount of \$156,650 is being held in an interest bearing account by the Commercial Bank of West Liberty. These funds are being maintained in the Debt Service Fund.

General Fund Debt Service Reserve Fund in the amount of \$2,494 is being held in an interest bearing savings account at the Commercial Bank of West Liberty, these funds are being maintained in the Debt Service Fund.

**Reserve for Depreciation**

"Depreciation Funds" are being maintained as required in various bond documents. These Proprietary Funds are required to be deposited into separate accounts for the purpose of maintaining the water and sewer systems. Certificates of Deposit have also been purchased for water and sewer depreciation reserves. The total amounts deposited in these accounts for Water Depreciation and for Waste Water Depreciation is \$141,287.

**NOTE 8 – RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City pays annual premiums to the Kentucky League of Cities Insurance Agency for its general liability coverage, public officials' liability, auto liability, workers' compensation, and property coverage. The City's workers' compensation coverage is retrospectively

**NOTE 8 – RISK MANAGEMENT (Continued)**

rated, whereby premiums are accrued based on the ultimate cost of the experience of the City. Kentucky League of Cities Insurance Agency pays claims as they arise.

**NOTE 9 – COMMITMENTS AND CONTINGENCIES**

**Litigation**

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

**NOTE 10 - RELATED PARTIES**

Generally accepted auditing standards require disclosure of related party transactions. A related party transaction is defined as a transaction that involves the entity being audited and any member of management or their immediate family. The City of West Liberty and councilman John May and councilwoman Belinda Jordan were involved in related party transactions. The City purchased \$4,026 of computer equipment and supplies from West Liberty Electronics, which is owned by John May, and the City purchased \$468 of supplies from Seasons Florist and Gift Shop, which is owned by Belinda Jordan.

For the period dated June 30, 2012, the City's Utility Fund paid the City's General Fund \$234,660 for office rent and administrative expenses.

**NOTE 11 – SUBSEQUENT EVENT**

Management has evaluated and has not recognized any subsequent events through August 27, 2012, the date the financial statements were available to be issued.

CITY OF WEST LIBERTY, KENTUCKY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012

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<b>FEDERAL GRANTOR/PASS - THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE</b>	<b>FEDERAL CFDA NUMBER</b>	<b>PASS-THROUGH ENTITY IDENTIFYING NUMBER</b>	<b>FEDERAL EXPENDITURES</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
Pass-through program from the Natural Resources Conservation Service ARRA - Emergency Watershed Protection Program	10.923	68-5C16-12-035	<u>\$ 78,660</u>
<b><u>U.S. DEPARTMENT OF THE DEFENSE</u></b>			
Pass-through program from Department of the Army - U.S. Army Engineer, Louisville District Southern and Eastern Kentucky Environmental Infrastructure Section 531	12.127	N/A	<u>89,184</u>
<b><u>U.S. DEPARTMENT OF HOMELAND SECURITY</u></b>			
Pass-through program from Kentucky Dept of Military Affairs, Division of Emergency Management Disaster Grants - Public Assistance	97.036	P02-095-12000044171	<u>1,869,572</u>
Total U.S. Department of Homeland Security			<u>1,869,572</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><b>\$ 2,037,416</b></u>

See accompanying note to schedule of expenditures of federal awards.

**CITY OF WEST LIBERTY, KENTUCKY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

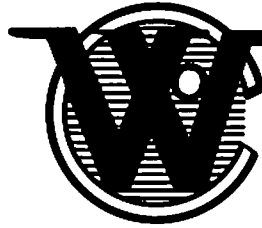
**29**

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of West Liberty and is presented on the annual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A – 133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



## **AUDITOR'S REPORTS**



WELLS & COMPANY, P.S.C.

*Certified Public Accountants*

865 South Mayo Trail, Suite 7  
Paintsville, Kentucky 41240-1215

(606) 789-3588

Fax (606) 789-3326

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

The Honorable Jim Rupe, Mayor  
Members of the City Council  
City of West Liberty, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Liberty, Kentucky as of and for the year ended June 30, 2012 which collectively comprise the City of West Liberty, Kentucky's basic financial statements and have issued our report thereon dated August 27, 2012, which included an explanatory paragraph regarding the omission of required Management Discussion and Analysis. 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.

**Internal Control Over Financial Reporting**

Management of the City of West Liberty, Kentucky is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of West Liberty, Kentucky's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of West Liberty, Kentucky's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of West Liberty, Kentucky's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2012-1 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2012-2 to be a significant deficiency.

#### **Compliance and Other Matters**

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

We noted certain matters that we reported to management of the City of West Liberty, Kentucky, in a separate letter dated August 27, 2012.

The City of West Liberty, Kentucky's response to the findings identified in our audit are described in the accompany schedule of findings and questioned costs. We did not audit the City of West Liberty, Kentucky's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Mayor, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Wells & Company, PSC*

Certified Public Accountants  
Paintsville, Kentucky  
August 27, 2012



**WELLS & COMPANY, P.S.C.**

*Certified Public Accountants*

865 South Mayo Trail, Suite 7  
Paintsville, Kentucky 41240-1215

(606) 789-3588

Fax (606) 789-3326

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Jim Rupe, Mayor  
Members of the City Council  
City of West Liberty, Kentucky

**Compliance**

We have audited the City of West Liberty, Kentucky's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of West Liberty, Kentucky's major federal programs for the year ended June 30, 2012. The City of West Liberty, Kentucky's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of West Liberty, Kentucky's management. Our responsibility is to express an opinion on the City of West Liberty, Kentucky's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of West Liberty, Kentucky's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of West Liberty, Kentucky's compliance with those requirements.

In our opinion, the City of West Liberty, Kentucky, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

### Internal Control Over Compliance

Management of the City of West Liberty, Kentucky, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of West Liberty, Kentucky's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of West Liberty, Kentucky's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Mayor, City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Wells & Company, P.S.C.*

Certified Public Accountants  
Paintsville, Kentucky  
August 27, 2012

CITY OF WEST LIBERTY, KENTUCKY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012

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SUMMARY OF AUDIT RESULTS

*Financial Statements*

Type of auditor's report issued *unqualified*:

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ☐ yes ☒ no

*Federal Awards*

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? ☐ yes ☒ no

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number(s)</u>
Disaster Grants – Public Assistance	97.036
ARRA – Emergency Watershed Protection Program	10.923

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? ☐ yes ☒ no

**FINDINGS - FINANCIAL STATEMENTS AUDIT**

**MATERIAL WEAKNESS**

**2012 – 1 Segregation of Duties**

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

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

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

Recommendation: Mayor and City Council should continue its strong oversight.

Management Comment: Management of the City concurs with the finding and will continue strong oversight.

**SIGNIFICANT DEFICIENCY**

**2012 - 2 Financial Reporting**

Condition: There is a lack of adequate controls in financial accounting and reporting to properly prepare financial statements and disclosures according to generally accepted accounting principles.

Criteria: The Statement on Auditing Standards cites a significant deficiency if an entity is unable to prepare its own financial statements in accordance with Generally Accepted Accounting Principles (GAAP) including the disclosure notes.

Cause of Condition: The City's limited budget prevents the hiring of an individual with the accounting skills and knowledge to properly prepare financial statements.

Recommendation: The management and those charged with governance should make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management Comment: Management of the City concurs with the finding.

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None

**CITY OF WEST LIBERTY, KENTUCKY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2012**

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There were no findings and recommendations for the year ended June 30, 2011.



**REQUIRED SUPPLEMENTAL INFORMATION**

**CITY OF WEST LIBERTY, KENTUCKY  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2012**

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	<b>Enacted Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Property taxes	\$ 192,000	\$ 182,625	\$ (9,375)
Taxes on insurance premiums	348,000	322,191	(25,809)
Occupational taxes and licenses	340,000	356,479	16,479
E911	72,000	71,983	(17)
Unloading license	3,000	5,104	2,104
Building permits	-	475	475
Law enforcement fees	7,500	15,201	7,701
Motor vehicle tax	15,000	15,548	548
Telecom tax	7,200	9,578	2,378
Interest	-	655	655
Rent	20,000	17,277	(2,723)
Garbage fees	250,000	221,140	(28,860)
Fines and forfeits	-	2,205	2,205
Administrative	220,000	243,002	23,002
Contributions	-	12,604	12,604
Grants	215,000	2,276,524	2,061,524
Other receipts	23,000	5,182	(17,818)
<b>Total Revenues</b>	<b>1,712,700</b>	<b>3,757,773</b>	<b>2,045,073</b>
<b>Expenditures:</b>			
<b>General government:</b>			
Health and life insurance	48,000	51,367	(3,367)
Insurance	42,000	32,909	9,091
Garbage fees	237,500	217,948	19,552
Dues and subscriptions	2,000	1,604	396
Materials and supplies	3,000	5,625	(2,625)
Janitorial supplies	3,000	690	2,310
Mayor and city council fees	10,000	8,100	1,900
Other expenses	6,200	23,997	(17,797)
Office expenses	11,000	15,004	(4,004)
Professional fees	18,000	9,999	8,001
Postage	2,800	1,610	1,190
Repairs and maintenance	15,000	25,097	(10,097)
Retirement	18,000	21,843	(3,843)
Salaries and wages	140,000	185,744	(45,744)
Payroll taxes	10,000	17,023	(7,023)
Telephone and utilities	26,000	22,421	3,579
Travel and training	3,000	1,305	1,695
Capital outlays	25,000	21,600	3,400
<b>Total General Government</b>	<b>620,500</b>	<b>663,886</b>	<b>(43,386)</b>

See accompanying notes to basic financial statements.

**CITY OF WEST LIBERTY, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE (Continued)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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	<b>Enacted Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Police:</b>			
Automobile	22,500	24,985	(2,485)
Health and life insurance	42,000	42,075	(75)
Insurance	48,000	33,089	14,911
Dues and subscriptions	3,000	1,483	1,517
Janitorial supplies	1,000	681	319
Materials and supplies	15,000	17,867	(2,867)
Other expenses	1,000	2,752	(1,752)
Office expenses	7,500	5,876	1,624
Professional fees	6,000	5,178	822
Repairs and maintenance	8,000	23,956	(15,956)
Retirement	54,000	48,730	5,270
Salaries and wages	282,000	226,094	55,906
Payroll tax	18,000	21,200	(3,200)
Telephone and utilities	20,000	15,843	4,157
Travel and training	5,000	4,616	384
Uniform allowance	4,000	2,902	1,098
Capital outlays	25,000	3,600	21,400
<b>Total Police</b>	<b>562,000</b>	<b>480,927</b>	<b>81,073</b>
<b>Fire:</b>			
Automobile	2,250	6,445	(4,195)
Insurance	7,500	10,521	(3,021)
Materials and supplies	7,500	39,711	(32,211)
Other expenses	13,000	14,670	(1,670)
Repairs and maintenance	12,000	25,096	(13,096)
Telephone and utilities	7,500	4,634	2,866
Travel and training	500	2,147	(1,647)
Capital outlays	200,000	585,721	(385,721)
<b>Total Fire</b>	<b>250,250</b>	<b>688,945</b>	<b>(438,695)</b>
<b>Dispatch:</b>			
Automobile	2,500	1,304	1,196
Health and life insurance	45,500	47,222	(1,722)
Insurance	5,300	9,001	(3,701)
Dues and subscriptions	5,500	7,296	(1,796)
Janitorial supplies	1,500	772	728
Materials and supplies	1,500	1,914	(414)
Other expenses	3,700	1,648	2,052
Office expenses	2,500	2,929	(429)
Professional fees	5,000	6,902	(1,902)
Repairs and maintenance	12,000	35,811	(23,811)

See accompanying notes to basic financial statements.

**CITY OF WEST LIBERTY, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE (Continued)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2012**

39

	<b>Enacted Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
Retirement	40,000	47,120	(7,120)
Salaries and wages	230,000	251,148	(21,148)
Payroll tax	16,000	20,846	(4,846)
Telephone and utilities	14,000	9,871	4,129
Travel and training	3,000	2,741	259
Capital outlays	12,000	3,600	8,400
<b>Total Dispatch</b>	<b>400,000</b>	<b>450,125</b>	<b>(50,125)</b>
<b>Street:</b>			
Automobile	5,500	3,873	1,627
Insurance	4,000	15,421	(11,421)
Other expenses	10,000	5,359	4,641
Materials and supplies	7,500	9,326	(1,826)
Repairs and maintenance	5,000	5,858	(858)
Utilities and telephone	23,000	25,335	(2,335)
Capital outlays	5,000	11,504	(6,504)
<b>Total Street</b>	<b>60,000</b>	<b>76,676</b>	<b>(16,676)</b>
<b>Total Expenditures</b>	<b>1,892,750</b>	<b>2,360,559</b>	<b>(467,809)</b>
<b>Other Financing Sources/(Uses):</b>			
Operating transfers	175,000	(26,038)	(201,038)
Issuance of debt	-	350,089	350,089
Proceeds from insurance	-	519,085	519,085
<b>Total Other Financing Uses</b>	<b>175,000</b>	<b>843,136</b>	<b>668,136</b>
<b>Special and extraordinary items:</b>			
Tornado debris cleanup and repairs	-	(2,486,079)	(2,486,079)
<b>Total Special and Extraordinary items</b>	<b>-</b>	<b>(2,486,079)</b>	<b>(2,486,079)</b>
<b>Revenues Over/(Under) Expenditures and Other Financing Sources/(Uses) and Special and Extraordinary Items</b>	<b>\$ (5,050)</b>	<b>(245,729)</b>	<b>\$ (240,679)</b>
<b>Fund Balance at Beginning of Year</b>		<b>17,388</b>	
<b>Fund Balance at End of Year</b>		<b>\$ (228,341)</b>	

See accompanying notes to basic financial statements.

**CITY OF WEST LIBERTY, KENTUCKY  
BUDGETARY COMPARISON SCHEDULE  
TOURISM AND PLANNING COMMISSION FUND  
FOR THE YEAR ENDED JUNE 30, 2012**

40

	<b>Enacted Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Restaurant tax	\$ 185,000	\$ 192,248	\$ 7,248
Motel tax	15,000	10,629	(4,371)
Shelter income	2,000	1,607	(393)
Interest income	200	100	(100)
<b>Total Revenues</b>	<b>202,200</b>	<b>204,584</b>	<b>2,384</b>
<b>Expenditures:</b>			
Administrative	10,000	8,419	1,581
Donations	100,000	99,530	470
Dues and subscriptions	-	261	(261)
Materials and supplies	55,000	12,028	42,972
Other expenses	23,200	11,634	11,566
Office expenses	-	120	(120)
Salaries and wages	14,000	12,497	1,503
Repairs and maintenance	-	20,330	(20,330)
<b>Total Expenditures</b>	<b>202,200</b>	<b>164,819</b>	<b>37,381</b>
<b>Other Financing Sources/(Uses):</b>			
Operating transfers	-	-	-
<b>Total Other Financing Uses</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Revenues Over/(Under) Expenditures and Other Financing Sources/(Uses)</b>	<b>\$ -</b>	<b>39,765</b>	<b>\$ 39,765</b>
<b>Fund Balance at Beginning of Year</b>		<b>71,212</b>	
<b>Fund Balance at End of Year</b>		<b>\$ 110,977</b>	

See accompanying notes to basic financial statements.

## **SUPPLEMENTAL AND OTHER INFORMATION**

CITY OF WEST LIBERTY, KENTUCKY  
 COMBINING BALANCE SHEET  
 NON-MAJOR FUNDS  
 JUNE 30, 2012

41

	Special Revenue Funds					Total Non-Major Governmental Funds
	Debt Service Fund	Fire Tax Fund	Police Incentive Fund	Municipal Road Aid Fund	CMRS Fund	
<b>ASSETS</b>						
Cash and cash equivalents	\$159,144	\$193,741	\$ -	\$ 24,701	\$ 4,695	\$ 382,281
Due from other funds	155,253	-	-	-	-	155,253
Receivables	-	-	1,844	-	-	1,844
<b>Total Assets</b>	<b>\$314,397</b>	<b>\$193,741</b>	<b>\$ 1,844</b>	<b>\$ 24,701</b>	<b>\$ 4,695</b>	<b>\$ 539,378</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 725	\$ 725
Due to other funds	-	-	-	-	1,500	1,500
Other accrued liabilities	-	-	1,844	-	-	1,844
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>1,844</b>	<b>-</b>	<b>2,225</b>	<b>4,069</b>
<b>Fund Balances:</b>						
Restricted for:						
Debt service	314,397	-	-	-	-	314,397
Public safety	-	-	-	-	2,470	2,470
Streets	-	-	-	24,701	-	24,701
Assigned to:						
Public safety	-	193,741	-	-	-	193,741
<b>Total Fund Balances</b>	<b>314,397</b>	<b>193,741</b>	<b>-</b>	<b>24,701</b>	<b>2,470</b>	<b>535,309</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$314,397</b>	<b>\$193,741</b>	<b>\$ 1,844</b>	<b>\$ 24,701</b>	<b>\$ 4,695</b>	<b>\$ 539,378</b>

See accompanying notes to basic financial statements.

**CITY OF WEST LIBERTY, KENTUCKY  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NON-MAJOR FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

42

	<b>Special Revenue Funds</b>					<b>Total Non-Major Governmental Funds</b>
	<b>Debt Service Fund</b>	<b>Fire Tax Fund</b>	<b>Police Incentive Fund</b>	<b>Municipal Road Aid Fund</b>	<b>CMRS Fund</b>	
<b>Revenues:</b>						
Taxes	\$ -	\$ 22,525	\$ -	\$ -	\$ -	\$ 22,525
Wireless collections	-	-	-	-	99,885	99,885
Intergovernmental revenues	-	8,250	25,465	110,179	-	143,894
Investment income	1,735	1,475	-	425	14	3,649
<b>Total revenues</b>	<b>1,735</b>	<b>32,250</b>	<b>25,465</b>	<b>110,604</b>	<b>99,899</b>	<b>269,953</b>
<b>Expenditures:</b>						
Public safety	-	-	25,465	-	32,199	57,664
Streets	-	-	-	64,654	-	64,654
Capital outlays	-	-	-	122,175	6,000	128,175
Debt service:						
Principal retirement	38,701	-	-	-	-	38,701
Interest	14,231	-	-	-	-	14,231
<b>Total expenditures</b>	<b>52,932</b>	<b>-</b>	<b>25,465</b>	<b>186,829</b>	<b>38,199</b>	<b>303,425</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(51,197)</b>	<b>32,250</b>	<b>-</b>	<b>(76,225)</b>	<b>61,700</b>	<b>(33,472)</b>
<b>Other financing sources (uses):</b>						
Operating transfers in	65,928	-	-	76,030	-	141,958
Operating transfers out	-	(51,495)	-	(17,397)	(60,580)	(129,472)
<b>Total other financing sources (uses)</b>	<b>65,928</b>	<b>(51,495)</b>	<b>-</b>	<b>58,633</b>	<b>(60,580)</b>	<b>12,486</b>
<b>Net change in fund balances</b>	<b>14,731</b>	<b>(19,245)</b>	<b>-</b>	<b>(17,592)</b>	<b>1,120</b>	<b>(20,986)</b>
<b>Fund balances - beginning</b>	<b>299,666</b>	<b>212,986</b>	<b>-</b>	<b>42,293</b>	<b>1,350</b>	<b>556,295</b>
<b>Fund balances - ending</b>	<b>\$314,397</b>	<b>\$193,741</b>	<b>\$ -</b>	<b>\$ 24,701</b>	<b>\$ 2,470</b>	<b>\$ 535,309</b>

See accompanying notes to basic financial statements.



**CITY OF WEST LIBERTY, KENTUCKY  
SCHEDULE OF OPERATING EXPENSES  
BUSINESS-TYPE ACTIVITY  
FOR THE YEAR ENDED JUNE 30, 2012**

43

	<u>SEWER</u>	<u>WATER</u>	<u>GAS</u>	<u>TOTAL</u>
Administrative	\$ 107,333	\$ 107,333	\$ 19,994	\$ 234,660
Automobile	19,875	16,348	7,516	43,739
Bad Debt	2,029	4,058	2,397	8,484
Chemicals	61,633	216,633	-	278,266
Depreciation	326,516	302,566	20,539	649,621
Dues and Subscriptions	1,174	2,339	980	4,493
Health and Life Insurance	52,937	39,363	10,939	103,239
Insurance	21,439	36,890	9,639	67,968
Janitorial Supplies	151	192	-	343
Materials and Supplies	39,766	71,933	53,530	165,229
Miscellaneous	1,634	1,201	916	3,751
Office Expenses	1,836	1,574	1,215	4,625
Postage	1,061	2,416	1,683	5,160
Professional Fees	5,027	14,325	4,458	23,810
Repairs and Maintenance	69,424	80,168	2,094	151,686
Retirement	47,490	45,702	14,305	107,497
Salaries and Wages	190,624	250,160	70,912	511,696
Payroll Taxes	20,809	20,496	6,150	47,455
Telephone and Utilities	112,609	152,384	1,054	266,047
Testing	10,567	8,972	-	19,539
Travel and Training	1,237	1,813	3,457	6,507
Uniform Allowance	3,004	2,924	815	6,743
<b>TOTAL OPERATING EXPENSES</b>	<u><u>\$ 1,098,175</u></u>	<u><u>\$ 1,379,790</u></u>	<u><u>\$ 232,593</u></u>	<u><u>\$2,710,558</u></u>

See accompanying notes to basic financial statements.

**CITY OF WEST LIBERTY, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**44**

**CITY COUNCIL**

<u>NAME</u>	<u>TERM EXPIRES</u>
Belinda Jordan	December 31, 2012
Phyllis Keeton	December 31, 2012
John May	December 31, 2012
Dwayne Nickell	December 31, 2012
Tony Smith	December 31, 2012
Mark Walter	December 31, 2012

**ADMINISTRATIVE PERSONNEL**

<u>NAME</u>	
Jim Rupe	Mayor
Sally Barker	City Clerk
Sharon Lykins	Utilities Clerk
Amy Baldwin	Bookkeeper

**CITY OF WEST LIBERTY, KENTUCKY**  
**SCHEDULE OF INSURANCE**  
**June 30, 2012**

**45**

**COVERAGE**

**FIRE AND EXTENDED COVERAGE**

Buildings and contents	\$	17,387,757
Schedule equipment		517,408

**AUTOMOBILE EQUIPMENT**

Liability coverage – per accident	\$	2,000,000
Uninsured motorist		100,000
Underinsured		100,000
Personal injury		10,000
Physical damage		Actual cash value

**WORKMEN'S COMPENSATION**

Statutory

**GENERAL LIABILITY**

Personal and advertising injury	\$	5,000,000
Hazardous response		5,000,000
Employee benefits liability		5,000,000
Fire damage		100,000
Medical expenses		5,000

**PUBLIC OFFICIALS' LIABILITY**

\$ 5,000,000

**LAW ENFORCEMENT LIABILITY**

\$ 2,000,000

**PUBLIC OFFICIAL BONDS**

Jim Rupe	\$	75,000
Sally Barker		120,000
Amy Baldwin		75,000
Sharon Lykins		75,000