

CITY OF WILLIAMSTOWN, KENTUCKY

June 30, 2014

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

TABLE OF CONTENTS

FINANCIAL SECTION

Independent Auditors' Report

Management's Discussion and Analysis (MD&A)	1 - 5
---	-------

Basic Financial Statements

Government-Wide Financial Statements

Statement of Net Position	6
---------------------------------	---

Statement of Activities	7
-------------------------------	---

Fund Financial Statements

Balance Sheet – Governmental Fund	8
---	---

Reconciliation of the Balance Sheet – Governmental Fund to the Statement of Net Position	9
---	---

Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	10
---	----

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund to the Statement of Activities	11
--	----

Statement of Net Position – Proprietary Funds	12
---	----

Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds	13
---	----

Statement of Cash Flows – Proprietary Funds	14
---	----

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	15
--	----

Notes to the Financial Statements	16 - 28
---	---------

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements

Performed in Accordance with <i>Government Auditing Standards</i>	30 - 31
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INDEPENDENT AUDITORS' REPORT

City of Williamstown, Kentucky
400 North Main Street
Williamstown, KY 41097

To the Honorable Mayor
and Members of the City Council

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, of the City of Williamstown, Kentucky, as of June 30, 2014, and the respective changes in financial position

As management of the City of Williamstown, Kentucky (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2014 are as follows:

- Business-type activities had an operating profit before depreciation of \$1,881,355. After depreciation and non-operating items, mainly transfers out, the activities had a net decrease of \$707,514.
- Governmental activities general revenues accounted for \$1,697,019 in revenue or 77% of all governmental activity revenues. Program specific revenues, in the form of charges for services and sales, grants, and contributions, accounted for \$513,187 or 23% of total governmental activity revenues.
- The City had \$2,298,142 in expenses related to governmental activities; only \$513,187 of these expenses were offset by program specific charges for services and sales, grants, and contributions. General revenues (primarily property taxes and grants and entitlements) of \$1,697,019 were adequate to provide for these programs.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the City that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the City include general government, police, public works, and sanitation. Capital assets and related debt are also supported by taxes and intergovernmental revenues.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental and proprietary funds. The proprietary funds consist of the Utility and Sewer Funds. All other activities of the City are included in the governmental funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

The perspective of the statement of net assets is of the City as a whole. Table 1 provides a summary of the City's net assets for 2014 compared to 2013:

Table 1
Net Position
(in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets:						
Current and other assets	\$ 500	\$ 518	\$ 4,575	\$ 6,202	\$ 5,075	\$ 6,720
Capital assets, net	2,903	3,024	29,433	28,242	32,336	31,266
Total assets	3,403	3,542	34,008	34,444	37,411	37,986
Liabilities:						
Current and other liabilities	265	265	3,261	2,004	3,526	2,269
Long-term liabilities	21	72	17,932	18,918	17,953	18,990
Total liabilities	286	337	21,193	20,922	21,479	21,259
Net position:						
Invested in capital assets net of related debt	2,831	2,952	10,077	9,324	12,908	12,276
Restricted	109	51	112	0	221	51
Unrestricted	177	202	2,626	4,199	2,803	4,401
Total net position	\$ 3,117	\$ 3,205	\$ 12,815	\$ 13,523	\$ 15,932	\$ 16,728

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$15.9 million as of June 30, 2014.

The largest portion of the City's net assets reflects its investment in capital assets (e.g. land and improvements, buildings and improvements, vehicles, furniture and equipment); less any related debt used to acquire those assets that is still outstanding.

The City's financial position is the product of several financial transactions, including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Table 2 reflects the change in net assets for fiscal year 2014.

Table 2
Change in Net Assets
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues						
Charges for services	\$ 345	\$ 361	\$ 9,271	\$ 9,286	\$ 9,616	\$ 9,647
Grants and contributions	168	224	86	534	254	758
Total program revenues	513	585	9,357	9,820	9,870	10,405
General revenues						
Property taxes	641	682	0	0	641	682
Insurance premium tax	262	264	0	0	262	264
Interest	1	0	4	4	5	4
Transfers	770	577	(770)	(577)	0	0
Other revenues	23	40	0	0	23	40
Total general revenues	1,697	1,563	(766)	(573)	931	990
Total revenues	2,210	2,148	8,591	9,247	10,801	11,395

CITY OF WILLIAMSTOWN, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Table 2 (Continued)
Change in Net Position
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Program Expenses						
General overnment	422	407	0	0	422	407
Police	805	714	0	0	805	714
Fire	185	171	0	0	185	171
Streets	463	566	0	0	463	566
Cemetery	33	35	0	0	33	35
Sanitation	152	153	0	0	152	153
Recreation	10	8	0	0	10	8
Maintenance and repairs	23	35	0	0	23	35
Utility operation	0	0	7,709	7,428	7,709	7,428
Sewer operation	0	0	1,589	1,115	1,589	1,115
Depreciation unallocated	205	222	0	0	205	222
Total Expenses	<u>2,298</u>	<u>2,311</u>	<u>9,298</u>	<u>8,543</u>	<u>11,596</u>	<u>10,854</u>
(Decrease) Increase in Net Position	<u>\$ (88)</u>	<u>\$ (163)</u>	<u>\$ (707)</u>	<u>\$ 704</u>	<u>\$ (795)</u>	<u>\$ 541</u>

Governmental Activities

The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. Table 3, for government activities, indicates the total cost of services and the net cost of services. It identifies the cost of these services supported by tax revenues and unrestricted state entitlements.

Table 3
Governmental Activities
(In Thousands)

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
General government	\$ 422	\$ 407	\$ 421	\$ 402
Police	805	714	613	494
Fire	185	171	178	168
Streets	463	566	380	437
Cemetery	33	35	(17)	(13)
Sanitation	152	153	4	(1)
Recreation	10	8	(22)	(17)
Maintenance and repairs	23	35	23	36
Depreciation	205	222	205	221
Total Expenses	<u>\$ 2,298</u>	<u>\$ 2,311</u>	<u>\$ 1,785</u>	<u>\$ 1,727</u>

Business-Type Activities

The business-type activities of the City consisted of the utility and sewer enterprise funds. These activities had revenues of \$9,270,789 and expenses and transfers of \$9,978,303 for fiscal year 2014.

The City's Funds

The City's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$2,230,210 and expenditures and other financing uses of \$2,164,345.

General Fund Budgeting Highlights

The City's budget is prepared according to City Charter and is based on accounting for certain transactions using a flow of current financial resources measurement focus. The only budgeted fund is the General Fund.

For the General fund, actual revenues, in the amount of \$1,452,199 exceeded budgeted revenues by \$69,899. Expenditures and other financing uses were budgeted at \$2,241,110 while actual expenditures were \$2,173,066.

Contacting the City's Financial Management

Questions about this report or additional financial information needs should be directed to Vivian Link, the Clerk/Treasurer, City of Williamstown, 400 North Main Street, P.O. Box 147, Williamstown, Kentucky 41097.

City of Williamstown, Kentucky
Statement of Net Position
June 30, 2014

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
Assets:			
Cash and cash equivalents	\$ 354,452	\$ 1,798,142	\$ 2,152,594
Receivables:			
Taxes	63,337	0	63,337
Accounts	11,000	1,397,320	1,408,320
Intergovernmental	16,339	0	16,339
Due from other funds	55,388	1,267,342	1,322,730
Restricted cash	0	112,328	112,328
Capital assets, net of depreciation	2,903,170	29,433,367	32,336,537
Total assets	3,403,686	34,008,499	\$ 37,412,185
Liabilities:			
Accounts payable	(14,178)	382,647	368,469
Payroll related liabilities	41,870	55,464	97,334
Compensated absences	31,920	57,525	89,445
Customer deposits	0	164,105	164,105
Other current liabilities	8,875	0	8,875
Due to other funds	145,679	1,177,046	1,322,725
Due within one year	51,168	1,035,189	1,086,357
Due in more than one year	21,294	18,321,253	18,342,547
Total liabilities	286,628	21,193,229	21,479,857
Net position:			
Net investment in capital assets	2,830,708	10,076,925	12,907,633
Restricted	109,005	112,328	221,333
Unrestricted	177,345	2,626,017	2,803,362
Total net position	\$ 3,117,058	12,815,270	\$ 15,932,328

The accompanying footnotes are an integral part of these financial statements

City of Williamstown, Kentucky
Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 422,080	\$ 0	\$ 1,576	\$ 0	\$ (420,504)	\$ 0	\$ (420,504)
Police	804,462	145,965	45,489	0	(613,008)	0	(613,008)
Fire	184,548	0	6,577	0	(177,971)	0	(177,971)
Streets	463,185	0	82,671	0	(380,514)	0	(380,514)
Cemetery	33,313	50,381	0	0	17,068	0	17,068
Recreation	10,226	0	32,284	0	22,058	0	22,058
Sanitation	152,234	148,244	0	0	(3,990)	0	(3,990)
Maintenance and repairs	23,371	0	0	0	(23,371)	0	(23,371)
Depreciation - unallocated	204,723	0	0	0	(204,723)	0	(204,723)
Total governmental activities	2,298,142	344,590	168,597	0	(1,784,955)	0	(1,784,955)
Business-type activities:							
Water	7,709,490	7,656,821	0	85,942	0	33,273	33,273
Sewer	1,588,561	1,613,967	0	0	0	25,406	25,406
Total business-type activities	9,298,051	9,270,788	0	85,942	0	58,679	58,679
Total primary government	\$ 11,596,193	\$ 9,615,378	\$ 168,597	\$ 85,942	(1,784,955)	58,679	(1,726,276)
General revenues:							
Property and other taxes					640,599	0	640,599
Insurance premium tax					262,103	0	262,103
Other revenues					23,734	0	23,734
Transfers (payment in lieu of taxes)					720,000	(720,000)	0
Transfers					50,000	(50,000)	0
Investment income					583	3,807	4,390
Total general revenues					1,697,019	(766,193)	930,826
Change in net position					(87,936)	(707,514)	(795,450)
Net position - beginning					3,204,994	13,522,784	16,727,778
Net position - ending					\$ 3,117,058	\$ 12,815,270	\$ 15,932,328

The accompanying footnotes are an integral part of these financial statements

City of Williamstown, Kentucky
Balance Sheet
Governmental Funds
June 30, 2014

	General Fund	Total Governmental Funds
Assets:		
Cash and cash equivalents	354,452	\$ 354,452
Receivables:		
Taxes	71,473	71,473
Accounts	11,000	11,000
Intergovernmental	8,203	8,203
Due from other funds	55,388	55,388
Total assets	<u>\$ 500,516</u>	<u>\$ 500,516</u>
Liabilities:		
Accounts payable	\$ (14,178)	\$ (14,178)
Payroll liabilities	41,870	41,870
Other liabilities	8,875	8,875
Due to other funds	145,679	145,679
Total liabilities	<u>182,246</u>	<u>182,246</u>
Deferred inflows of resources:		
Unavailable revenue	<u>13,038</u>	<u>13,038</u>
Fund balances:		
Nonspendable	55,388	55,388
Restricted	50,539	50,539
Unassigned	199,305	199,305
Total fund balances	<u>305,232</u>	<u>305,232</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 500,516</u>	<u>\$ 500,516</u>

The accompanying footnotes are an integral part of these financial statements

City of Williamstown, Kentucky
Reconciliation of Total Governmental Fund Balances
To Net Position of Governmental Activities
June 30, 2014

Total governmental fund balances	\$ 305,232
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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.	2,903,170
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Some assets are not currently available and are therefore not reported in the funds	13,038
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Some liabilities do not require the use of current financial resources and therefore not reported in the funds	(31,920)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(72,462)</u>
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Net position of governmental activities	<u><u>\$ 3,117,058</u></u>
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City of Williamstown, Kentucky
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	General Fund	Total Governmental Funds
Revenues		
Property taxes	\$ 578,643	\$ 578,643
Insurance premium taxes	270,710	270,710
Motor vehicle taxes	66,030	66,030
Licenses, permits, and fees	11,007	11,007
Investment income	583	583
Charges for services	280,244	280,244
Intergovernmental	142,314	142,314
Grants and contributions	37,011	37,011
Other revenue	73,680	73,680
Total revenues	<u>1,460,222</u>	<u>1,460,222</u>
Expenditures		
Current		
General government	416,767	416,767
Public safety - police	770,282	770,282
Public safety - fire	178,689	178,689
Streets	454,445	454,445
Sanitation	152,234	152,234
Recreation	32,821	32,821
Debt service	69,056	69,056
Capital outlay	90,051	90,051
Total expenditures	<u>2,164,345</u>	<u>2,164,345</u>
Deficiency of revenues over expenditures	<u>(704,123)</u>	<u>(704,123)</u>
Other financing sources (uses):		
Transfers in	50,000	50,000
Transfers in (payment in lieu of taxes)	720,000	720,000
Total other financing sources (uses)	<u>770,000</u>	<u>770,000</u>
Net change in fund balances	65,877	65,877
Fund balances - beginning	<u>239,355</u>	<u>239,355</u>
Fund balances - ending	<u>\$ 305,232</u>	<u>\$ 305,232</u>

The accompanying footnotes are an integral part of these financial statements

City of Williamstown, 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, 2014

Net change in fund balances - total governmental funds	\$ 65,877
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	56,289
Depreciation expense	(241,377)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds	(20,009)
Expenses reported in the statement of activities that do not require current financial resources are not reported as expenses in the funds	
Compensated absences	(12,039)
Principal payments	63,323
Change in net position of governmental activities	<u>\$ (87,936)</u>

The accompanying footnotes are an integral part of these financial statements

City of Williamstown, Kentucky
Statement of Net Position
Proprietary Funds
June 30, 2014

	Utility Fund	Sewer Fund	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 996,230	\$ 801,912	\$ 1,798,142
Customer receivables	1,155,921	241,399	1,397,320
Due from other funds	676,478	590,864	1,267,342
Restricted cash	112,328	0	112,328
Total current assets	2,940,957	1,634,175	4,575,132
Noncurrent assets:			
Capital assets, net of depreciation	12,296,342	17,137,025	29,433,367
Total noncurrent assets	12,296,342	17,137,025	29,433,367
Total assets	\$ 15,237,299	\$ 18,771,200	\$ 34,008,499
Liabilities:			
Accounts payable	\$ 381,752	\$ 895	\$ 382,647
Accrued payroll liabilities	41,435	14,029	55,464
Compensated absences	40,996	16,529	57,525
Customer deposits	164,105	0	164,105
Due to other funds	636,784	540,262	1,177,046
Long-term obligations			
Due within one year	337,465	697,724	1,035,189
Due in more than one year	4,495,368	13,825,885	18,321,253
Total liabilities	6,097,905	15,095,324	21,193,229
Net position:			
Net investment in capital assets	7,463,509	2,613,416	10,076,925
Restricted	112,328	0	112,328
Unrestricted	1,563,557	1,062,460	2,626,017
Total net position	9,139,394	3,675,876	12,815,270
Total liabilities and net position	\$ 15,237,299	\$ 18,771,200	\$ 34,008,499

The accompanying footnotes are an integral part of these financial statements

City of Williamstown, Kentucky
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2014

	Utility Fund				Sewer Fund	
	Electric System	Water System	Cable TV and Internet	Total	Total	Total
OPERATING REVENUES						
Charges for services	\$ 4,710,014	\$ 1,214,990	\$ 1,452,817	\$ 7,377,821	\$ 1,613,967	\$ 8,991,788
Other revenue	140,031	138,970	0	279,001	0	279,001
TOTAL OPERATING REVENUES	4,850,045	1,353,960	1,452,817	7,656,822	1,613,967	9,270,789
OPERATING EXPENSES						
Personnel services						
Salaries and wages	230,057	370,245	344,778	945,080	259,284	1,204,364
Medical insurance	49,975	83,668	68,381	202,024	64,313	266,337
Employers FICA	(14,051)	28,085	26,647	40,681	19,956	60,637
Employee retirement	48,293	73,300	67,160	188,753	59,813	248,566
Workers' compensation and unemployment	3,872	13,575	10,793	28,240	10,264	38,504
Total personnel services	318,146	568,873	517,759	1,404,778	413,630	1,818,408
Contractual services						
Utility purchases	3,663,458	0	0	3,663,458	0	3,663,458
Distribution	0	37,645	0	37,645	0	37,645
Repairs and maintenance	8,503	56,547	8,226	73,276	88,851	162,127
Utilities	33,830	108,520	51,721	194,071	182,657	376,728
Other contract services	63,190	9,526	32,459	105,175	32,637	137,812
Education and training	6,459	2,460	949	9,868	2,124	11,992
Lab tests	0	18,761	0	18,761	10,146	28,907
Communications and postage	7,966	6,755	9,297	24,018	9,457	33,475
Insurance	17,292	22,418	17,603	57,313	38,811	96,124
Advertising and printing	0	914	0	914	0	914
Professional fees	2,886	9,991	3,179	16,056	11,592	27,648
Royalties	0	0	420,222	420,222	0	420,222
Internet expenses	0	0	208,504	208,504	0	208,504
Vehicle maintenance	27,204	27,918	22,656	77,778	24,212	101,990
Total contractual services	3,830,788	301,455	774,816	4,907,059	400,487	5,307,546
Materials and supplies						
Equipment parts	5,770	4,562	13,658	23,990	7,035	31,025
Technical supplies	2,058	0	23,641	25,699	0	25,699
Uniforms	1,494	619	914	3,027	446	3,473
Chemicals and chlorine	0	121,418	0	121,418	11,491	132,909
Lab materials	0	2,178	0	2,178	5,012	7,190
Construction materials	(246)	0	12,370	12,124	0	12,124
Office supplies	9,031	0	2,595	11,626	0	11,626
Total materials and supplies	18,107	128,777	53,178	200,062	23,984	224,046
Miscellaneous						
Dues and subscriptions	681	1,050	854	2,585	637	3,222
Safety committee	1,033	0	0	1,033	0	1,033
Ark expenses	0	0	3,072	3,072	1,000	4,072
Miscellaneous	17,055	1,811	5,010	23,876	7,231	31,107
Total miscellaneous	18,769	2,861	8,936	30,566	8,868	39,434
TOTAL OPERATING EXPENSES	4,185,810	1,001,966	1,354,689	6,542,465	846,969	7,389,434
OPERATING PROFIT BEFORE DEPRECIATION	664,235	351,994	98,128	1,114,357	766,998	1,881,355
Depreciation	667,849	136,808	172,822	977,479	560,917	1,538,396
OPERATING PROFIT	\$ (3,614)	\$ 215,186	\$ (74,694)	136,878	206,081	342,959
NON-OPERATING REVENUE AND (EXPENSES)						
Interest Income				2,220	1,584	3,804
Grants and contributions				85,942	0	85,942
Amortization				(12,377)	0	(12,377)
Interest expense				(177,166)	(180,676)	(357,842)
Payment in lieu of taxes				(300,000)	(420,000)	(720,000)
Transfers out				(50,000)	0	(50,000)
TOTAL NON-OPERATING REVENUE AND (EXPENSES)				(451,381)	(599,092)	(1,050,473)
Change in net position				(314,503)	(393,011)	(707,514)
Net position - beginning				9,453,897	4,068,887	13,522,784
Net position - ending				\$ 9,139,394	\$ 3,675,876	\$ 12,815,270

The accompanying footnotes are an integral part of these financial statements

City of Williamstown, Kentucky
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

Cash flows from operating activities	
Change in net assets	\$ (707,514)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Amortization and depreciation	1,551,273
Decrease in current assets	758,076
Decrease in current liabilities	(166,827)
Net cash provided by operating activities	<u>1,435,008</u>
Cash flows from capital financing activities	
Acquisition of capital assets	(2,743,072)
Proceeds from long term obligations	3,167,790
Principal payments on long term obligations	(2,729,284)
Net cash used by capital financing activities	<u>(2,304,566)</u>
Net increase in cash	(869,558)
Cash - beginning	<u>2,667,700</u>
Cash - ending	<u><u>\$ 1,798,142</u></u>
Supplemental disclosures of cash flow information:	
Cash paid during the year for interest expense	<u><u>\$ 357,842</u></u>

The accompanying footnotes are an integral part of these financial statements

City of Williamstown, Kentucky
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance
Fund balance - beginning	\$ 219,800	\$ 219,800	\$ 228,639	\$ 8,839
Revenues				
Taxes	910,000	910,000	898,187	(11,813)
Licenses and permits	11,100	11,100	22,054	10,954
Intergovernmental revenues	104,900	104,900	125,443	20,543
Charges for services	284,000	284,000	283,824	(176)
Other revenue	72,300	72,300	122,691	50,391
Total revenues	<u>1,382,300</u>	<u>1,382,300</u>	<u>1,452,199</u>	<u>69,899</u>
Total resources	<u>1,602,100</u>	<u>1,602,100</u>	<u>1,680,838</u>	<u>78,738</u>
Expenditures				
General government	437,750	437,750	404,850	32,900
Police	766,000	797,000	783,022	13,978
Fire	179,100	182,800	181,710	1,090
Streets and cemetery	506,500	470,800	468,472	2,328
Parks and recreation	9,350	10,360	9,852	508
Garbage and sanitation	155,000	155,000	152,234	2,766
Capital outlay	187,400	187,400	172,926	14,474
Total expenditures	<u>2,241,100</u>	<u>2,241,110</u>	<u>2,173,066</u>	<u>68,044</u>
Deficiency of revenues over expenditures	<u>(639,000)</u>	<u>(639,010)</u>	<u>(492,228)</u>	
Other financing sources (uses)	<u>800,000</u>	<u>800,000</u>	<u>770,000</u>	
Budgetary fund balance - end of year	<u>\$ 161,000</u>	<u>\$ 160,990</u>	<u>\$ 277,772</u>	

The accompanying footnotes are an integral part of these financial statements

NOTE 1 – ACCOUNTING POLICIES

Kentucky Revised Statutes and Ordinances of the City Council of the City of Williamstown, Kentucky (the "City") designate the purpose, function and restrictions of the various funds. The financial statements included herein consist of the General, Utility and Sewer Enterprise Funds.

The Reporting Entity

The City operates under a City Council government comprised of the Mayor and six council members. The financial statements of the City include all of the funds for which the Mayor and City Council are financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards was determined on the basis of the City's ability to significantly influence operations, select the governing authority, participate in fiscal management, and the scope of public services. The City has no component units or entities for which the government is considered to be financially accountable.

Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements – The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements – During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to determine legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds, if any, are presented in a single column.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the City's proprietary funds are charges for services. Operating expenses for the proprietary funds include personnel and other expenses related to water and sewer operations. All revenues not meeting these

definitions are reported as nonoperating revenues and expenses.

Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are two categories of funds: governmental and proprietary.

Governmental Funds – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or may not be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets, deferred outflow, liabilities, and deferred inflows is reported as fund balance. The following are the City's major governmental funds:

General Fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Kentucky.

Proprietary Funds – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds – The enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Utility Fund – This fund accounts for the operations of providing utility services to customers and to maintain the local water systems.

Sewer Fund – This fund accounts for the operations of providing sewer services to customers and to maintain the sewer systems.

Measurement Focus

Government-wide Financial Statements – The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows, liabilities, and deferred inflows associated with the operation of the City are included on the statement of net position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

Fund Financial Statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows and current liabilities and deferred inflows are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (e.g. revenues and other financing sources) and uses (e.g. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which governmental activities of the government –wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the financial statements for governmental funds.

Like the government-wide financial statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets, deferred outflows, liabilities, and deferred inflows associated with the operation of these funds included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and deferred outflows, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Nonexchange Transactions - Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within thirty days of year end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, and grants. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, for which the City must provide local resources to be used for a specified purpose, and expenditure requirements, for which the resources are provided to the City on a reimbursement basis.

On the modified accrual basis, revenue from non-exchange transactions must also be available before it is recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: state-levied locally shared taxes.

Deferred Inflows of Resources and Deferred Outflows of Resources – A deferred inflow of resources is an acquisition of net position by the City that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the City that is applicable to a future operating period.

Taxes not received within the available period are recorded as deferred inflows in the governmental fund financial statements.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on the decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

General Equipment	5 – 15 Years
Water System	5 – 50 Years
Electric System	5 – 30 Years
Cable T.V. System	5 – 30 Years
Sewer System	5 – 30 Years

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and retirement incentives that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and capital lease obligations are recognized as a liability on the governmental fund financial statements when due.

Restricted Assets

Certain cash accounts have been classified as restricted assets to indicate that they have been earmarked for a specific use.

Interfund Balances

On the fund financial statements, unpaid amounts for interfund services are reported as “due from/to other funds”. These amounts are eliminated in the governmental and business-type activity columns of the statement of net position, except any net residual amounts due between governmental and business-type activities, which are presented as “internal balances”.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted – Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance) of City Council (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of City Council.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within restricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any unrestricted fund balance classifications could be used.

Use of Estimates

The preparation of financial statements in conformity GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates.

Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component of “net investment in capital assets”, consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. Net position restricted for other purposes consists primarily of programs to enhance the security of persons and property.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City administration

and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year.

NOTE 2 – ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

In the fiscal year, the City implemented GASB Statement No. 62, *"Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements"*, GASB Statement No. 63, *"Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position"*; and GASB Statement No. 65, *"Items Previously Reported as Assets and Liabilities"*. The implementation of GASB statements did not have an effect on the financial statements of the City.

NOTE 3 – DEPOSITS

It is the policy of the City to invest public funds in a manner that will provide the highest investment with the maximum security of principal while meeting the daily cash flow demands of the City and conforming to all state statutes and city regulations governing the investments of public funds.

The City is authorized to invest in:

- 1) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, provided that delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian.
- 2) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency.
- 3) Obligations of any corporation of the United States government.
- 4) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or similar entity or which are collateralized, to the extent uninsured, by any obligations permitted by the Kentucky Revised Statutes.

Custodial Credit Risk – Deposits. For deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. The City maintains deposits with financial institutions insured by the FDIC. As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2014, all of the City's deposits are insured by the FDIC.

For purposes of the cash flows statement, cash includes cash in checking accounts and short-term deposits with an initial maturity of ninety days or less. Restricted cash held in escrow for the purpose of debt service is not included in cash for this statement.

NOTE 3 – PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible property located in the City. Property taxes attached as an enforceable lien on property as of January 1, 2013. Taxes were levied on August 1, 2013, and were due and payable at that time. All unpaid taxes levied in August become delinquent January 1 of the following year.

NOTE 4 – INTERFUND TRANSACTIONS

Interfund transfers for the fiscal year ended June 30, 2014, consisted of the following:

Transfers From	Transfers To	Amount
Utility Fund	General Fund	\$52,000

NOTE 5 – PAYMENTS IN LIEU OF TAXES ("PILOT")

Payments on lieu of taxes for the fiscal year ended June 30, 2014, consisted of the following:

PILOT From	PILOT To	Amount
Utility Fund	General Fund	\$300,000
Sewer Fund	General Fund	\$420,000

NOTE 6 – RECEIVABLES

Receivables at June 30, 2014, consisted of taxes, intergovernmental, and accounts are stated at their contractual outstanding balances, net of any allowance for doubtful accounts. Accounts are considered past due if any portion of an account has not been paid in full within the contractual terms of the account. The City begins to assess its ability to collect receivables that are over 90 days past due and provides for an adequate allowance for doubtful accounts based on the City's collection history, the financial stability and recent payment history of the customer, and other pertinent factors.

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NOTE 7 – PROPERTY AND EQUIPMENT

Capital Asset activity for the fiscal year ended June 30, 2014 was as follows:

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Governmental Activities				
Land	\$ 537,390	\$ 0	\$ 0	\$ 537,390
Street improvements	752,548	0	0	752,548
Buildings and improvements	2,235,280	7,578	0	2,242,858
Furniture and fixtures	44,287	0	0	44,287
General equipment	1,248,268	112,668	0	1,360,936
Total cost	4,817,773	120,246	0	4,938,019
Less accumulated depreciation				
Street improvements	296,767	43,664	0	340,431
Buildings and improvements	636,962	62,381	0	699,343
Furniture and fixtures	39,984	694	0	40,678
General equipment	819,759	134,638	0	954,397
Total accumulated depreciation	1,793,472	241,377	0	2,034,849
Net governmental capital assets	\$ 3,024,301	\$ (121,131)	\$ 0	\$ 2,903,170
Business-Type Activities				
Construction in progress	\$ 16,308,094	\$ 1,041,998	\$ (16,308,094)	\$ 1,041,998
Water system	15,482,706	1,148,289	0	16,630,995
Electric system	4,148,411	539,908	0	4,688,319
Cable TV system	3,976,626	0	0	3,976,626
Sewer system	8,697,600	16,308,094	0	25,005,694
Total cost	48,613,437	19,038,289	(16,308,094)	51,343,632
Less accumulated depreciation				
Water system	9,435,467	667,849	0	10,103,316
Electric system	2,850,372	136,808	0	2,987,180
Cable TV system	1,544,514	172,822	0	1,717,336
Sewer system	6,541,517	560,917	0	7,102,434
Total accumulated depreciation	20,371,870	1,538,396	0	21,910,266
Net business-type capital assets	\$ 28,241,567	\$ 17,499,893	\$ (16,308,094)	\$ 29,433,366

Most depreciation expense was not allocated to governmental functions. It appears on the statement of activities as “unallocated”.

Prior to 1980, the City of Williamstown did not maintain a record of general fixed assets and proprietary fund fixed assets. The City conducted an inventory of its property, plant and equipment to determine costs or estimated costs by reviewing contracts, engineering reports, minutes of City Council meetings and actual disbursement records to the extent practical in the circumstances.

NOTE 8 – LONG-TERM OBLIGATIONS

A schedule of changes in long-term obligations of the City during the current year is as follows:

	Balance June 30, 2013	Additions	Disposals	Balance June 30, 2014	Amount Due Within One Year
Governmental Activities					
Capital lease obligation	\$ 55,646	\$ 0	\$ 24,568	\$ 31,078	\$ 31,078
Capital lease obligation	16,182	0	16,182	0	0
Capital lease obligation	0	63,957	22,573	41,384	20,090
Total governmental activities	<u>\$ 71,828</u>	<u>\$ 63,957</u>	<u>\$ 63,323</u>	<u>\$ 72,462</u>	<u>\$ 51,168</u>
Business-Type Activities					
Series 2004 Bonds	\$ 1,615,000	\$ 0	\$ 1,615,000	\$ 0	\$ 0
Series 2012 Bonds	0	1,660,000	160,000	1,500,000	135,000
KIA Loan A08-09	15,214,408	0	690,799	14,523,609	697,724
KIA Loan F11-02	1,489,176	297,124	70,393	1,715,907	70,393
KIA Loan F13-013	0	678,846	67,885	610,961	0
KLC Richmond Pool 2006	102,818	0	71,896	30,922	30,922
KLC Waterline Replacement	289,112	0	20,270	268,842	21,022
KLC Cable Upgrade	0	532,000	0	532,000	45,980
Bank of Kentucky	207,240	0	33,041	174,199	34,148
Total business-type activities	<u>\$ 18,917,754</u>	<u>\$ 3,167,970</u>	<u>\$ 2,729,284</u>	<u>\$ 19,356,440</u>	<u>\$ 1,035,189</u>

Capital Lease Obligations

Annual principal and interest payments of \$29,249. Fixed rate of 3.40%. Due October 15, 2014.

Annual principal and interest payments of \$17,234. Fixed rate of 3.40%. Due August 17, 2013.

Utility System Revenue Refunding Bonds, Series 2003

Annual principal and semi-annual interest payments. Variable rates from 1.875% to 4.190%. Due June 1, 2013.

Utility System Revenue Refunding Bonds, Series 2004

Annual principal and semi-annual interest payments. Variable rates from 2.0% to 5.0%. Due June 1, 2024.

KIA Loan A08-09

Semiannual principal and interest payments of \$420,610. Fixed rate of 1.0%. Due June 1, 2033.

KIA Loan F11-02

Semiannual principal and interest payments at completion of loan. Amortized over 20 years at 1.0% interest.

KLC Richmond Pool

Monthly principal and interest payments of \$6,348. Fixed rate of 3.80%. Due November 1, 2014.

KLC Waterline Replacement

Monthly principal and interest payments of \$2,218. Variable rates from 2.43% to 3.31%. Due February 1, 2025.

Bank of Kentucky

Monthly principal and interest payments of \$3,214. Fixed rate of 2.75%. Due April 20, 2019.

Future minimum principal and interest payments are as follows:

Governmental Activities					
	Capital lease obligation		Capital lease obligation		Total
	Principal	Interest	Principal	Interest	
2015	\$ 31,078	\$ 961	\$ 20,089	\$ 2,483	\$ 54,611
2016	0	0	21,295	1,278	22,573
2017	0	0	0	0	0
2018	0	0	0	0	0
2019	0	0	0	0	0
2020 - 2024	0	0	0	0	0
2025 - 2029	0	0	0	0	0
2030 - 2034	0	0	0	0	0
	<u>\$ 31,078</u>	<u>\$ 961</u>	<u>\$ 41,384</u>	<u>\$ 3,761</u>	<u>\$ 77,184</u>

Business-Type Activities				
	Series 2012 Bonds		KIA Loan A08-09	
	Principal	Interest	Principal	Interest
2015	\$ 135,000	\$ 28,000	\$ 697,724	\$ 143,496
2016	140,000	25,300	704,719	136,501
2017	145,000	22,500	711,784	129,437
2018	150,000	19,800	718,919	122,301
2019	150,000	16,600	726,126	115,094
2020 - 2024	680,000	35,700	3,741,295	464,807
2025 - 2029	100,000	800	3,932,625	273,477
2030 - 2034	0	0	3,290,417	74,465
	<u>\$ 1,500,000</u>	<u>\$ 148,700</u>	<u>\$ 14,523,609</u>	<u>\$ 1,459,578</u>

Business-Type Activities				
	KIA Loan F12-02		KLC Richmond Pool	
	Principal	Interest	Principal	Interest
2015	\$ 62,459	\$ 28,248	\$ 30,922	\$ 813
2016	63,715	26,993	0	0
2017	64,995	25,712	0	0
2018	66,301	24,406	0	0
2019	66,301	24,406	0	0
2020 - 2024	352,042	101,495	0	0
2025 - 2029	388,874	64,663	0	0
2030 - 2034	651,220	23,978	0	0
	<u>\$ 1,715,907</u>	<u>\$ 319,901</u>	<u>\$ 30,922</u>	<u>\$ 813</u>

Business-Type Activities				
	KLC Waterline Replacement		Bank of Kentucky	
	Principal	Interest	Principal	Interest
2015	\$ 21,022	\$ 4,667	\$ 34,148	\$ 4,420
2016	21,785	4,290	35,103	3,465
2017	22,608	3,876	36,103	2,465
2018	23,436	3,470	37,123	1,445
2019	24,305	3,041	31,722	6,846
2020 - 2024	135,665	8,197	0	32,140
2025 - 2029	20,021	136	0	0
2030 - 2034	0	0	0	0
	<u>\$ 268,842</u>	<u>\$ 27,677</u>	<u>\$ 174,199</u>	<u>\$ 50,781</u>

Business-Type Activities			
	KLC Cable Upgrade		Total
	Principal	Interest	
2015	\$ 45,980	\$ 16,034	\$ 1,236,899
2016	47,451	14,562	1,209,322
2017	48,970	13,043	1,213,450
2018	50,537	11,476	1,217,738
2019	52,155	9,858	1,216,596
2020 - 2024	286,907	23,162	5,838,248
2025 - 2029	0	0	4,780,596
2030 - 2034	0	0	4,040,080
	<u>\$ 532,000</u>	<u>\$ 88,135</u>	<u>\$ 20,752,929</u>

Interest expense for the year ended June 30, 2014 consisted of the following:

Governmental Activities	
Capital lease obligations	\$ 2,942

Business-Type Activities

Series 2012 Bonds	\$ 139,501
KIA Loan A08-09	150,421
KIA Loan F11-02	33,137
KLC Richmond Pool 2006	4,279
KLC Waterline Replacement	5,038
KLC Cable Upgrade	7,727
Bank of Kentucky	5,362
Bond amortization	12,377
	<u>\$ 301,153</u>

NOTE 9 – EMPLOYEES' RETIREMENT PLAN

Employees who work an average of 100 hours per month participate in the County Employees Retirement System of Kentucky ("CERS") which is a cost sharing multiple-employer public employee's retirement system created by and operating under Kentucky Law.

The County Employees Retirement System covers substantially all regular non-certified full-time employees of each county and school board, and any additional local agencies electing to participate.

The plan provides for retirement, disability and death benefits. CERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained in writing from the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601.

Participating employees contribute 5% of the creditable compensation (8% for hazardous duty participants). Employer contribution rates are intended to fund the normal cost on a current basis plus one percent (1%) of unfunded past service costs per annum plus interest at the actuarial assumed rate. Such contribution rates are determined by the Board of Trustees of Kentucky Retirement Systems each biennium. The City contributed 19.55% of the employees' compensation (37.60% for hazardous duty participants) during the fiscal year ended June 30, 2014.

The City of Williamstown's required contribution for pension obligations to CERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$468,080, \$451,339 and \$408,823, respectively; 100 percent has been contributed for fiscal years 2014, 2013, and 2012.

NOTE 10 – CONTINGENCIES

Grants

The City receives funding from federal and state agencies in the form of grants. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the City for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the City's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

Litigation

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City Management the resolution of these matters will not result in a

material uninsured liability to the City.

NOTE 11 – RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The City has obtained insurance coverage through a commercial insurance company. In addition, the City has effectively managed risk through various employee education and prevention programs. All risk general liability management activities are accounted for in the General Fund. Expenditures and claims are recognized when probable that a loss has occurred and the amount of loss can be reasonably estimated.

Management estimates that the amount of actual or potential claims against the City as of June 30, 2014 will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

NOTE 12 – SUBSEQUENT EVENTS

The City evaluated subsequent events through December 12, 2014, which is the date the financial statements were available to be issued. No subsequent events were identified that required adjustment or disclosure within the financial statements.



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

Honorable Mayor
Members of the City Council
City of Williamstown, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Williamstown, Kentucky (the "City"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated December 12, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City's internal control. Accordingly, we do not express an opinion on the effectiveness of City's internal control.³

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those