

CITY OF WILLIAMSTOWN, KENTUCKY

June 30, 2019

AUDITED FINANCIAL STATEMENTS

TABLE OF CONTENTS

Independent Auditor's Report

Basic Financial Statements

Government-Wide Financial Statements

Statement of Net Position	1
Statement of Activities	2

Fund Financial Statements

Balance Sheet – Governmental Fund	3
Reconciliation of the Balance Sheet – Governmental Fund to the Statement of Net Position	4
Statement of Revenues, Expenditures, and Changes in Fund Balance –Governmental Fund	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund to the Statement of Activities	6
Statement of Net Position – Proprietary Funds	7
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds	8
Statement of Cash Flows – Proprietary Funds	9

Notes to the Financial Statements	10 - 32
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Required Supplementary Information

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	33
Pension Plan Schedules	34 - 35
OPEB Schedules	36 - 37

Other Supplementary Information

Debt Repayment Schedules by Loan	38 - 39
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>	40 - 41



MADDOX & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

To the Honorable Mayor
and Members of 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 (City) as of and for the year ended June 30, 2019, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, pension schedules, and OPEB schedules listed in the table of contents, to supplement the basic financial statements. Although this information is not a part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Management has elected to omit 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Maddox & Associates CPAs Inc.

Fort Thomas, Kentucky

October 25, 2019

City of Williamstown, Kentucky
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 351,251	\$ 1,169,390	\$ 1,520,641
Receivables:			
Taxes	164,759		164,759
Accounts		1,305,789	1,305,789
Intergovernmental	4,763		4,763
Due from other funds	55,575	1,302,341	1,357,916
Restricted cash	31,188	71,379	102,567
Capital assets, net of depreciation	3,566,282	40,289,004	43,855,286
Total assets	<u>4,173,818</u>	<u>44,137,903</u>	<u>48,311,721</u>
Deferred outflows of resources:			
Related to pensions	656,315	841,230	1,497,545
Related to OPEB	249,509	268,488	517,997
Total deferred outflows of resources	<u>905,824</u>	<u>1,109,718</u>	<u>2,015,542</u>
Total assets and deferred outflows	<u>5,079,642</u>	<u>45,247,621</u>	<u>50,327,263</u>
Liabilities:			
Accounts payable	44,373	262,007	306,380
Payroll related liabilities	25,378	66,869	92,247
Compensated absences	33,263	60,619	93,882
Customer deposits		77,400	77,400
Other current liabilities	745	20,569	21,314
Due to other funds	101,798	1,256,118	1,357,916
Net pension liability	2,500,002	3,204,371	5,704,373
Net OPEB liability	803,432	864,544	1,667,976
Due within one year	65,967	1,796,291	1,862,258
Due in more than one year	793,815	23,360,053	24,153,868
Total liabilities	<u>4,368,773</u>	<u>30,968,841</u>	<u>35,337,614</u>
Deferred inflows of resources:			
Related to pensions	194,908	249,822	444,730
Related to OPEB	167,779	180,540	348,319
Total deferred inflows of resources	<u>362,687</u>	<u>430,362</u>	<u>793,049</u>
Total liabilities and deferred inflows	<u>4,731,460</u>	<u>31,399,203</u>	<u>36,130,663</u>
Net position:			
Net investment in capital assets	2,706,500	15,132,660	17,839,160
Restricted	31,188	71,379	102,567
Unrestricted	(2,389,506)	(1,355,621)	(3,745,127)
Total net position	<u>\$ 348,182</u>	<u>\$ 13,848,418</u>	<u>\$ 14,196,600</u>

See accompanying notes.

City of Williamstown, Kentucky
Statement of Activities
Year Ended June 30, 2019

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 929,031	\$	\$ 2,360	\$	\$ (926,671)	\$	\$ (926,671)
Police	776,491		42,968		(733,523)		(733,523)
Fire	367,510		5,006		(362,504)		(362,504)
Public works	544,235		77,765		(466,470)		(466,470)
Cemetery		52,031			52,031		52,031
Recreation	24,946				(24,946)		(24,946)
Sanitation	181,530	196,128			14,598		14,598
Pension change	313,937				(313,937)		(313,937)
OPEB change	177,761				(177,761)		(177,761)
Depreciation - unallocated	127,298				(127,298)		(127,298)
Total governmental activities	3,442,739	248,159	128,099	0	(3,066,481)	0	(3,066,481)
Business-type activities:							
Utility	7,700,435	7,917,842		91,565		308,972	308,972
Sewer	1,836,579	2,044,690		150,000		358,111	358,111
Pension change	335,651					(335,651)	(335,651)
OPEB change	99,236					(99,236)	(99,236)
Total business-type activities	9,971,901	9,962,532	0	241,565	0	232,196	232,196
Total primary government	<u>\$ 13,414,640</u>	<u>\$10,210,691</u>	<u>\$ 128,099</u>	<u>\$ 241,565</u>	<u>(3,066,481)</u>	<u>232,196</u>	<u>(2,834,285)</u>
General revenues:							
Property and other taxes					889,747		889,747
Insurance premium tax					370,196		370,196
Motor vehicle tax					114,483		114,483
Licenses and fees					521,992		521,992
TIF revenue					468,302		468,302
Other revenue					93,440		93,440
Transfers					250,000	(250,000)	0
Investment income					8,595	8,230	16,825
Total general revenues					2,716,755	(241,770)	2,474,985
Change in net position					(349,726)	(9,574)	(359,300)
Net position - beginning (restated)					697,908	13,857,992	14,555,900
Net position - ending					<u>\$ 348,182</u>	<u>\$ 13,848,418</u>	<u>\$ 14,196,600</u>

City of Williamstown, Kentucky
Balance Sheet
Governmental Funds
June 30, 2019

	General Fund	Total Governmental Funds
Assets:		
Cash and cash equivalents	346,851	\$ 346,851
Receivables:		
Taxes	164,759	164,759
Intergovernmental	4,763	4,763
Restricted cash	35,587	
Due from other funds	55,575	55,575
Total assets	<u>\$ 607,535</u>	<u>\$ 571,948</u>
Liabilities:		
Accounts payable	\$ 44,373	\$ 44,373
Payroll liabilities	25,378	25,378
Other liabilities	744	744
Due to other funds	101,798	101,798
Total liabilities	<u>172,293</u>	<u>172,293</u>
Deferred inflows of resources:		
Unavailable revenue	<u>11,871</u>	<u>11,871</u>
Fund balances:		
Nonspendable	55,575	55,575
Restricted	31,188	31,188
Unassigned	336,608	336,608
Total fund balances	<u>423,371</u>	<u>423,371</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 607,535</u>	<u>\$ 607,535</u>

See accompanying notes.

City of Williamstown, Kentucky
Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2019

Total governmental fund balances	\$ 423,371
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,566,282
Some assets are not currently available and are therefore deferred in the funds	11,871
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences	(33,263)
Long-term debt	(859,782)
Net deferred inflows and outflows associated with pension and OPEB	543,137
Net pension liability	(2,500,002)
Net OPEB liability	(803,432)
Net position of governmental activities	<u>\$ 348,182</u>

See accompanying notes.

City of Williamstown, Kentucky
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2019

	General Fund	Total Governmental Funds
Revenues		
Property taxes	\$ 889,358	\$ 889,358
Insurance premium taxes	370,196	370,196
Motor vehicle taxes	114,483	114,483
Licenses, permits, and fees	521,992	521,992
Investment income	8,595	8,595
Charges for services	248,159	248,159
Intergovernmental	124,954	124,954
Grants and contributions	3,145	3,145
TIF Revenue	468,302	468,302
Other revenue	93,440	93,440
Total revenues	<u>2,842,624</u>	<u>2,842,624</u>
Expenditures		
Current		
General government	872,659	872,659
Public safety - police	778,822	778,822
Public safety - fire	493,482	493,482
Public works	516,662	516,662
Sanitation	181,530	181,530
Recreation	60,971	60,971
Debt service	73,075	73,075
Capital outlay	214,372	214,372
Total expenditures	<u>3,191,573</u>	<u>3,191,573</u>
Deficiency of revenues over expenditures	<u>(348,949)</u>	<u>(348,949)</u>
Other financing sources:		
Proceeds of loans	94,900	94,900
Transfers in (payment in lieu of taxes)	250,000	250,000
Total other financing sources	<u>344,900</u>	<u>344,900</u>
Net change in fund balances	(4,049)	(4,049)
Fund balances - beginning (restated)	<u>427,420</u>	<u>427,420</u>
Fund balances - ending	<u>\$ 423,371</u>	<u>\$ 423,371</u>

See accompanying notes.

City of Williamstown, Kentucky
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Year Ended June 30, 2019

Net change in fund balances - total governmental funds	\$ (4,049)
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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	435,969
Depreciation expense	(236,168)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds	387
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Loan proceeds are reported as other financing sources in the funds but are recorded as revenue in the statement of activities	(94,900)
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Expenses reported in the statement of activities that do not require current financial resources are not reported as expenses in the funds	
Compensated absences	(4,385)
Principal payments	45,118

Governmental funds report pension and OPEB contributions as expenditures. However, in the statement of activities, the cost of pension and OPEB benefits earned is reported as an expense	(491,698)
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Change in net position of governmental activities	<u>\$ (349,726)</u>
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See accompanying notes.

City of Williamstown, Kentucky
Statement of Net Position
Proprietary Funds
June 30, 2019

	Utility Fund	Sewer Fund	Total
Assets:			
Cash and cash equivalents	\$ 905,999	\$ 263,391	\$ 1,169,390
Customer receivables	1,061,534	244,255	1,305,789
Due from other funds	711,477	590,864	1,302,341
Restricted cash	71,379		71,379
Capital assets, net of depreciation	25,426,847	14,862,157	40,289,004
Total assets	28,177,236	15,960,667	44,137,903
Deferred outflows of resources:			
Related to pensions	620,581	220,649	841,230
Related to OPEB	198,066	70,422	268,488
Total deferred outflows of resources	818,647	291,071	1,109,718
Total assets and deferred outflows of resources	\$28,995,883	\$16,251,738	\$45,247,621
Liabilities:			
Accounts payable	\$ 236,287	\$ 25,720	\$ 262,007
Accrued payroll liabilities	47,382	19,487	66,869
Compensated absences	44,903	15,716	60,619
Customer deposits	77,400		77,400
Due to other funds	876,269	379,849	1,256,118
Other liabilities	20,183	386	20,569
Net pension liability	2,363,884	840,487	3,204,371
Net OPEB liability	637,781	226,763	864,544
Long-term obligations			
Due within one year	1,048,268	748,023	1,796,291
Due in more than one year	13,109,611	10,250,442	23,360,053
Total liabilities	18,461,968	12,506,873	30,968,841
Deferred inflows of resources:			
Related to pensions	184,295	65,527	249,822
Related to OPEB	133,186	47,354	180,540
Total deferred outflows of resources	317,481	112,881	430,362
Total liabilities and deferred inflows of resources	18,779,449	12,619,754	31,399,203
Net position:			
Net investment in capital assets	11,268,968	3,863,692	15,132,660
Restricted	71,379		71,379
Unrestricted	(1,123,913)	(231,708)	(1,355,621)
Total net position	10,216,434	3,631,984	13,848,418
Total liabilities and net position	\$28,995,883	\$16,251,738	\$45,247,621

See accompanying notes.

City of Williamstown, Kentucky
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
Year Ended June 30, 2019

	Utility Fund				Sewer Fund	
	Electric System	Water System	Cable TV and Internet	Total	Total	Total
Operating revenues:						
Charges for services	\$ 3,739,606	\$ 2,292,496	\$ 1,700,999	\$ 7,733,101	\$ 2,044,690	\$ 9,777,791
Other revenue	184,741			184,741		184,741
Total operating revenues	3,924,347	2,292,496	1,700,999	7,917,842	2,044,690	9,962,532
Operating expenses:						
Employee costs						
Salaries and wages	259,665	392,844	268,350	920,859	333,450	1,254,309
Employee retirement	55,227	84,530	61,271	201,028	71,477	272,505
Medical insurance	41,939	111,166	64,016	217,121	87,868	304,989
Employers FICA	20,497	30,359	21,549	72,405	25,697	98,102
Workers compensation	3,536	10,585	7,922	22,043	7,595	29,638
Total employee costs	380,864	629,484	423,108	1,433,456	526,087	1,959,543
Purchases	2,707,328	150,800	864,796	3,722,924	24,643	3,747,567
Operating expenses						
Professional fees	5,339	12,733	3,852	21,924	7,476	29,400
Education and training	2,635	3,295	4,985	10,915	3,053	13,968
Repairs and maintenance	11,622	40,310	52,119	104,051	120,155	224,206
Utilities	62,284	214,367	46,982	323,633	210,422	534,055
Communications and postage	8,587	7,887	8,663	25,137	9,076	34,213
Lab tests		19,657		19,657	46,035	65,692
Other contractual services	52,015	15,390	26,818	94,223	67,260	161,483
Distribution		37,819		37,819		37,819
Annual support fees			1,000	1,000		1,000
Technical supplies				0	654	654
Equipment parts	7,789	6,788		14,577	4,404	18,981
Headend			52,800	52,800		52,800
CPE			22,355	22,355		22,355
Materials	32,694			32,694		32,694
Metering	1,263			1,263		1,263
Lighting	3,718			3,718		3,718
Uniforms and laundry	1,817	102	2,021	3,940	1,823	5,763
Vehicle	11,785	18,339	14,139	44,263	26,879	71,142
Office supplies	5,202		4,738	9,940		9,940
Lab materials		165		165	508	673
Dues and subscriptions	1,809	3,299	1,750	6,858	1,222	8,080
Insurance	18,897	42,774	17,281	78,952	43,064	122,016
Safety	5,405			5,405		5,405
Miscellaneous	3,206	3,760	11,252	18,218	5,575	23,793
Total	236,067	426,685	270,755	933,507	547,606	1,481,113
Total operating expenses	3,324,259	1,206,969	1,558,659	6,089,887	1,098,336	7,188,223
Operating profit before depreciator	600,088	1,085,527	142,340	1,827,955	946,354	2,774,309
Depreciation	187,754	838,711	202,413	1,228,878	595,954	1,824,832
Operating profit	\$ 412,334	\$ 246,816	\$ (60,073)	599,077	350,400	949,477
Non-operating revenues and (expenses):						
Interest income				6,296	1,934	8,230
Grants and contributions				91,565	150,000	241,565
Pension change				(198,902)	(136,749)	(335,651)
OPEB change				(73,207)	(26,029)	(99,236)
Interest expense				(381,670)	(142,289)	(523,959)
Transfers out				(250,000)		(250,000)
Total non-operating revenues and (expenses):				(805,918)	(153,133)	(959,051)
Change in net position				(206,841)	197,267	(9,574)
Net position - beginning (restated)				10,423,275	3,434,717	13,857,992
Net position - ending				\$ 10,216,434	\$ 3,631,984	\$ 13,848,418

City of Williamstown, Kentucky
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2019

Cash flows from operating activities

Change in net assets	\$ (9,574)
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Adjustments to reconcile change in net assets to
net cash provided (used) by operating activities:

Amortization and depreciation	1,824,832
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Decrease in current and other assets	168,829
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Decrease in current and other liabilities	(76,984)
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Increase in net pension liability	100,811
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Increase in net OPEB liability	864,544
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Prior period adjustments	(586,205)
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Net cash provided by operating activities	<u>2,286,253</u>
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Cash flows from capital financing activities

Acquisition of capital assets	(871,046)
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Proceeds from long term obligations	85,000
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Principal payments on long term obligations	<u>(1,898,433)</u>
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Net cash used by capital financing activities	<u>(2,684,479)</u>
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Net increase in cash	(398,226)
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Cash - beginning	<u>1,567,616</u>
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Cash - ending	<u><u>\$ 1,169,390</u></u>
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Supplemental disclosures of cash flow information:

Cash paid during the year for interest expense	<u><u>\$ 523,959</u></u>
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See accompanying notes

NOTE 1 – ACCOUNTING POLICIES

Kentucky Revised Statutes and Ordinances of the City Council of City of Williamstown, Kentucky (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 measureable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Budgetary Data

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1) In accordance with City code, prior to June 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- 2) Public hearings are conducted to obtain taxpayer comment.
- 3) Prior to June 30, the budget is legally enacted through passage of an ordinance.
- 4) The Mayor is required by Kentucky Revised Statutes to present a quarterly report to the City Council explaining any variance from the approved budget.
- 5) Appropriations continue in effect until a new budget is adopted.
- 6) The City Council may authorize supplemental appropriations during the year.

Expenditures may not legally exceed budgeted appropriations at the function level. Any revisions to the budget that would alter total revenues and expenditures of any fund must be approved by the City Council.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an initial maturity date of ninety days or less.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. The City's infrastructure consists of sidewalks, streets, and water and sewer lines. Infrastructure acquired prior to the implementation of GASB Statement No. 34 has been reported. Capital assets utilized by the proprietary funds are reported in both the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$1,000 with the exception of computers and real property for which there is no threshold. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value to the asset or materially extend an asset's life are not.

All reported capital assets are depreciated except for land. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and

proprietary fund capital assets:

<u>Description</u>	<u>Estimated Lives</u>
Building and Building Improvements	10 – 40 Years
Infrastructure	15 – 25 Years
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 – DEPOSITS

The city maintains the following governmental activity cash accounts:

	Unrestricted	Restricted
General fund	\$ 132,067	\$
LGEA	1,170	
Municipal road aid		4,399
Payroll	22,954	
Cemetery perpetual	114,905	
Cemetery	4,255	
Disbursing	6,116	
Shop with a cop	125	
Narcotics forfeiture	6,129	
Festival	6,621	
TIF	3,168	
Ark TIF	49,341	
TIF sinking		31,188
	<u>\$ 346,851</u>	<u>\$ 35,587</u>

The city maintains the following business-type activity cash accounts:

	Unrestricted	Restricted		Unrestricted
Utility operation	\$ 5,388		Sewer operation	\$ 7,598
Utility revenue	17,233		Sewer depreciation	61,258
Utility depreciation	33,787		Sewer bond	183,287
Cable operation	89,565		Payroll	11,248
Cable depreciation	62,937		Sewer revenue	-
Lake expansion	103,203			
Payroll	(3,492)			
Electric depreciation	57,513			
Debt service		71,379		
F13-03	125,276			
F11-02	80,217			
Metering system	295,991			
Water improvement	38,381			
Total utility fund	<u>\$ 905,999</u>	<u>\$ 71,379</u>	Total sewer fund	<u>\$ 263,391</u>

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. Deposits in excess of FDIC insurance are covered by securities pledged for the city by Forcht Bank.

	Book Balance	Bank Balance	FDIC Insurance	Security Pledge	Surplus
Forcht bank	\$ 1,520,639	\$ 1,706,016	\$ 250,000	\$ 1,528,600	\$ 72,584
BNY Mellon	\$ 102,566	\$ 102,566	\$ 250,000		\$ 147,434

Kentucky Revised Statutes (KRS) authorizes municipalities to invest in obligations of the United States of America and its agencies, obligations of the Commonwealth of Kentucky and its agencies, shares in savings and loan associations insured by federal agencies, deposits in national or state chartered banks insured by federal agencies and larger amounts in such institutions providing such banks pledge security obligations of the United States of America government or its agencies.

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, 2018. Taxes were levied on August 1, 2018 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, 2019, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>
Utility Fund	General Fund	\$ 250,000

NOTE 5 – RECEIVABLES

Receivables at June 30, 2019, 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.

Property tax	\$ 13,283
Motor vehicle tax	7,122
Safety assessment fee	56,950
Insurance premium tax	87,404
Total tax receivable	164,759
Intergovernmental	4,763
Total governmental receivables	<u>\$ 169,522</u>
Customer accounts	1,305,789
Total proprietary receivables	<u>\$ 1,305,789</u>

NOTE 6 – PROPERTY AND EQUIPMENT

Capital asset activity for the fiscal year was as follows:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Governmental Activities				
Land	\$ 537,390	\$ 0	\$ 0	\$ 537,390
Street improvements	1,260,432	196,026		1,456,458
Buildings and improvements	2,280,342			2,280,342
Infrastructure	903,599	36,025		939,624
Furniture and fixtures	44,287	0		44,287
General equipment	1,523,107	203,918		1,727,025
Total capital assets	6,549,157	435,969	0	6,985,126
Less accumulated depreciation	3,182,676	236,168	-	3,418,844
Net governmental capital assets	<u>\$ 3,366,481</u>	<u>\$ 199,801</u>	<u>\$ -</u>	<u>\$ 3,566,282</u>
Business-Type Activities				
Water system	\$ 35,024,600	\$ 520,964	\$ 0	\$ 35,545,564
Electric system	5,226,706	144,383	0	5,371,089
Cable TV system	4,535,244	29,278	0	4,564,522
Sewer system	24,710,541	176,421	0	24,886,962
Total capital assets	69,497,091	871,046	0	70,368,137
Less accumulated depreciation				
Water system	12,691,156	838,711	0	13,529,867
Electric system	3,610,897	187,754	0	3,798,651
Cable TV system	2,523,398	202,412	0	2,725,810
Sewer system	9,428,852	595,953	0	10,024,805
Total accumulated depreciation	28,254,303	1,824,830	0	30,079,133
Net business-type capital assets	<u>\$ 41,242,788</u>	<u>\$ (953,784)</u>	<u>\$ 0</u>	<u>\$ 40,289,004</u>

Depreciation was charged to the following activities:

Government	\$ 30,369	Water	\$ 838,711
Police	28,241	Electric	187,754
Fire	22,720	Cable	202,412
Public works	27,540	Sewer	595,953
Unallocated	127,298		
	<u>\$ 236,168</u>		<u>\$ 1,824,830</u>

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. Therefore most depreciation is recorded as unallocated.

NOTE 7 – LONG-TERM OBLIGATIONS

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

	Balance June 30, 2018	Proceeds	Retirements	Balance June 30, 2019	Amount Due Within One Year
Governmental Activities					
TIF Bond	\$ 810,000	\$	\$ 35,000	\$ 775,000	\$ 35,000
Fire Truck Lease		94,900	10,118	84,782	30,967
Total governmental activities	<u>\$ 810,000</u>	<u>\$ 94,900</u>	<u>\$ 45,118</u>	<u>\$ 859,782</u>	<u>\$ 65,967</u>
Business-Type Activities					
Sewer Fund					
KIA Loan A08-09	\$ 11,690,462	\$	\$ 726,126	\$ 10,964,336	\$ 733,405
Pumping Station		60,000	25,870	34,130	14,618
Total sewer fund	<u>11,690,462</u>	<u>60,000</u>	<u>751,996</u>	<u>10,998,466</u>	<u>748,023</u>
Utility Fund					
Series 2012 Bonds	\$ 830,000	\$	\$ 150,000	\$ 680,000	\$ 150,000
KIA Loan F11-02	1,406,515		81,275	1,325,240	82,907
KIA Loan F13-013	5,824,165	25,000	246,596	5,602,569	246,596
KLC Waterline Replacement	181,966		24,229	157,737	24,305
Capital One Cable Upgrade	339,061		52,155	286,906	52,155
Bank of Kentucky	31,704		31,704	0	31,704
Forcht Bank	280,903		123,477	157,426	123,601
BBT Series 2017	1,385,000		270,000	1,115,000	270,000
Rural Development	4,900,000		67,000	4,833,000	67,000
Total utility fund	<u>15,179,314</u>	<u>25,000</u>	<u>1,046,436</u>	<u>14,157,878</u>	<u>1,048,268</u>
Total business-type activities	<u>\$ 26,869,776</u>	<u>\$ 85,000</u>	<u>\$ 1,798,432</u>	<u>\$ 25,156,344</u>	<u>\$ 1,796,291</u>

Future minimum principal and interest payments are as follows:

	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 65,967	\$ 28,497	\$ 1,776,001	\$ 481,065	\$ 1,841,968	\$ 509,562
2021	66,989	26,688	1,717,048	418,815	1,784,037	445,503
2022	56,826	25,200	1,700,588	389,645	1,757,414	414,845
2023	40,000	23,793	1,726,760	357,795	1,766,760	381,588
2024	40,000	22,694	1,331,181	330,019	1,371,181	352,713
2025 - 2029	225,000	92,937	6,284,135	1,342,385	6,509,135	1,435,322
2030 - 2034	270,000	51,375	5,763,827	838,302	6,033,827	889,677
2035 - 2039	95,000	5,287	1,936,304	496,376	2,031,304	501,663
2040 - 2044	0	0	702,000	350,953	702,000	350,953
2045 - 2049	0	0	824,000	261,670	824,000	261,670
2050 - 2054	0	0	966,500	135,203	966,500	135,203
2055 - 2059	0	0	428,000	17,052	428,000	17,052
	<u>\$ 859,782</u>	<u>\$ 276,471</u>	<u>\$ 25,156,344</u>	<u>\$ 5,419,280</u>	<u>\$ 26,016,126</u>	<u>\$ 5,695,751</u>

NOTE 8 – RETIREMENT PLANS

The City is a participating employer of the County Employees' Retirement System (CERS) or (Plan). Under provision of Kentucky Revised Statute 61.645, the Board of Trustees of the Kentucky Retirement System administers the CERS. The Kentucky Retirement System issues a publicly available financial reports that may be downloaded from their website.

Plan description – CERS is a cost-sharing multi-employer public employee retirement system which covers substantially all regular full-time employees of each county, city, and school board and any additional eligible local agencies electing to participate in the Plan. The Plan is divided into a Pension Plan and Health Insurance Fund Plan (Other Post-Employment Benefits; OPEB) and each plan is further divided based on Nonhazardous duty and Hazardous duty covered employee classifications.

Contributions –

Employees - For the year ended June 30, 2019 nonhazardous covered employees are required to contribute 5% of wages and hazardous covered employees are required to contribute 8% of wages to the plan. Employees who begin participation on or after September 1, 2008 are required to contribute an additional 1%.

Employers - For the year ended June 30, 2019 participating employers contributed 21.48% of wages for nonhazardous covered employees, of which 16.22% was for the Pension Plan and 5.26% was for the Health Insurance Fund Plan. Employers contributed 35.34% of wages for hazardous covered employees of which 24.86% was for the Pension Plan and 10.47% was for the Health Insurance Fund Plan. The City made all required contributions for fiscal year in the amount of \$495,059 of which \$366,314 was for the Pension Plan and \$128,745 was for the Health Insurance Fund Plan.

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

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

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

Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 2, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce cost-of-living adjustments if, in its judgment, the welfare of the Commonwealth so demands.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the City reported a liability for its proportionate share of the net pension liability as follows:

Non hazardous	Hazardous	Total Net Pension Liability
\$ 4,168,266	\$ 1,536,107	\$ 5,704,373

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2018 was:

Non hazardous	Hazardous	Proportionate Share
0.068%	0.064%	0.067%

For the year ended June 30, 2019, the City recognized pension expense of \$86,832. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Nonhazardous		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 135,957	\$ 61,015	
Change of assumptions	407,361		
Change in investment experience	193,827	243,807	
Change in proportionate share of contributions	23,974	43,300	
	761,119	\$ 348,122	\$ 412,997
Subsequent contributions	263,586		
Total	\$ 1,024,705		

	Hazardous		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 122,248		
Change of assumptions	163,513		
Change in investment experience	56,936	74,263	
Change in proportionate share of contributions	27,415	22,345	
	370,112	\$ 96,608	\$ 273,504
Subsequent contributions	102,728		
Total	\$ 472,840		

	Total		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 258,205	\$ 61,015	
Change of assumptions	570,874	-	
Change in investment experience	250,763	318,070	
Change in proportionate share of contributions	51,389	65,645	
	1,131,231	\$ 444,730	\$ 686,501
Subsequent contributions	366,314		
Total	\$ 1,497,545		

The contributions subsequent to the measurement date of \$366,314 will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. The net deferral of \$686,501 will be recognized as pension expense as follows:

Year ending June 30	Net Deferral
2020	\$ 519,125
2021	255,462
2022	(58,778)
2023	(29,308)
	\$ 686,501

Actuarial assumptions—The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the

measurement:

Valuation date	June 30, 2016
Experience study	July 1, 2008 – June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percent of pay
Remaining amortization period	27 years, closed
Payroll growth rate	4.00%
Asset valuation method	20% of the difference between the market value of assets and the expected value of assets recognized
Inflation	3.25%
Salary increase	4.00% average
Investment rate of return	7.50% for CERS

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.

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

Asset Class	Target Allocation	Long-term Expected Nominal Return
US Equity	17.50%	4.73%
Non US Equity	17.50%	6.71%
Global Bonds	10.00%	3.00%
Credit Fixed	17.00%	4.59%
Private Equity	10.00%	6.50%
Real Estate	5.00%	7.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	5.00%
Cash	3.00%	1.50%
	<u>100.00%</u>	<u>5.13%</u>

Discount rate—The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The

long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of proportionate share of net pension liability to changes in the discount rate—The following table presents the net pension liability of the City, calculated using the discount rate of 6.25%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate :

	1% Decrease 5.25%	Current Rate 6.25%	1% Increase 7.25%
Non hazardous	\$ 5,247,415	\$ 4,168,266	\$ 3,264,128
Hazardous	\$ 1,924,642	\$ 1,536,107	\$ 1,214,911
	<u>\$ 7,172,057</u>	<u>\$ 5,704,373</u>	<u>\$ 4,479,039</u>

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

Contributions – As more fully described in Note 8, plan members contribute to CERS for non-hazardous and hazardous job classifications. For the year ending June 30, 2019, the employer's contribution was 5.26% to the insurance trust for non-hazardous job classifications and 10.47% for hazardous classifications. Employees hired after September 1, 2008 were required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

Benefits – CERS provides health insurance benefits to Plan employees and beneficiaries. For retirement purposes, employees are grouped into three tiers based on hire date:

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

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2019, the City reported a liability for its proportionate share of the net OPEB liability as follows:

Non hazardous	Hazardous	Total Net OPEB Liability
\$ 1,215,104	\$ 452,872	\$ 1,667,976

The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2018 was as follows:

Non hazardous	Hazardous	Proportionate Share
0.068%	0.064%	0.067%

For the year ended June 30, 2019, the City recognized OPEB expense of \$276,997. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Nonhazardous		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ -	\$ 141,604	
Change of assumptions	242,314	\$ 2,807	
Change in investment experience		83,697	
Change in proportionate share of contributions		25,236	
	242,314	\$ 253,344	\$ (11,030)
Subsequent contributions	85,480		
Total	\$ 327,794		

	Hazardous		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ -	\$ 50,610	
Change of assumptions	138,974	\$ 1,239	
Change in investment experience		43,054	
Change in proportionate share of contributions	7,604	72	
	146,578	\$ 94,975	\$ 51,603
Subsequent contributions	43,625		
Total	\$ 190,203		

	Total		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ -	\$ 192,214	
Change of assumptions	381,288	4,046	
Change in investment experience	-	126,751	
Change in proportionate share of contributions	7,604	25,308	
	388,892	\$ 348,319	\$ 40,573
Subsequent contributions	129,105		
Total	\$ 517,997		

The amount of deferred inflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ending June 30	Net Deferral
2020	\$ 28,746
2021	28,746
2022	3,751
2023	4,395
2024	(15,427)
Thereafter	(9,638)
	<u>\$ 40,573</u>

Actuarial Assumptions – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percent of pay
Remaining amortization period	27 years, closed
Payroll growth rate	4.00%
Asset valuation method	20% of the difference between the market value of assets and the expected value of assets recognized
Inflation	3.25%
Salary increase	4.00% average
Investment rate of return	7.50%
Mortality	RP-2000 Combined Mortality Table, Projected to 2013 with Scale BB (set back 1 year for females)
Healthcare trend decreasing to (Pre-65)	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years
Healthcare trend (Post-65)	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. Several factors are considered in evaluating the long-term rate of return assumptions including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the

target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

Asset Class	Target Allocation	Long-Term Expected
U.S. Equity	26.5%	9.56%
Non-U.S.	26.5%	2.84%
Fixed Income	12.0%	6.53%
Real Return	8.0%	3.68%
Real Estate	5.0%	8.99%
Absolute	10.0%	3.89%
Private Equity	10.0%	9.74%
Cash	2.0%	2.69%
Total	100%	

Discount Rate – The discount rate used to measure the total OPEB liability was 4.85. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.56%, as reported in Fidelity Index's "20 -Year Municipal GO AA Index" as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the City's Proportionate Share of the Net OPEB Discount Rate – The following presents the City's proportionate share of the net OPEB liability calculated using discount rates that are 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease 4.85%	Current Rate 5.85%	1% Increase 6.85%
Non hazardous	\$ 1,578,224	\$ 1,215,104	\$ 905,790
Hazardous	69,514	452,872	311,465
Total	<u>\$ 1,647,738</u>	<u>\$ 1,667,976</u>	<u>\$ 1,217,255</u>

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

	1% Decrease	Current Trend Rate	1% Increase
Non hazardous	\$ 904,656	\$ 1,215,104	\$ 1,581,030
Hazardous	308,428	452,872	631,772
Total	<u>\$ 1,213,084</u>	<u>\$ 1,667,976</u>	<u>\$ 2,212,802</u>

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

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, 2019 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 October 25, 2019, 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.

City of Williamstown
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance
Fund balance - beginning	\$ 209,400	\$ 209,400	\$ 427,420	\$ 218,020
Revenues				
Taxes	1,165,000	1,190,000	1,374,037	184,037
Licenses and permits	495,600	495,600	521,992	26,392
Intergovernmental revenues	113,900	113,900	124,954	11,054
Charges for services	209,500	209,500	248,159	38,659
Other revenue	22,000	22,000	573,482	551,482
Total revenues	2,006,000	2,031,000	2,842,624	811,624
Total resources	2,215,400	2,240,400	3,270,044	1,029,644
Expenditures				
General government	499,950	499,950	872,659	(372,709)
Police	772,500	772,500	778,822	(6,322)
Fire	421,700	446,700	493,482	(46,782)
Streets and cemetery	701,700	701,700	516,662	185,038
Parks and recreation	18,000	18,000	60,971	(42,971)
Garbage and sanitation	181,200	181,200	181,530	(330)
Debt service			73,075	(73,075)
Capital outlay	55,000	55,000	214,372	(159,372)
Total expenditures	2,650,050	2,675,050	3,191,573	(516,523)
Deficiency of revenues over expenditures	(434,650)	(434,650)	78,471	
Other financing sources (uses)	452,000	452,000	344,900	
Budgetary fund balance - end of year	\$ 17,350	\$ 17,350	\$ 423,371	

City of Williamstown, Kentucky
Multiple Employer, Cost Sharing, Defined Benefit Pension Plan Disclosure
Non-Hazardous
Year Ended June 30, 2019

Schedule of City's Proportionate Share of the Net Pension Liability
County Employees Retirement System

	2019	2018	2017	2016	2015
Proportion of the net pension liability	0.068%	0.070%	0.069%	0.067%	0.074%
Proportionate share of the net pension liability	\$ 4,168,266	\$ 4,080,399	\$ 3,402,527	\$ 2,864,451	\$ 2,703,458
Covered employee payroll	\$ 1,625,068	\$ 1,234,473	\$ 1,070,155	\$ 1,147,116	\$ 1,807,589
Share of the net pension liability as a percentage of its covered payroll	256.50%	330.54%	317.95%	249.71%	149.56%
Plan fiduciary net position as a percentage of the total pension liability	53.54%	55.50%	53.32%	59.97%	66.80%

Schedule of City Contributions
County Employees Retirement System

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 263,586	\$ 236,772	\$ 199,905	\$ 195,698	\$ 319,401
Actual contribution	263,586	236,772	199,905	195,698	319,401
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,625,068	\$ 1,234,473	\$ 1,070,155	\$ 1,147,116	\$ 1,807,589
Contributions as a percentage of employee payroll	16.22%	19.18%	18.68%	17.06%	17.67%

City of Williamstown, Kentucky
Multiple Employer, Cost Sharing, Defined Benefit Pension Plan Disclosure
Hazardous
Year Ended June 30, 2019

Schedule of City's Proportionate Share of the Net Pension Liability
County Employees Retirement System

	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.064%	0.061%	0.061%	0.023%	0.007%
City's proportionate share of the net pension liability	\$ 1,536,107	\$ 1,373,555	\$ 1,045,084	\$ 1,052,717	\$ 1,004,496
City's covered employee payroll	\$ 413,226	\$ 238,247	\$ 204,507	\$ 220,686	\$ 394,436
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	371.74%	576.53%	511.03%	477.02%	254.67%
Plan fiduciary net position as a percentage of the total pension liability	49.26%	53.95%	53.32%	59.97%	66.80%

Schedule of City Contributions
County Employees Retirement System

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 102,728	\$ 75,167	\$ 63,520	\$ 72,716	\$ 135,331
Actual contribution	102,728	75,167	63,520	72,716	135,331
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered employee payroll	\$ 413,226	\$ 238,247	\$ 204,507	\$ 220,686	\$ 394,436
Contributions as a percentage of covered-employee payroll	24.86%	31.55%	31.06%	32.95%	34.31%

City of Williamstown, Kentucky
 Multiple Employer, Cost Sharing, Defined Benefit OPEB Plan Disclosure
 Non-Hazardous
 Year Ended June 30, 2019

Schedule of City's Proportionate Share of the Net OPEB Liability
 County Employees Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.068%				
Proportionate share of the net pension liability	\$ 1,215,103				
Covered employee payroll	\$ 1,625,095				
Share of the net pension liability as a percentage of its covered payroll	74.77%				
Plan fiduciary net position as a percentage of the total pension liability	57.62%				

Schedule of City Contributions
 County Employees Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 85,480				
Actual contribution	85,480				
Contribution deficiency (excess)	<u>\$ -</u>	<u></u>	<u></u>	<u></u>	<u></u>
Covered payroll	\$ 1,625,095				
Contributions as a percentage of employee payroll	5.26%	19.18%	18.68%	17.06%	17.67%

City of Williamstown, Kentucky
 Multiple Employer, Cost Sharing, Defined Benefit OPEB Plan Disclosure
 Hazardous
 Year Ended June 30, 2019

Schedule of City's Proportionate Share of the Net OPEB Liability
 County Employees Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.064%				
Proportionate share of the net pension liability	\$ 452,872				
Covered employee payroll	\$ 413,228				
Share of the net pension liability as a percentage of its covered payroll	109.59%				
Plan fiduciary net position as a percentage of the total pension liability	64.24%				

Schedule of City Contributions
 County Employees Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 43,265				
Actual contribution	43,265				
Contribution deficiency (excess)	<u>\$ -</u>	<u></u>	<u></u>	<u></u>	<u></u>
Covered payroll	\$ 413,228				
Contributions as a percentage of employee payroll	10.47%	19.18%	18.68%	17.06%	17.67%

Debt Repayment Schedules by Loan

Governmental Activities						
	TIF Bond		Forcht Bank Fire Truck		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 35,000	\$ 26,200	\$ 30,967	\$ 2,297	\$ 65,967	\$ 28,497
2021	35,000	25,413	31,989	1,275	66,989	26,688
2022	35,000	24,625	21,826	575	56,826	25,200
2023	40,000	23,793			40,000	23,793
2024	40,000	22,694			40,000	22,694
2025 - 2029	225,000	92,937			225,000	92,937
2030 - 2034	270,000	51,375			270,000	51,375
2035 - 2039	95,000	5,287			95,000	5,287
	<u>\$ 775,000</u>	<u>\$ 272,324</u>	<u>\$ 84,782</u>	<u>\$ 4,147</u>	<u>\$ 859,782</u>	<u>\$ 276,471</u>

Business-Type Activities						
	KIA Loan A08-09		Sewer Fund Pumping Station		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 733,405	\$ 129,377	\$ 14,618	\$ 3,438	\$ 748,023	\$ 132,815
2021	740,758	120,554	16,548	1,508	757,306	122,062
2022	748,184	111,643	2,964	46	751,148	111,689
2023	755,685	102,642			755,685	102,642
2024	763,261	93,551			763,261	93,551
2025 - 2029	3,932,625	328,172			3,932,625	328,172
2030 - 2034	3,290,418	89,358			3,290,418	89,358
	<u>\$ 10,964,336</u>	<u>\$ 975,297</u>	<u>\$ 34,130</u>	<u>\$ 4,992</u>	<u>\$ 10,998,466</u>	<u>\$ 980,289</u>

Utility Fund						
	Series 2012 Bonds		KIA Loan F11-02		KIA Loan F13-013	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 150,000	\$ 15,750	\$ 82,907	\$ 29,354	\$ 250,929	\$ 110,803
2021	160,000	12,375	84,574	27,479	255,341	105,761
2022	165,000	8,775	86,274	25,566	259,828	100,632
2023	165,000	5,063	88,007	23,615	264,396	95,413
2024	40,000	1,350	89,777	21,625	269,043	90,102
2025 - 2029			476,687	76,849	1,417,833	367,519
2030 - 2034			417,014	21,356	1,546,895	220,020
2035 - 2039					1,338,304	60,836
	<u>\$ 680,000</u>	<u>\$ 43,313</u>	<u>\$ 1,325,240</u>	<u>\$ 225,844</u>	<u>\$ 5,602,569</u>	<u>\$ 1,151,086</u>

	KLC Waterline Replacement		KLC Cable Upgrade		Forcht Bank	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 25,117	\$ 5,967	\$ 53,824	\$ 8,189	\$ 125,701	\$ 1,689
2021	26,056	5,048	55,546	6,467	31,725	89
2022	27,014	4,094	57,324	6,467		
2023	28,013	3,105	59,159	2,854		
2024	29,047	2,079	61,053	962		
2025 - 2029	22,490	864				
	<u>\$ 157,737</u>	<u>\$ 21,157</u>	<u>\$ 286,906</u>	<u>\$ 24,939</u>	<u>\$ 157,426</u>	<u>\$ 1,778</u>

	BBT Series 2017		Rural Development		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 270,000	\$ 18,424	\$ 69,500	\$ 158,074	\$ 1,027,978	\$ 348,250
2021	275,000	13,301	71,500	126,233	959,742	296,753
2022	280,000	8,084	74,000	124,338	949,440	277,956
2023	290,000	2,726	76,500	122,377	971,075	255,153
2024			79,000	120,350	567,920	236,468
2025 - 2029			434,500	568,981	2,351,510	1,014,213
2030 - 2034			509,500	507,568	2,473,409	748,944
2035 - 2039			598,000	435,540	1,936,304	496,376
2040 - 2044			702,000	350,953	702,000	350,953
2045 - 2049			824,000	261,670	824,000	261,670
2050 - 2054			966,500	135,203	966,500	135,203
2055 - 2059			428,000	17,052	428,000	17,052
	<u>\$ 1,115,000</u>	<u>\$ 42,535</u>	<u>\$ 4,833,000</u>	<u>\$ 2,928,339</u>	<u>\$ 14,157,878</u>	<u>\$ 4,438,991</u>

	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 65,967	\$ 28,497	\$ 1,776,001	\$ 481,065	\$ 1,841,968	\$ 509,562
2021	66,989	26,688	1,717,048	418,815	1,784,037	445,503
2022	56,826	25,200	1,700,588	389,645	1,757,414	414,845
2023	40,000	23,793	1,726,760	357,795	1,766,760	381,588
2024	40,000	22,694	1,331,181	330,019	1,371,181	352,713
2025 - 2029	225,000	92,937	6,284,135	1,342,385	6,509,135	1,435,322
2030 - 2034	270,000	51,375	5,763,827	838,302	6,033,827	889,677
2035 - 2039	95,000	5,287	1,936,304	496,376	2,031,304	501,663
2040 - 2044	0	0	702,000	350,953	702,000	350,953
2045 - 2049	0	0	824,000	261,670	824,000	261,670
2050 - 2054	0	0	966,500	135,203	966,500	135,203
2055 - 2059	0	0	428,000	17,052	428,000	17,052
	<u>\$ 859,782</u>	<u>\$ 276,471</u>	<u>\$ 25,156,344</u>	<u>\$ 5,419,280</u>	<u>\$ 26,016,126</u>	<u>\$ 5,695,751</u>



MADDOX & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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 (City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated October 25, 2019.

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.

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

provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Maddox & Associates CPAs Inc.

October 25, 2019

Fort Thomas, Kentucky