

CITY OF WILLIAMSTOWN, KENTUCKY

June 30, 2018

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

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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, 2018, 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, 2018, 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 and budgetary comparison, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 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

January 12, 2019

City of Williamstown, Kentucky
Statement of Net Position
June 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 422,761	\$ 1,567,616	\$ 1,990,377
Receivables:			
Taxes	85,534		85,534
Accounts		1,431,536	1,431,536
Intergovernmental	69,296		69,296
Due from other funds	55,574	1,267,342	1,322,916
Restricted cash	39,711	112,708	152,419
Capital assets, net of depreciation	3,366,481	41,242,790	44,609,271
Total assets	4,039,357	45,621,992	49,661,349
Deferred outflows of resources:			
Related to pensions	868,248	1,146,470	2,014,718
Total assets and deferred outflows of resources	4,907,605	46,768,462	51,676,067
Liabilities:			
Accounts payable	57,195	307,207	364,402
Payroll related liabilities	9,063	61,584	70,647
Compensated absences	28,878	71,736	100,614
Customer deposits		241,843	241,843
Other current liabilities	2,863	23,837	26,700
Due to other funds	141,985	1,224,495	1,366,480
Net pension liability	2,350,394	3,103,560	5,453,954
Due within one year	35,000	1,897,685	1,932,685
Due in more than one year	536,880	25,072,092	25,608,972
Total liabilities	3,162,258	32,004,039	35,166,297
Deferred inflows of resources:			
Related to pensions	242,512	320,222	562,734
Total liabilities and deferred inflows of resources	3,404,770	32,324,261	35,729,031
Net position:			
Net investment in capital assets	2,794,601	14,273,013	17,067,614
Restricted	39,711	112,708	152,419
Unrestricted	(1,331,477)	58,480	(1,272,997)
Total net position	\$ 1,502,835	\$ 14,444,201	\$ 15,947,036

The accompanying notes are an integral part of these financial statements

City of Williamstown, Kentucky
Statement of Activities
Year Ended June 30, 2018

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	\$ 798,861	\$ 0	\$ 47,746	\$ 0	\$ (751,115)	\$ 0	\$ (751,115)
Police	754,963		35,955		(719,008)		(719,008)
Fire	309,375		3,946		(305,429)		(305,429)
Public works	501,729		76,873		(424,856)		(424,856)
Cemetery		42,845			42,845		42,845
Recreation	12,335	0			(12,335)		(12,335)
Sanitation	175,550	176,934			1,384		1,384
Pension change	326,894				(326,894)		(326,894)
Depreciation - unallocated	122,420				(122,420)		(122,420)
Total governmental activities	3,002,127	219,779	164,520	0	(2,617,828)	0	(2,617,828)
Business-type activities:							
Utility	7,849,798	7,939,764		2,970,565		3,060,531	3,060,531
Sewer	1,692,861	2,006,997				314,136	314,136
Pension change	182,091					(182,091)	(182,091)
Total business-type activities	9,724,750	9,946,761	0	2,970,565	0	3,192,576	3,192,576
Total primary government	\$ 12,726,877	\$ 10,166,540	\$ 164,520	\$ 2,970,565	(2,617,828)	3,192,576	574,748
General revenues:							
Property and other taxes					807,364		807,364
Insurance premium tax					340,809		340,809
Motor vehicle tax					100,888		100,888
Licenses and fees					517,406		517,406
TIF revenue					358,382		358,382
Other revenue					56,929		56,929
Transfers					230,000	(230,000)	0
Investment income					5,194	3,060	8,254
Total general revenues					2,416,972	(226,940)	2,190,032
Change in net position					(200,856)	2,965,636	2,764,780
Net position - beginning					1,703,691	11,478,565	13,182,256
Net position - ending					\$ 1,502,835	\$ 14,444,201	\$ 15,947,036

The accompanying notes are an integral part of these financial statements

City of Williamstown, Kentucky
 Balance Sheet
 Governmental Funds
 June 30, 2018

	General Fund	Total Governmental Funds
	<u> </u>	<u> </u>
Assets:		
Cash and cash equivalents	462,472	\$ 462,472
Receivables:		
Taxes	85,533	85,533
Intergovernmental	69,295	69,295
Due from other funds	<u>55,575</u>	<u>55,575</u>
Total assets	<u>\$ 672,875</u>	<u>\$ 672,875</u>
Liabilities:		
Accounts payable	\$ 57,195	\$ 57,195
Payroll liabilities	9,063	9,063
Other liabilities	2,863	2,863
Due to other funds	<u>141,985</u>	<u>141,985</u>
Total liabilities	<u>211,106</u>	<u>211,106</u>
Deferred inflows of resources:		
Unavailable revenue	<u>11,484</u>	<u>11,484</u>
Fund balances:		
Nonspendable	55,575	55,575
Restricted	39,711	39,711
Unassigned	<u>354,999</u>	<u>354,999</u>
Total fund balances	<u>450,285</u>	<u>450,285</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 672,875</u>	<u>\$ 672,875</u>

The accompanying notes 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, 2018

Total governmental fund balances	\$ 450,285
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.	3,366,481
Some assets are not currently available and are therefore not reported in the funds	11,485
Deferred outflows and inflows related to pensions are applicable to future periods and therefore are not reported in the funds	
Deferred outflows related to pensions	868,248
Deferred inflows related to pensions	(242,512)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences	(28,878)
Long-term debt	(571,880)
Net pension liability	<u>(2,350,394)</u>
Net position of governmental activities	<u>\$ 1,502,835</u>

The accompanying notes are an integral part of these financial statements

City of Williamstown, Kentucky
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2018

	General Fund	Total Governmental Funds
Revenues		
Property taxes	\$ 814,193	\$ 814,193
Insurance premium taxes	340,809	340,809
Motor vehicle taxes	100,888	100,888
Licenses, permits, and fees	517,406	517,406
Investment income	5,195	5,195
Charges for services	219,779	219,779
Intergovernmental	116,774	116,774
Grants and contributions	47,746	47,746
TIF Revenue	358,382	358,382
Other revenue	26,927	26,927
Total revenues	2,548,099	2,548,099
Expenditures		
Current		
General government	812,028	812,028
Public safety - police	722,637	722,637
Public safety - fire	301,509	301,509
Public works	472,456	472,456
Sanitation	175,550	175,550
Recreation	11,403	11,403
Debt service	8,223	8,223
Capital outlay	117,932	117,932
Total expenditures	2,621,738	2,621,738
Deficiency of revenues over expenditures	(73,639)	(73,639)
Other financing sources (uses):		
Sale of assets	30,000	30,000
Proceeds of loans	0	0
Transfers in (payment in lieu of taxes)	230,000	230,000
Total other financing sources (uses)	260,000	260,000
Net change in fund balances	186,361	186,361
Fund balances - beginning	263,924	263,924
Fund balances - ending	\$ 450,285	\$ 450,285

The accompanying notes 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
 Year Ended June 30, 2018

Net change in fund balances - total governmental funds \$ 186,361

Amounts reported for governmental activities in the statement of
 activities are difference 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	118,314
Depreciation expense	(205,238)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds	(6,828)
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Sales of assets are reported as revenues in the funds but are treated but are not recorded in the statement of activities	-
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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	(1,898)
Principal payments	35,325

Governmental funds report pension contribution as expenditures. However, in the statement of activities, the cost of pension benefits earned is reported as pension expense	(326,892)
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Change in net position of governmental activities	<u>\$ (200,856)</u>
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City of Williamstown, Kentucky
Statement of Net Position
Proprietary Funds
June 30, 2018

	Utility Fund	Sewer Fund	Total
Assets:			
Cash and cash equivalents	\$ 1,281,404	\$ 286,212	\$ 1,567,616
Customer receivables	1,172,676	258,860	1,431,536
Due from other funds	676,478	590,864	1,267,342
Restricted cash	112,708		112,708
Capital assets, net of depreciation	<u>25,961,101</u>	<u>15,281,689</u>	<u>41,242,790</u>
Total assets	29,204,367	16,417,625	45,621,992
Deferred outflows of resources:			
Related to pensions	<u>870,280</u>	<u>276,190</u>	<u>1,146,470</u>
Total assets and deferred outflows of resources	<u><u>\$ 30,074,647</u></u>	<u><u>\$ 16,693,815</u></u>	<u><u>\$ 46,768,462</u></u>
Liabilities:			
Accounts payable	\$ 307,207	\$ -	\$ 307,207
Accrued payroll liabilities	48,354	13,230	61,584
Compensated absences	55,423	16,313	71,736
Customer deposits	241,843		241,843
Due to other funds	704,178	520,317	1,224,495
Other liabilities	22,635	1,202	23,837
Net pension liability	2,355,897	747,663	3,103,560
Long-term obligations			
Due within one year	1,171,559	726,126	1,897,685
Due in more than one year	<u>14,107,756</u>	<u>10,964,336</u>	<u>25,072,092</u>
Total liabilities	<u>19,014,852</u>	<u>12,989,187</u>	<u>32,004,039</u>
Deferred inflows of resources:			
Related to pensions	<u>243,079</u>	<u>77,143</u>	<u>320,222</u>
Total liabilities and deferred inflows of resources	<u>19,257,931</u>	<u>13,066,330</u>	<u>32,324,261</u>
Net position:			
Net investment in capital assets	10,681,786	3,591,227	14,273,013
Restricted	112,708		112,708
Unrestricted	<u>22,222</u>	<u>36,258</u>	<u>58,480</u>
Total net position	<u>10,816,716</u>	<u>3,627,485</u>	<u>14,444,201</u>
Total liabilities and net position	<u><u>\$ 30,074,647</u></u>	<u><u>\$ 16,693,815</u></u>	<u><u>\$ 46,768,462</u></u>

The accompanying notes are an integral part of these financial statements

City of Williamstown, Kentucky
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
Year Ended June 30, 2018

	Utility Fund				Sewer Fund Total	Total
	Electric System	Water System	Cable TV and Internet	Total		
OPERATING REVENUES						
Charges for services	\$ 3,566,133	\$ 2,388,095	\$ 1,731,882	\$ 7,686,110	\$ 2,006,997	\$ 9,693,107
Other revenue	253,654	0	0	253,654	0	253,654
TOTAL OPERATING REVENUES	3,819,787	2,388,095	1,731,882	7,939,764	2,006,997	9,946,761
OPERATING EXPENSES						
Employee costs						
Salaries and wages	224,611	410,613	297,300	932,524	322,841	1,255,365
Employee retirement	51,186	79,043	65,276	195,505	62,045	257,550
Medical insurance	42,911	118,949	72,301	234,161	87,618	321,779
Employers FICA	17,696	31,454	23,562	72,712	24,893	97,605
Workers compensation	4,724	11,183	6,361	22,268	7,430	29,698
Total employee costs	341,128	651,242	464,800	1,457,170	504,827	1,961,997
Purchases	2,796,393	172,086	847,016	3,815,495	16,598	3,832,093
Operating expenses						
Professional fees	3,048	5,440	3,236	11,724	4,967	16,691
Education and training	2,589	3,294	80	5,963	1,612	7,575
Repairs and maintenance	10,887	41,134	26,685	78,706	59,701	138,407
Utilities	60,160	220,978	48,384	329,522	230,052	559,574
Communications and postage	7,772	7,009	8,391	23,172	8,660	31,832
Lab tests		22,109		22,109	31,090	53,199
Other contractual services	27,819	13,478	20,376	61,673	37,939	99,612
Distribution		58,323		58,323		58,323
Annual support fees			14,865	14,865		14,865
Technical supplies	52			52	180	232
Equipment parts	1,777	1,531		3,308	2,226	5,534
Headend			102,394	102,394		102,394
CPE			55,732	55,732		55,732
Tools	3,048			3,048		3,048
Materials	41,993			41,993		41,993
Metering	2,214			2,214		2,214
Lighting	2,256			2,256		2,256
Uniforms	1,713	1,394	1,383	4,490	474	4,964
Vehicle	12,705	20,233	13,625	46,563	20,493	67,056
Office supplies	4,008		3,823	7,831		7,831
Lab materials		607		607	1,176	1,783
Dues and subscriptions	1,094	2,141	695	3,930	948	4,878
Insurance	18,926	28,559	17,612	65,097	40,946	106,043
Safety	557			557		557
Miscellaneous	1,520	2,218	8,314	12,052	1,899	13,951
Total	204,138	428,448	325,595	958,181	442,363	1,400,544
TOTAL OPERATING EXPENSES	3,341,659	1,251,776	1,637,411	6,230,846	963,788	7,194,634
OPERATING PROFIT BEFORE DEPRECIATION	478,128	1,136,319	94,471	1,708,918	1,043,209	2,752,127
Depreciation	820,300	178,362	200,388	1,199,050	582,312	1,781,362
OPERATING PROFIT	\$ (342,172)	\$ 957,957	\$ (105,917)	509,868	460,897	970,765
NON-OPERATING REVENUE AND (EXPENSES)						
Interest Income				2,546	514	3,060
Grants and contributions				2,970,565		2,970,565
Pension change				(121,313)	(60,778)	(182,091)
Interest expense				(419,902)	(146,761)	(566,663)
Transfers out				(230,000)		(230,000)
TOTAL NON-OPERATING REVENUE AND (EXPENSES)				2,201,896	(207,025)	1,994,871
Change in net position				2,711,764	253,872	2,965,636
Net position - beginning				8,104,952	3,373,613	11,478,565
Net position - ending				<u>\$ 10,816,716</u>	<u>\$ 3,627,485</u>	<u>\$ 14,444,201</u>

The accompanying notes are an integral part of these financial statements

City of Williamstown, Kentucky
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2018

Cash flows from operating activities	
Change in net assets	\$ 2,965,636
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Amortization and depreciation	1,781,362
Decrease in current and other assets	652,076
Increase in current and other liabilities	144,348
Increase in net pension liability	<u>387,359</u>
Net cash provided by operating activities	<u>5,930,781</u>
Cash flows from capital financing activities	
Acquisition of capital assets	(7,810,658)
Proceeds from long term obligations	8,451,221
Principal payments on long term obligations	<u>(5,564,272)</u>
Net cash used by capital financing activities	<u>(4,923,709)</u>
Net increase in cash	1,007,072
Cash - beginning	<u>560,544</u>
Cash - ending	<u><u>\$ 1,567,616</u></u>
Supplemental disclosures of cash flow information:	
Cash paid during the year for interest expense	<u><u>\$ 332,019</u></u>

The accompanying notes are an integral part of these financial statements

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 measurable. 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

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, 2018, 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, 2017. Taxes were levied on August 1, 2017 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, 2018, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>
Utility Fund	General Fund	\$ 230,000

NOTE 5 – RECEIVABLES

Receivables at June 30, 2018, 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 6 – PROPERTY AND EQUIPMENT

Capital Asset activity for the fiscal year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Governmental Activities				
Land	\$ 537,390	\$ 0	\$ 0	\$ 537,390
Street improvements	1,090,306	170,126	0	1,260,432
Buildings and improvements	2,261,600	18,742	0	2,280,342
Infrastructure	799,458	104,141	0	903,599
Furniture and fixtures	44,287	0	0	44,287
General equipment	1,497,081	26,026	0	1,523,107
Total capital assets	<u>6,230,122</u>	<u>319,035</u>	<u>0</u>	<u>6,549,157</u>
Less accumulated depreciation				
Street improvements	458,280	30,822	0	489,102
Buildings and improvements	885,083	60,978	0	946,061
Infrastructure	33,574	19,668	0	53,242
Furniture and fixtures	42,760	694	0	43,454
General equipment	1,357,020	112,933	0	1,469,953
Total accumulated depreciation	<u>2,776,717</u>	<u>225,095</u>	<u>0</u>	<u>3,001,812</u>
Net governmental capital assets	<u>\$ 3,453,405</u>	<u>\$ 93,940</u>	<u>\$ 0</u>	<u>\$ 3,547,345</u>
Business-Type Activities				
Water system	\$ 25,897,502	\$ 9,127,098	\$ 0	\$ 35,024,600
Electric system	5,213,166	13,540	0	5,226,706
Cable TV system	4,535,244	0	0	4,535,244
Sewer system	24,639,739	70,802	0	24,710,541
Total capital assets	<u>60,285,651</u>	<u>9,211,440</u>	<u>0</u>	<u>69,497,091</u>
Less accumulated depreciation				
Water system	11,870,856	820,300	0	12,691,156
Electric system	3,432,535	178,362	0	3,610,897
Cable TV system	2,323,010	200,388	0	2,523,398
Sewer system	8,846,540	582,312	0	9,428,852
Total accumulated depreciation	<u>26,472,941</u>	<u>1,781,362</u>	<u>0</u>	<u>28,254,303</u>
Net business-type capital assets	<u>\$ 33,812,710</u>	<u>\$ 7,430,078</u>	<u>\$ 0</u>	<u>\$ 41,242,788</u>

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 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, 2017	Additions	Deletions	Balance June 30, 2018	Amount Due Within One Year
Governmental Activities					
TIF Bond	\$ 599,380	\$ 0	\$ 27,500	\$ 571,880	\$ 35,000
Police cruiser - capital lease	7,825	0	7,825	0	0
Total governmental activities	<u>\$ 607,205</u>	<u>\$ 0</u>	<u>\$ 35,325</u>	<u>\$ 571,880</u>	<u>\$ 35,000</u>
Business-Type Activities					
Series 2012 Bonds	\$ 1,080,000	\$ 0	\$ 150,000	\$ 930,000	\$ 150,000
KIA Loan A08-09	12,409,381	0	718,919	11,690,462	726,126
KIA Loan F11-02	1,486,187	0	79,672	1,406,515	80,072
KIA Loan F13-013	5,579,249	25,000	(219,916)	5,824,165	246,596
KLC Waterline Replacement	205,330	0	23,364	181,966	24,305
KLC Cable Upgrade	389,598	0	50,537	339,061	52,155
Bank of Kentucky	68,827	0	37,123	31,704	31,704
Forcht Bank	402,434	0	121,531	280,903	123,601
BBT Series 2017		1,385,000		1,385,000	270,000
Rural Development		4,900,000		4,900,000	67,000
Rural Development interim	2,461,821	2,141,221	4,603,042	0	0
Total business-type activities	<u>\$ 24,082,827</u>	<u>\$ 8,451,221</u>	<u>\$ 5,564,272</u>	<u>\$ 26,969,776</u>	<u>\$ 1,771,559</u>

TIF Bond

Monthly principal and interest payments. Variable rates from 2.0% to 3.75%. Due FY 2036.

Series 2012 Bonds

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

KIA Loan A08-09

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

KIA Loan F11-02

Semiannual principal and interest payments. Amortized over 20 years at 1.75% interest. Due June 2033.

KIA Loan F13-013

Semiannual principal and interest payments at completion of loan. Amortized over 20 years at 1.0% interest. Due June 2038.

KLC Waterline Replacement

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

Bank of Kentucky

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

KLC Cable Upgrade

Monthly principal and interest payments of \$62,013. Fixed rate of 3.15%. Due FY 2024.

Forcht Bank

Monthly principal and interest payments of \$10,615. Fixed rate of 1.69%. Due September 2020.

BBT Series 2017

Annual principal and semi-annual interest payments. Fixed rate of 1.88%. Due September 2022.

Rural Development

Annual principal and interest payments. Fixed rate of 3.25%. Due September 2056.

Future minimum principal and interest payments are as follows:

	Governmental Activities	
	TIF Bond	
	Principal	Interest
2019	\$ 35,000	\$ 24,156
2020	35,000	23,460
2021	35,000	22,758
2022	37,000	22,032
2023	40,000	21,250
2024 - 2028	222,080	88,183
2029 - 2033	167,800	419,900
	\$ 571,880	\$ 621,739

	Business-Type Activities			
	Series 2012 Bonds		KIA Loan A08-09	
	Principal	Interest	Principal	Interest
2019	\$ 150,000	\$ 17,718	\$ 726,126	\$ 138,109
2020	150,000	14,343	733,405	129,377
2021	160,000	10,875	740,758	120,554
2022	165,000	7,228	748,184	111,643
2023	165,000	3,403	755,684	102,643
2024 - 2028	140,000	900	3,893,586	375,013
2029 - 2033	0	0	4,092,719	136,056
	\$ 930,000	\$ 54,467	\$ 11,690,462	\$ 1,113,395

	KIA Loan F11-02		KIA Loan F13-013	
	Principal	Interest	Principal	Interest
2019	\$ 80,872	\$ 31,592	\$ 246,596	\$ 115,766
2020	82,906	29,354	250,929	110,803
2021	84,573	27,477	255,341	105,760
2022	86,273	25,566	259,828	100,632
2023	88,006	23,724	264,395	95,413
2024 - 2028	467,388	87,318	1,393,338	395,508
2029 - 2033	516,497	32,100	1,520,171	250,558
2034 - 2038	0	0	1,633,567	117,393
	<u>\$ 1,406,515</u>	<u>\$ 257,131</u>	<u>\$ 5,824,165</u>	<u>\$ 1,291,833</u>

	KLC Waterline Replacement		Bank of Kentucky	
	Principal	Interest	Principal	Interest
2019	\$ 24,305	\$ 6,250	\$ 31,704	\$ 406
2020	25,194	5,961	0	0
2021	26,136	5,042	0	0
2022	27,097	4,088	0	0
2023	28,010	3,105	0	0
2024 - 2028	51,224	2,932	0	0
	<u>\$ 181,966</u>	<u>\$ 27,378</u>	<u>\$ 31,704</u>	<u>\$ 406</u>

	KLC Cable Upgrade		Forcht Bank	
	Principal	Interest	Principal	Interest
2019	\$ 52,155	\$ 9,858	\$ 123,601	\$ 3,789
2020	53,824	8,189	125,706	1,684
2021	55,546	6,467	31,596	88
2022	57,324	6,467	0	0
2023	59,159	2,854	0	0
2024 - 2028	61,053	962	0	0
	<u>\$ 339,061</u>	<u>\$ 34,797</u>	<u>\$ 280,903</u>	<u>\$ 5,561</u>

	BBT Series 2017		Rural Development	
	Principal	Interest	Principal	Interest
2019	\$ 270,000	\$ 23,500	\$ 67,000	\$ 128,630
2020	270,000	18,424	69,500	126,866
2021	275,000	13,301	71,500	125,042
2022	280,000	8,084	74,000	123,165
2023	290,000	2,726	76,500	121,223
2024 - 2028	0	0	421,000	574,665
2029 - 2033	0	0	493,500	515,734
2034 - 2038	0	0	579,000	446,632
2039 - 2043	0	0	680,000	365,491
2044 - 2048	0	0	798,000	270,244
2049 - 2053	0	0	936,000	158,315
2054 - 2058	0	0	634,000	33,535
	<u>\$ 1,385,000</u>	<u>\$ 66,035</u>	<u>\$ 4,900,000</u>	<u>\$ 2,989,542</u>

	Business-Type Activities	
	Total	
	Principal	Interest
2019	\$ 1,772,359	\$ 475,618
2020	1,761,464	445,001
2021	1,700,450	414,606
2022	1,697,706	386,873
2023	1,726,754	355,091
2024 - 2028	6,427,589	1,437,298
2029 - 2033	6,622,887	934,448
2034 - 2038	2,212,567	564,025
2039 - 2043	680,000	365,491
2044 - 2048	798,000	270,244
2049 - 2053	936,000	158,315
2054 - 2058	634,000	33,535
	<u>\$ 26,969,776</u>	<u>\$ 5,840,545</u>

NOTE 8 – RETIREMENT PLANS

The City's eligible employees are covered by the County Employees Retirement System.

General information about the County Employees Retirement System Non-Hazardous ("CERS")

Plan description—Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (KRS) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement

System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits provided—CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years’ service. For retirement purposes, employees are grouped into three tiers, based on hire date:

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

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

Contributions—Required contributions by the employee are based on the tier:

	<u>Required contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

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

At June 30, 2018, the City reported a liability for its proportionate share of the net pension liability for CERS. The amount recognized by the City as its proportionate share of the net pension liability that was associated with the City were as follows:

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

City's proportionate share of the CERS net pension liability

Hazardous	\$	1,373,555
Non-hazardous		4,080,399
Total	\$	5,453,954

The City's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2017, the City's proportion was .0614% percent for Hazardous and 0.0697% percent for non-hazardous.

For the year ended June 30, 2018, the City recognized pension expense of \$603,926 related to CERS. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 55,441	\$ 103,578
Changes in assumptions	1,026,937	0
Net difference between projected and actual earnings on pension plan investments	413,257	350,784
Changes in proportion and differences between City contributions and proportionate share of contributions	66,482	108,372
City contributions subsequent to the measurement date	452,601	0
	\$ 2,014,718	\$ 562,734

\$452,601 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	404,052
2020	463,072
2021	199,641
2022	(67,382)
2023	0

Actuarial assumptions—The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	CERS
Inflation	3.25%
Projected salary increases	4.00%
Discount rate	6.25%

For CERS, Mortality rates for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired employees and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other employees. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption 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 timeframe. 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.

Discount rate—For CERS, the discount rate used to measure the total pension liability was 7.75%. 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 7.75%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of CERS 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 rates selected by each pension system, 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 (I calculated the amounts in this schedule:

	1% Decrease	Current Discount Rate	1% Increase
Discount rate	5.25%	6.25%	7.25%
Hazardous	\$ 5,146,265	\$ 4,080,399	\$ 3,188,810
Non-hazardous	1,723,996	1,373,555	1,081,664
Net pension liability	\$ 6,870,261	\$ 5,453,954	\$ 4,270,474

Pension plan fiduciary net position—Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial reports of CERS.

NOTE 9 – 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 10 – 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, 2018 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 11 – SUBSEQUENT EVENTS

The City evaluated subsequent events through January 12, 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, 2018

	Original Budget	Final Budget	Actual	Variance
Fund balance - beginning	\$ 50,000	\$ 50,000	\$ 263,924	\$ 213,924
Revenues				
Taxes	1,045,000	1,058,700	1,255,890	197,190
Licenses and permits	760,000	760,000	517,406	(242,594)
Intergovernmental revenues	34,100	34,100	116,774	82,674
Charges for services	180,000	180,000	219,779	39,779
Other revenue	100,200	100,200	438,250	338,050
Total revenues	<u>2,119,300</u>	<u>2,133,000</u>	<u>2,548,099</u>	<u>415,099</u>
Total resources	<u>2,169,300</u>	<u>2,183,000</u>	<u>2,812,023</u>	<u>629,023</u>
Expenditures				
General government	482,700	482,700	812,028	(329,328)
Police	734,140	734,140	722,637	11,503
Fire	263,600	299,700	301,509	(1,809)
Streets and cemetery	482,100	482,100	472,456	9,644
Parks and recreation	11,100	11,100	11,403	(303)
Garbage and sanitation	170,400	170,400	175,550	(5,150)
Debt service	0	0	8,223	(8,223)
Capital outlay	503,400	481,000	117,932	363,068
Total expenditures	<u>2,647,440</u>	<u>2,661,140</u>	<u>2,621,738</u>	<u>39,402</u>
Deficiency of revenues over expenditures	<u>(478,140)</u>	<u>(478,140)</u>	<u>190,285</u>	
Other financing sources (uses)	<u>500,000</u>	<u>500,000</u>	<u>260,000</u>	
Budgetary fund balance - end of year	<u>\$ 21,860</u>	<u>\$ 21,860</u>	<u>\$ 450,285</u>	

The accompanying notes are an integral part of these financial statements

City of Williamstown, Kentucky
 Multiple Employer, Cost Sharing, Defined Benefit Pension Plan Disclosure
 Non-Hazardous

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.0697%	0.0691%	0.0666%	0.0736%
City's proportionate share of the net pension liability	\$ 4,080,399	\$ 3,402,527	\$ 2,864,451	\$ 2,703,458
City's covered employee payroll	\$ 1,234,473	\$ 1,070,155	\$ 1,147,116	\$ 1,807,589
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	330.54%	317.95%	249.71%	149.56%
Plan fiduciary net position as a percentage of the total pension liability	55.50%	53.32%	59.97%	66.80%

Schedule of City Contributions
 County Employees Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 236,772	\$ 199,905	\$ 195,698	\$ 319,401
Actual contribution	236,772	199,905	195,698	319,401
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 1,234,473	\$ 1,070,155	\$ 1,147,116	\$ 1,807,589
Contributions as a percentage of covered-employee payroll	19.18%	18.68%	17.06%	17.67%

City of Williamstown, Kentucky
 Multiple Employer, Cost Sharing, Defined Benefit Pension Plan Disclosure
 Hazardous

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.0614%	0.0609%	0.0227%	0.0075%
City's proportionate share of the net pension liability	\$ 1,373,555	\$ 1,045,084	\$ 1,052,717	\$ 1,004,496
City's covered employee payroll	\$ 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	576.53%	511.03%	477.02%	254.67%
Plan fiduciary net position as a percentage of the total pension liability	53.95%	53.32%	59.97%	66.80%

Schedule of City Contributions
 County Employees Retirement System

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

City of Williamstown, Kentucky
Summary Revenues and Expenses
Proprietary Fund
Year Ended June 30, 2018

	Utility Fund				Sewer Fund Total	Total
	Electric System	Water System	Cable TV and Internet	Total		
OPERATING REVENUES						
Charges for services	\$ 3,566,133	\$ 2,388,095	\$ 1,731,882	\$ 7,686,110	\$ 2,006,997	\$ 9,693,107
Other revenue	253,654	0	0	253,654	0	253,654
TOTAL OPERATING REVENUES	3,819,787	2,388,095	1,731,882	7,939,764	2,006,997	9,946,761
OPERATING EXPENSES						
Employee costs	341,128	651,242	464,800	1,457,170	504,827	1,961,997
Purchases	2,796,393	172,086	847,016	3,815,495	16,598	3,832,093
Operating expenses	204,138	428,448	325,595	958,181	442,363	1,400,544
TOTAL OPERATING EXPENSES	3,341,659	1,251,776	1,637,411	6,230,846	963,788	7,194,634
OPERATING PROFIT	478,128	1,136,319	94,471	1,708,918	1,043,209	2,752,127
OTHER EXPENSES						
Depreciation	820,300	178,362	200,388	1,199,050	582,312	1,781,362
Interest				419,902	146,761	566,663
Pension change	31,761	49,047	40,505	121,313	60,778	182,091
TOTAL OTHER EXPENSES	852,061	227,409	240,893	1,740,265	789,851	2,530,116
NET PROFIT	(373,933)	908,910	(146,422)	(31,347)	253,358	222,011
OTHER INCOME						
Interest Income				2,546	514	3,060
Grants				2,970,565	0	2,970,565
TOTAL OTHER INCOME				2,973,111	514	2,973,625
TRANSFERS OUT				230,000	0	230,000
CHANGE IN NET POSITION				2,711,764	253,872	2,965,636
Net position - beginning				8,104,952	3,373,613	11,478,565
Net position - ending				\$ 10,816,716	\$ 3,627,485	\$ 14,444,201

City of Williamstown, Kentucky
Revenue Trends
Year Ended June 30, 2018

Revenues	2018	2017	2016	2015	2014
Property taxes	\$ 814,193	\$ 643,042	\$ 649,334	\$ 618,743	\$ 578,643
Insurance premium taxes	340,809	370,055	322,341	325,090	270,710
Motor vehicle taxes	100,888	84,700	76,171	70,472	66,030
Licenses, permits, and fees	517,406	60,696	21,220	16,194	11,007
Investment income	5,195	3,061	3,409	471	583
Charges for services	219,779	208,384	161,841	274,680	280,244
Intergovernmental	116,774	108,429	107,481	136,848	142,314
Grants and contributions	47,746	90,917	40,201	17,047	37,011
TIF Revenue	358,382	267,415	119,322	0	0
Other revenue	26,927	81,515	82,903	65,295	73,680
Total revenue	2,548,099	1,918,214	1,584,223	1,524,840	1,460,222
Expenditures					
General government	\$ 812,028	\$ 783,302	\$ 457,459	\$ 403,241	\$ 416,767
Public safety - police	722,637	734,860	685,571	750,674	770,282
Public safety - fire	301,509	243,998	214,744	172,247	178,689
Public works	472,456	456,957	462,222	430,114	454,445
Sanitation	175,550	162,107	166,372	152,711	152,234
Recreation	11,403	14,358	18,480	14,734	32,821
Debt service	8,223	40,773	49,208	114,560	69,056
Capital outlay	117,932	295,074	752,941	204,880	90,051
Total expenditures	2,621,738	2,731,429	2,806,997	2,243,161	2,164,345
Expenditures over revenue	(73,639)	(813,215)	(1,222,774)	(718,321)	(704,123)
Transfers from utility fund	230,000	625,000	719,000	555,000	770,000
Other revenue	30,000	312	614,514	157,120	-
Net income	\$ 186,361	\$ (187,903)	\$ 110,740	\$ (6,201)	\$ 65,877

City of Williamstown, Kentucky
Proprietary Fund Trends
Year Ended June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Revenues					
Electric	\$ 3,819,787	\$ 4,004,781	\$ 4,412,143	\$ 4,564,624	\$ 4,850,045
Water	2,388,095	1,989,396	1,797,440	1,637,628	1,353,960
Cable	1,731,882	1,693,391	1,615,165	1,509,273	1,452,817
Sewer	<u>2,006,997</u>	<u>1,891,826</u>	<u>1,743,486</u>	<u>1,705,052</u>	<u>1,613,967</u>
Total revenue	\$ 9,946,761	\$ 9,579,394	\$ 9,568,234	\$ 9,416,577	\$ 9,270,789
Operating expenses	<u>7,194,634</u>	<u>7,320,227</u>	<u>6,888,015</u>	<u>7,551,795</u>	<u>7,389,434</u>
Operating profit	2,752,127	2,259,167	2,680,219	1,864,782	1,881,355
Depreciation	(1,781,362)	(1,617,007)	(1,460,489)	(1,487,634)	(1,550,773)
Interest	(566,663)	(332,020)	(290,556)	(290,208)	(357,842)
Grants	2,970,565	1,049,014	179,757	90,600	85,942
Interest income	3,060	3,187	4,941	4,211	3,804
Pension change	(182,091)	(176,338)	52,153	(272,340)	-
Transfers	<u>(230,000)</u>	<u>(625,000)</u>	<u>(719,000)</u>	<u>(555,000)</u>	<u>(770,000)</u>
Net income	<u>\$ 2,965,636</u>	<u>\$ 561,003</u>	<u>\$ 447,025</u>	<u>\$ (645,589)</u>	<u>\$ (707,514)</u>



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, 2018, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated January 12, 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.

January 12, 2019

Fort Thomas, Kentucky



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the City of Williamstown, Kentucky's (City) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2018. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Maddox & Associates CPAs Inc.

January 12, 2019

Fort Thomas, Kentucky

City of Williamstown, Kentucky
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2018

<u>Federal Grantor</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Expenditures</u>
<u>United States Department of Agriculture (USDA)</u>			
<i>Passed through the Kentucky Rural Water Finance Corporation</i> Water and Waste Disposal Systems for Rural Communities	10.760		\$ 7,333,435
<u>National Highway Traffic Safety Administration</u>			
<i>Passed through the Kentucky Transportation Cabinet</i> National Priority Safety Programs	20.616		1,246
<u>United States Department of Homeland Security (DHS)</u>			
<i>Passed through the Kentucky Office of Homeand Security</i> Homeland Security Grant Program	97.067		7,800
 Total federal awards expended			 <u><u>\$ 7,342,481</u></u>

Note A – Basis of Presentation

The accompanying schedule of expenditures of Federal awards includes the Federal award activity of the City of Williamstown, Kentucky (City), under programs of the federal government for the year ended June 30, 2018 in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows for the City.

Note B – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87 Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

Section I – Summary of Auditor’s Results

1. The auditor’s report expresses unmodified opinions on the financial statements of the City of Williamstown, Kentucky (City).
2. No significant deficiencies were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the City which would be required to reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit.
5. The auditor’s report on compliance for the major federal award programs for the City expresses an unmodified opinion on all major programs.
6. There were no audit findings that are required to reported in accordance with Uniform Guidance 516(a).
7. The programs tested as major programs included:

<u>CFDA Number</u>	<u>Federal Program</u>
10.760	Water and Waste Disposal Systems for Rural Communities

8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The City did not qualify as a low-risk auditee.

Section II – Financial Statement Findings

No matters were reported.

Section III – Major Federal Award Findings and Questioned Costs

No matters were reported.