

**CITY OF WILLIAMSTOWN, KENTUCKY**

**FINANCIAL STATEMENTS**

**JUNE 30, 2023**

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City of Williamstown, Kentucky

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## INDEPENDENT AUDITOR'S REPORT

Member of City Council  
City of Williamstown, Kentucky  
Williamstown, Kentucky

### Report on the Audit of the Financial Statements

#### ***Opinions***

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

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

#### ***Basis of Opinions***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

**Required Supplementary Information**

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

Management has omitted the management's discussion and analysis that accounting principles generally 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 the missing information.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2022, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

**Maddox & Associates CPAs Inc.**

Fort Thomas, Kentucky  
January 30, 2024

City of Williamstown, Kentucky  
Statement of Activities  
Year Ended June 30, 2023

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 195,886	\$ 1,563,702	\$ 1,759,588
Receivables	181,509	1,422,120	1,603,629
Due from other funds	-	264,807	264,807
Restricted cash	351,114	291,463	642,577
Capital assets, net of depreciation	4,194,238	35,893,325	40,087,563
<b>Total assets</b>	<b>4,922,747</b>	<b>39,435,417</b>	<b>44,358,164</b>
<b>Deferred outflows</b>			
Related to pensions	607,162	541,059	1,148,221
Related to OPEB	321,703	406,422	728,125
<b>Total deferred outflows</b>	<b>928,865</b>	<b>947,481</b>	<b>1,876,346</b>
<b>Liabilities</b>			
Accounts payable	58,026	277,658	335,684
Payroll related liabilities	65,670	110,234	175,904
Customer deposits	-	93,190	93,190
Other current liabilities	37,215	26,460	63,675
Due to other funds	227,273	37,534	264,807
Accrued interest payable	-	68,236	68,236
Noncurrent liabilities:			
Due within one year:			
Bonds and notes payable	40,000	1,365,590	1,405,590
Due in more than one year:			
Compensated absenses	40,210	79,146	119,356
Bonds and notes payable	573,333	17,054,339	17,627,672
Net pension liability	3,211,188	3,923,574	7,134,762
Net OPEB liability	889,663	1,070,945	1,960,608
<b>Total liabilities</b>	<b>5,142,578</b>	<b>24,106,906</b>	<b>29,249,484</b>
<b>Deferred inflows</b>			
Related to pensions	109,996	170,180	280,176
Related to OPEB	283,386	445,722	729,108
<b>Total deferred inflows of resources</b>	<b>393,382</b>	<b>615,902</b>	<b>1,009,284</b>
<b>Net position</b>			
Net investment in capital assets	3,580,905	17,473,396	21,054,301
Restricted	351,114	291,463	642,577
Unrestricted	(3,616,367)	(2,104,769)	(5,721,136)
<b>Total net position</b>	<b>\$ 315,652</b>	<b>\$ 15,660,090</b>	<b>\$ 15,975,742</b>

See accompanying notes to financial statements.

City of Williamstown, Kentucky  
Statement of Activities  
Year Ended June 30, 2023

	Expenses	Program Revenues		Net Revenue (Expense)	
		Charges for Services	Grants and Contributions Operating Capital		
<b>Governmental activities</b>					
General government	\$ 953,820	\$ -	\$ 9,967	\$ 305,650	\$ (638,203)
TIF district	302,284	-	-	-	(302,284)
Police	960,800	-	30,274	-	(930,526)
Fire	436,319	243,389	6,560	-	(186,370)
Public works	857,525	-	95,693	-	(761,832)
Cemetery	-	68,211	-	-	68,211
Recreation	15,066	-	-	-	(15,066)
Sanitation	236,485	224,424	-	-	(12,061)
Pension and OPEB Changes	(3,956)	-	-	-	3,956
Depreciation - unallocated	96,456	-	-	-	(96,456)
<b>Total governmental activities</b>	<b>3,854,799</b>	<b>536,024</b>	<b>142,494</b>	<b>305,650</b>	<b>(2,870,631)</b>
<b>Business-type activities</b>					
Utility	8,265,941	8,343,687	-	625,605	703,351
Sewer	1,673,346	2,040,698	-	175,175	542,527
Pension and OPEB Changes	75,665	-	-	-	(75,665)
<b>Total business-type activities</b>	<b>10,014,952</b>	<b>10,384,385</b>	<b>-</b>	<b>800,780</b>	<b>1,170,213</b>
<b>Total primary government</b>	<b>\$ 13,869,751</b>	<b>\$ 10,920,409</b>	<b>\$ 142,494</b>	<b>\$ 1,106,430</b>	<b>(1,700,418)</b>
			Governmental Activities	Business-Type Activities	Total
<b>Net revenue (expense)</b>			(2,870,631)	1,170,213	(1,700,418)
<b>General revenues</b>					
Property and other taxes			1,281,692	-	1,281,692
Insurance premium tax			460,883	-	460,883
Motor vehicle tax			161,659	-	161,659
Licenses and fees			503,621	-	503,621
TIF district			317,561	-	317,561
Other revenue			321,076	-	321,076
Investment income			7,717	6,469	14,186
<b>Total general revenues</b>			<b>3,054,209</b>	<b>6,469</b>	<b>3,060,678</b>
Change in net position			183,578	1,176,682	1,360,260
Net position - beginning			132,074	14,483,408	14,615,482
<b>Net position - ending</b>			<b>\$ 315,652</b>	<b>\$ 15,660,090</b>	<b>\$ 15,975,742</b>

See accompanying notes to financial statements.



City of Williamstown, Kentucky  
Statement of Activities  
Year Ended June 30, 2023

	General Fund	Total Governmental Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 195,886	\$ 195,886
Receivables	181,509	181,509
Restricted cash	351,114	351,114
<b>Total assets</b>	<b>\$ 728,509</b>	<b>\$ 728,509</b>
<b>Liabilities</b>		
Accounts payable	\$ 58,026	\$ 58,026
Payroll liabilities	102,885	102,885
Due to other funds	227,273	227,273
<b>Total liabilities</b>	<b>388,184</b>	<b>388,184</b>
<b>Fund balances</b>		
Restricted	351,114	351,114
Unassigned	(10,789)	(10,789)
<b>Total fund balances</b>	<b>340,325</b>	<b>340,325</b>
<b>Total liabilities and fund balances</b>	<b>\$ 728,509</b>	<b>\$ 728,509</b>

See accompanying notes to financial statements.

City of Williamstown, Kentucky  
 Reconciliation of the Balance Sheet – Governmental Funds  
 to the Statement of Net Position  
 June 30, 2023

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Total governmental fund balances \$ 340,325

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. 4,194,238

Deferred outflows and inflows of resources related to post-retirement benefits (pension and OPEB) are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows - pension related	607,162	
Deferred outflows - OPEB related	321,703	
Deferred inflows - pension related	(109,996)	
Deferred inflows - OPEB related	<u>(283,386)</u>	
Total deferred outflows and inflows		535,483

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences	(40,210)	
Long-term debt	(613,333)	
Net pension liability	(3,211,188)	
Net OPEB liability	<u>(889,663)</u>	
Total long-term liabilities		(4,754,394)

Net position of governmental activities	\$ 315,652
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See accompanying notes to financial statements.

City of Williamstown, Kentucky  
Statement of Revenues, Expenditures and Changes in Fund  
Balances – Governmental Funds  
Year Ended June 30, 2023

	General Fund	Total Governmental Funds
<b>Revenues</b>		
Property taxes	\$ 1,281,692	\$ 1,281,692
Insurance premium taxes	460,883	460,883
Motor vehicle taxes	161,659	161,659
Licenses, permits, and fees	503,621	503,621
Investment income	7,717	7,717
Charges for services	536,024	536,024
Intergovernmental	132,531	132,531
Grants and contributions	315,613	315,613
TIF Revenue	317,561	317,561
Other revenue	321,076	321,076
<b>Total revenues</b>	<b>4,038,377</b>	<b>4,038,377</b>
<b>Expenditures</b>		
Current		
General government	890,758	890,758
TIF	302,284	302,284
Public safety - police	927,291	927,291
Public safety - fire	410,109	410,109
Public works	713,638	713,638
Sanitation	236,485	236,485
Recreation	11,731	11,731
Debt service	63,335	63,335
Capital outlay	1,232,372	1,232,372
<b>Total expenditures</b>	<b>4,788,003</b>	<b>4,788,003</b>
Net change in fund balances	(749,626)	(749,626)
Fund balances - beginning	1,089,951	1,089,951
<b>Fund balances - ending</b>	<b>\$ 340,325</b>	<b>\$ 340,325</b>

See accompanying notes to financial statements.

City of Williamstown, Kentucky  
 Reconciliation of Statement of Revenues, Expenditures and Changes in Fund  
 Balances – Governmental Funds to the Statement of Activities  
 June 30, 2023

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Net change in fund balances - total governmental funds	\$ (749,626)
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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	1,201,287	
Depreciation expense	(301,540)	
Total capital asset activities		899,747

Repayment of debt principal is an expenditure in the governmental funds, but  
 repayment reduces long-term debt in the statement of net position.

Principal payments	40,000
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Some expenses in the statement of activities do not require the use of current  
 financial resources and, therefore, are not reported as expenditures in the funds.

Changes in pension liabilities and related deferred outflows and inflows	67,065	
Changes in OPEB liabilities and related deferred outflows and inflows	(63,109)	
Changes in compensated absences	(10,499)	
		(6,543)

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Change in net position of governmental activities	\$ 183,578
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See accompanying notes to financial statements.

City of Williamstown, Kentucky  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Fund  
June 30, 2023

	Utility Fund	Sewer Fund	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 1,437,454	\$ 126,248	\$ 1,563,702
Customer receivables	1,136,707	285,413	1,422,120
Due from other funds	-	264,807	264,807
Restricted cash	23,333	268,130	291,463
Capital assets, net of depreciation	22,593,790	13,299,535	35,893,325
<b>Total assets</b>	<b>25,191,284</b>	<b>14,244,133</b>	<b>39,435,417</b>
<b>Deferred outflows</b>			
Related to pensions	445,175	95,884	541,059
Related to OPEB	334,398	72,024	406,422
<b>Total deferred outflows</b>	<b>779,573</b>	<b>167,908</b>	<b>947,481</b>
<b>Liabilities</b>			
Accounts payable	257,635	20,023	277,658
Accrued payroll liabilities	93,531	16,703	110,234
Customer deposits	93,190	-	93,190
Due to other funds	37,534	-	37,534
Other liabilities	26,351	109	26,460
Accrued interest payable	60,250	7,986	68,236
Noncurrent liabilities:			
Due within one year:			
Bonds and notes payable	569,508	796,082	1,365,590
Due in more than one year:			
Compensated absences	54,849	24,297	79,146
Bonds and notes payable	9,785,053	7,269,286	17,054,339
Net pension liability	3,228,257	695,317	3,923,574
Net OPEB liability	881,157	189,788	1,070,945
<b>Total liabilities</b>	<b>15,087,315</b>	<b>9,019,591</b>	<b>24,106,906</b>
<b>Deferred inflows</b>			
Related to pensions	140,021	30,159	170,180
Related to OPEB	366,733	78,989	445,722
<b>Total deferred inflows</b>	<b>506,754</b>	<b>109,148</b>	<b>615,902</b>
<b>Net position</b>			
Net investment in capital assets	12,239,229	5,234,167	17,473,396
Restricted	23,333	268,130	291,463
Unrestricted	(1,885,774)	(218,995)	(2,104,769)
<b>Total net position</b>	<b>\$ 10,376,788</b>	<b>\$ 5,283,302</b>	<b>\$ 15,660,090</b>

See accompanying notes to financial statements.

City of Williamstown, Kentucky  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Fund  
June 30, 2023

	Utility Fund			Total	Sewer Fund	
	Electric System	Water System	Cable TV and Internet		Total	Total
<b>Operating revenues</b>						
Charges for services	\$ 3,809,186	\$ 2,377,921	\$ 1,813,721	\$ 8,000,828	\$ 2,040,698	\$ 10,041,526
Other revenue	342,859			342,859		342,859
<b>Total operating revenues</b>	<b>4,152,045</b>	<b>2,377,921</b>	<b>1,813,721</b>	<b>8,343,687</b>	<b>2,040,698</b>	<b>10,384,385</b>
<b>Operating expenses</b>						
<i>Employee costs</i>						0
Salaries and wages	335,621	619,399	352,888	1,307,908	293,973	1,601,881
Employee retirement	90,439	166,167	95,026	351,632	77,368	429,000
Medical insurance	45,065	137,437	74,105	256,607	72,917	329,524
Employers FICA	25,615	47,226	26,942	99,783	22,489	122,272
Workers compensation	4,175	10,115	4,978	19,268	4,450	23,718
Unemployment insurance	1,890	3,512	1,984	7,386	1,612	8,998
Total employee costs	502,805	983,856	555,923	2,042,584	472,809	2,515,393
<i>Purchases</i>	2,875,692			2,875,692		2,875,692
<i>Operating expenses</i>				-		0
Professional fees	2,908	3,561	3,010	9,479	2,560	12,039
Education and training	3,944	1,947	45	5,936	3,239	9,175
Repairs and maintenance	53,777	31,199	37,304	122,280	87,783	210,063
Utilities	56,604	198,268	70,749	325,621	196,970	522,591
Communications and postage	9,853	8,761	12,234	30,848	8,437	39,285
Lab tests	-	25,857	-	25,857	19,435	45,292
Contractual services	34,071	50,891	38,840	123,802	85,193	208,995
Distribution	-	112,992	-	112,992	-	112,992
Royalties and internet	-	-	739,138	739,138	-	739,138
Chemicals	-	-	-	-	21,343	21,343
Materials and parts	134,278	149,650	92,082	376,010	2,365	378,375
Uniforms and laundry	1,537	462	2,129	4,128	994	5,122
Vehicle	10,276	20,649	16,195	47,120	26,249	73,369
Office supplies	7,941	1,679	9,456	19,076	917	19,993
Dues and subscriptions	1,685	4,146	1,161	6,992	782	7,774
Insurance	14,537	42,057	14,075	70,669	36,695	107,364
Safety	4,712	-	-	4,712	-	4,712
Miscellaneous	20,052	10,497	15,615	46,164	70,548	116,712
Total	356,175	662,616	1,052,033	2,070,824	563,510	2,634,334

City of Williamstown, Kentucky  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Fund - Continued  
June 30, 2023

	Utility Fund			Total	Sewer Fund	
	Electric System	Water System	Cable TV and Internet		Total	Total
Total operating expenses	3,734,672	1,646,472	1,607,956	6,989,100	1,036,319	8,025,419
Operating profit before depreciati	417,373	731,449	205,765	1,354,587	1,004,379	2,358,966
Depreciation	201,382	648,461	208,264	1,058,107	532,168	1,590,275
Operating profit	\$ 215,991	\$ 82,988	\$ (2,499)	296,480	472,211	768,691
Non-operating revenues and (expenses):						
Interest Income				5,007	1,462	6,469
Grants and contributions				625,605	175,175	800,780
Pension and OPEB change				(249,112)	173,447	(75,665)
Interest expense				(218,734)	(104,859)	(323,593)
Total non-operating revenues and (expenses):				162,766	245,225	407,991
Change in net position				459,246	717,436	1,176,682
Net position - beginning				9,917,542	4,565,866	14,483,408
Net position - ending				\$ 10,376,788	\$ 5,283,302	\$ 15,660,090

See accompanying notes to financial statements.

City of Williamstown, Kentucky  
Statement of Cash Flows - Proprietary Fund  
June 30, 2023

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Cash flows from operating activities	
Change in net assets	\$ 1,176,682
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Amortization and depreciation	1,590,275
Increase in current and other assets	(33,163)
Decrease in current and other liabilities	(269,041)
Increase in net pension liability	313,542
Decrease in net OPEB liability	(12,782)
Decrease in deferred outflows	380,768
Decrease in deferred inflows	(605,863)
<u>Net cash provided by operating activities</u>	<u>2,540,418</u>
Cash flows from capital financing activities	
Acquisition of capital assets	(1,014,754)
Principal payments on long term obligations	(1,522,798)
<u>Net cash used by capital financing activities</u>	<u>(2,537,552)</u>
Net increase in cash	2,866
Cash - beginning	1,560,836
<u>Cash - ending</u>	<u>\$ 1,563,702</u>
Supplemental disclosures of cash flow information:	
Cash paid during the year for interest expense	<u>\$ 386,652</u>

See accompanying notes to financial statements.



**NOTE 1: ACCOUNTING POLICIES**

Kentucky Revised Statutes and Ordinances of the City Council of the City of Williamstown, Kentucky (City) designate the purpose, function and restrictions of the various funds.

***Reporting Entity***

The City operates under a City Council government comprised of the Mayor and six council members. The City's major operations include public safety, street maintenance, and general administrative services. In addition, the City operates a water, electric, cable, and sewer system and provides solid waste collection. 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 statement of net position presents the financial condition of the governmental activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues 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 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.

**NOTE 1: ACCOUNTING POLICIES (CONTINUED)**

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

***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.

**Governmental Fund Types**

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 outflows, 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 Fund Types**

*Utility Fund* – The utility fund accounts for the City's water, electric, and cable activities. The utility fund is a major fund of the City.

*Sewer Fund* – The sewer fund accounts for the City's sewer activities. The sewer fund is a major fund of the City.

***Measurement Focus and Basis of Accounting***

**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

**NOTE 1: ACCOUNTING POLICIES (CONTINUED)**

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.

***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 traffic signals. Infrastructure acquired prior to the implementation of GASB Statement No. 34 has been reported.

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:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	50 years
Improvements	20 years
Infrastructure	40 years
Vehicles	7 years
Equipment	7 years

***Deferred Outflows of Resources – Pension and OPEB***

The City reports decreases in net position that relates to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary fund statements of net position. The deferred outflows of resources reported in the financial statements include (1) deferred outflows of resources for contributions made to the City's defined benefit pension plan between the measurement date of the plan net pension liabilities and the end of City's fiscal year and (2) deferred outflows of resources related to the changes between the expected and actual experiences for the plan and changes in actuarial assumptions. Deferred outflows for pension contributions will be recognized in the

**NOTE 1: ACCOUNTING POLICIES (CONTINUED)**

subsequent fiscal year. The deferred outflows related to experience and assumption changes will be recognized in future periods.

***Deferred Inflows of Resources – Pension and OPEB***

The City reports increases in net position that relates to future periods as deferred inflows of resources in a separate section of its government-wide and proprietary fund statements of net position. The deferred inflows of resources reported in the financial statements arise from changes in the expected and actual experiences for the plan and for changes in assumptions. The deferred inflows related to these changes will be recognized in future periods.

***Net Pension Liability***

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

***Net OPEB Liability***

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

***Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities, and long-term obligations are reported on the government-wide 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.

***Net Position***

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net investment in capital assets component of net position 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

**NOTE 1: ACCOUNTING POLICIES (CONTINUED)**

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.

***Fund Balances***

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 - 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 - 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 - 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 are intended to be used by the City Council 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 - 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.

**NOTE 1: ACCOUNTING POLICIES (CONTINUED)**

***Revenues***

**Exchange 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**

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.

***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.

***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.

**NOTE 1: ACCOUNTING POLICIES (CONTINUED)**

***Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, where are presented as internal balances.

***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.

***Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the City's 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.

***Budgetary Process***

Budgetary Basis of Accounting - The City's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and GAAP basis are: (1) revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP); and (2) expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/objective level. All budget appropriations lapse at year-end.

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.

***Subsequent Events***

The City evaluated subsequent events for potential recognition and disclosure through January 30, 2024, the date the financial statements were available to be issued.

**NOTE 2: CASH AND CASH EQUIVALENTS**

The City maintains the following governmental activity cash accounts:

	<u>Unrestricted</u>	<u>Restricted</u>
General fund	\$ 60,869	\$
LGEA	1,676	
Municipal road aid		179,332
Payroll	(8,863)	
Cemetery perpetual		131,779
Cemetery		40,003
Disbursing	3,124	
Shop with a cop	32,687	
Narcotics forfeiture	6,234	
Festival	6,564	
TIF	7,757	
Eibeck Lane TIF	12,514	
Ark TIF	73,324	
	<u>\$ 195,886</u>	<u>\$ 351,114</u>

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

	<u>Unrestricted</u>	<u>Restricted</u>		<u>Unrestricted</u>	<u>Restricted</u>
Utility operation	\$ 34,212	\$	Sewer operation	\$ 89,924	\$
Utility revenue	(286,277)		Sewer depreciation	34,045	
Utility depreciation	141,109		Sewer bond		68,130
Cable operation	29,528		Payroll	2,271	
Cable depreciation	334,298		Sewer revenue	8	
Lake expansion	189,029				
Payroll	(1,828)				
Electric depreciation	135,104				
Debt service		23,333			
F13-03	154,617				
F11-02	78,521				
Metering system	335,536				
Water improvement	30,851				
Total utility fund	<u>\$ 1,174,700</u>	<u>\$ 23,333</u>	Total sewer fund	<u>\$ 126,248</u>	<u>\$ 68,130</u>

**Concentrations of Credit Risk**

At June 30, 2023, the carrying value of the City's deposits exceed the Federal Deposit Insurance Corporation (FDIC) insurance. Total deposited funds in excess of the \$250,000 insured by FDIC are covered by securities pledged for the City by the holding bank.



**NOTE 2: CASH AND CASH EQUIVALENTS- CONTINUED**

**Custodial Credit Risk**

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.

**NOTE 3: CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2023 is summarized below:

	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023
<b>Governmental Activities</b>				
Land	\$ 537,390	\$ -	\$ -	\$ 537,390
Street improvements	1,607,549	1,042,316	-	2,649,865
Buildings and improvements	2,322,096	-	-	2,322,096
Infrastructure	939,624	104,316	-	1,043,940
Furniture and fixtures	44,287	-	-	44,287
General equipment	1,968,804	54,655	-	2,023,459
Total capital assets	<u>7,419,750</u>	<u>1,201,287</u>	<u>-</u>	<u>8,621,037</u>
Less accumulated depreciation	<u>4,125,259</u>	<u>301,540</u>	<u>-</u>	<u>4,426,799</u>
Net governmental capital assets	<u>\$ 3,294,491</u>	<u>\$ 899,747</u>	<u>\$ -</u>	<u>\$ 4,194,238</u>
<b>Business-Type Activities</b>				
Water system	\$ 35,631,288	\$ 746,664	\$ -	\$ 36,377,952
Electric system	5,909,639	206,613	-	6,116,252
Cable TV system	4,607,745	366,354	-	4,974,099
Sewer system	25,202,294	197,858	-	25,400,152
Total capital assets	<u>71,350,966</u>	<u>1,517,489</u>	<u>-</u>	<u>72,868,455</u>
Less accumulated depreciation				
Water system	15,099,981	648,461	-	15,748,442
Electric system	4,342,689	201,382	-	4,544,071
Cable TV system	3,252,402	208,264	-	3,460,666
Sewer system	11,568,451	532,608	-	12,101,059
Total accumulated depreciation	<u>34,263,523</u>	<u>1,590,715</u>	<u>-</u>	<u>35,854,238</u>
Net business-type capital assets	<u>\$ 37,087,443</u>	<u>\$ (73,226)</u>	<u>\$ -</u>	<u>\$ 37,014,217</u>

**NOTE 3: CAPITAL ASSETS- CONTINUED**

Depreciation was charged to following government funds:

Government	\$ 37,780	Water	648,461
Police	19,862	Electric	201,382
Fire	26,538	Cable	208,264
Public works	117,379	Sewer	532,608
Recreation	3,525		
Unallocated	96,456		
	<u>\$ 301,540</u>		<u>\$ 1,590,715</u>

**NOTE 4: RECEIVABLES**

Receivables due the City at year end are as follows:

	<u>Government</u>	<u>Business-type</u>
Property tax	\$ 4,867	\$ -
Motor vehicle tax	11,554	-
Franchise fee	3,466	-
KLEFPF	2,175	-
Safety assessment fee	55,628	-
Insurance premium tax	103,819	-
Customer accounts	-	1,442,120
Total governmental receivables	<u>\$ 181,509</u>	<u>\$ 1,442,120</u>

The City believes all receivables are collectible and, accordingly, no allowance for doubtful accounts has been recorded.

**NOTE 5: LONG-TERM OBLIGATIONS**

Changes in long-term obligations are as follows:

	Balance June 30, 2022	Proceeds	Retirements	Balance June 30, 2023	Amount Due Within One Year	Long Term
<b>Governmental Activities</b>						
Series 2015 TIF Bond	\$ 653,333	\$ -	\$ 40,000	\$ 613,333	\$ 40,000	\$ 573,333
<b>Total governmental activities</b>	<b>\$ 653,333</b>	<b>\$ -</b>	<b>\$ 40,000</b>	<b>\$ 613,333</b>	<b>\$ 40,000</b>	<b>\$ 573,333</b>
<b>Business-Type Activities</b>						
<b>Sewer Fund</b>						
KIA Loan A08-09	\$ 8,741,987	\$ -	\$ 755,685	\$ 7,986,302	\$ 763,261	\$ 7,223,041
Forcht Bank Note	-	100,000	20,934	79,066	32,821	46,245
<b>Total sewer fund</b>	<b>8,741,987</b>	<b>100,000</b>	<b>776,619</b>	<b>8,065,368</b>	<b>796,082</b>	<b>7,269,286</b>
Series 2012 Bonds	\$ 136,250	\$ -	\$ 112,917	\$ 23,333	\$ 23,333	\$ -
KIA Loan F11-02	1,071,486	-	88,007	983,479	89,776	893,703
KIA Loan F13-013	4,836,468	-	264,396	4,572,072	269,043	4,303,029
KLC Waterline Replacemer	79,550	-	28,013	51,537	29,047	22,490
First Security Bank	120,211	-	59,159	61,052	61,052	-
Forcht Bank	48,794	-	30,537	18,257	18,257	-
Truist MGPI Loan	-	158,750	46,993	111,757	52,767	58,990
BBT Series 2017	290,000	-	290,000	-	-	-
Rural Development	4,618,000	-	76,500	4,541,500	79,000	4,462,500
<b>Total utility fund</b>	<b>11,200,759</b>	<b>158,750</b>	<b>996,522</b>	<b>10,362,987</b>	<b>622,275</b>	<b>9,740,712</b>
<b>Total business-type activities</b>	<b>\$ 19,942,746</b>	<b>\$ 258,750</b>	<b>\$ 1,773,141</b>	<b>\$ 18,428,355</b>	<b>\$ 1,418,357</b>	<b>\$ 17,009,998</b>

**NOTE 5: LONG-TERM OBLIGATIONS - CONTINUED**

The minimum obligations of the City at June 30, 2023 for debt service (principal and interest) are as follows:

	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 40,000	\$ 22,152	\$ 1,418,358	\$ 335,368	\$ 1,458,358	\$ 357,520
2025	42,083	20,852	1,329,054	310,269	1,371,137	331,121
2026	45,000	19,484	1,251,083	288,051	1,296,083	307,535
2027	45,000	18,021	1,252,227	268,613	1,297,227	286,634
2028	47,083	16,535	1,269,509	245,357	1,316,592	261,892
2029 - 2033	264,167	5,807	6,622,570	939,687	6,886,737	945,494
2034 - 2038	130,000	8,984	2,237,554	543,296	2,367,554	552,280
2039 - 2043	-	-	680,000	368,972	680,000	368,972
2044 - 2048	-	-	798,000	272,817	798,000	272,817
2049 - 2053	-	-	936,000	160,007	936,000	160,007
2054 - 2058	-	-	634,000	33,854	634,000	33,854
	<u>\$ 613,333</u>	<u>\$ 111,835</u>	<u>\$ 18,428,355</u>	<u>\$ 3,766,291</u>	<u>\$ 19,041,688</u>	<u>\$ 3,878,126</u>

**NOTE 6: COMPENSATED ABSENCES**

City employees earn vacation time based on length of service. Employees cannot opt for cash in lieu of time off. Employees also accrue sick days based on length of service. Sick days are not paid out at retirement or termination. At June 30, 2023, accrued compensated absences are \$119,356.

**NOTE 7: RETIREMENT PLANS**

The City is a participating employer of the County Employees' Retirement System (CERS) or (Plan). Under provision of Kentucky Revised Statue 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 Non-hazardous duty and Hazardous duty covered employee classifications.

**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.

**NOTE 7: RETIREMENT PLANS (CONTINUED)**

For retirement purposes, non-hazardous duty employees are grouped into three tiers based on hire date:

Tier 1	Participation date Unreduced retirement Reduced retirement	Before September 1, 2008 27 years service or 65 years old At least 5 years service and 55 years old, or 25 years service and any age
Tier 2	Participation date Unreduced retirement  Reduced retirement	September 1, 2008 to December 31, 2013 At least 5 years service and 65 years old, or age 57+ with sum of service years plus age equal  At least 10 years service and 60 years old
Tier 3	Participation date Unreduced retirement  Reduced retirement	On or after January 1, 2014 At least 5 years service and 65 years old, or age 57+ with sum of service years plus age equal  Not available

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

Tier 1	Participation date Unreduced retirement  Reduced retirement	Before September 1, 2008 At least one month service and 55 years old, or at least 20 years service at any age  At least 15 years service and 50 years old
Tier 2	Participation date Unreduced retirement  Reduced retirement	September 1, 2008 to December 31, 2013 At least 5 years service and 60 years old, or at least 25 years service at any age  At least 15 years service and 50 years old
Tier 3	Participation date Unreduced retirement  Reduced retirement	On or after January 1, 2014 At least 5 years service and 60 years old, or at least 25 years service at any age  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

**NOTE 6: RETIREMENT PLANS (CONTINUED)**

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.

**Contributions**

*Employees* - For the year ended June 30, 2023 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, 2023 participating employers contributed 23.40% of wages for non-hazardous covered employees and 42.81% of wages for hazardous covered employees. The City made all required contributions for fiscal year.

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

At June 30, 2023, the City reported a liability for its proportionate share of the net pension liability as follows:

Nonhazardous	\$ 4,966,549
Hazardous	2,168,213
<u>Total proportionate share of the net pension liability</u>	<u>\$ 7,134,762</u>

The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of 2022 contributions to the pension plan relative to the 2022 contributions of all participating employers, actuarially determined. The City's proportionate share at June 30, 2022 was:

Nonhazardous	0.0687%
Hazardous	0.0711%

**NOTE 7: RETIREMENT PLANS (CONTINUED)**

For the year ended June 30, 2023, the City recognized pension expense of \$565,721. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Nonhazardous</b>	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 5,310	\$ 44,229	
Change of assumptions	-	-	
Change in investment experience	127,325	-	
Change in proportionate share of contributions	<u>82,111</u>	<u>171,188</u>	
Total deferred resources	214,746	<u>\$ 215,417</u>	<u>\$ (671)</u>
Subsequent contributions	<u>470,139</u>		
Total	<u>\$ 684,885</u>		
<b>Hazardous</b>	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 62,167	\$ -	
Change of assumptions	-	-	
Change in investment experience	50,079	-	
Change in proportionate share of contributions	<u>108,598</u>	<u>64,759</u>	
Total deferred resources	220,844	<u>\$ 64,759</u>	<u>\$ 156,085</u>
Subsequent contributions	<u>242,492</u>		
Total	<u>\$ 463,336</u>		
<b>Total nonhazardous and hazardous</b>	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 67,477	\$ 44,229	
Change of assumptions	-	-	
Change in investment experience	177,404	-	
Change in proportionate share of contributions	<u>190,709</u>	<u>235,947</u>	
Total deferred resources	435,590	<u>\$ 280,176</u>	<u>\$ 155,414</u>
Subsequent contributions	<u>712,631</u>		
Total	<u>\$ 1,148,221</u>		

**NOTE 7: RETIREMENT PLANS (CONTINUED)**

The contributions subsequent to the measurement date of \$559,583 will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. The net deferral of \$155,414 will be recognized as pension expense as follows:

Year Ending June 30	Net Deferral
2024	\$ 44,124
2025	(46,408)
2026	(39,983)
2027	197,681
Total net deferral	<u>\$ 155,414</u>

**Actuarial assumptions**

The total pension liability, net pension liability, and sensitivity information were based on an actuarial valuation date of June 30, 2021. The total pension liability was rolled forward from the valuation date to the plan’s fiscal year ending June 30, 2022, using generally accepted actuarial principles.

There have been no actuarial assumption or method changes since June 30, 2021. Additionally, there have been no plan provision changes that would materially impact the total pension liability since June 30, 2021. The actuarial assumptions are:

Employer fiscal year end	2023
Play year ebd	2022
Actuarial valuation date	June 30, 2020
Actuarial cost method	Entry age normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level percent of pay
Remaining amortization period	30-year closed period at June 30, 2019
Payroll growth rate	2.00%
Investment return	6.25%
Inflation	2.30%
Salary increase - nonhazardous	3.30% - 10.30%
Salary increase - hazardous	3.55% - 19.05%
Phase-in provision	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from P- 2014 mortality improvement scale using a base year of 2019 Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018



**NOTE 7: RETIREMENT PLANS (CONTINUED)**

**Long-term expected rate of return**

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates 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	18.75%	4.50%
Non US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
Core Bonds	13.50%	-0.25%
Fixed income		
Cash	1.00%	-0.75%
Additional categories		
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
	100.00%	

**Discount rate**

The projection of cash flows used to determine the discount rate of 6.25% and 7.10% assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in statute as last amended by House Bill 362 (passed in 2018). The discount rate determination does not use a municipal bond rate. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the KRS plan’s CAFR.

**NOTE 7: RETIREMENT PLANS (CONTINUED)**

**Sensitivity of City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

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

	1% Decrease 5.25%	Current Rate 6.25%	1% Increase 7.25%
Nonhazardous	\$ 6,207,570	\$ 4,966,549	\$ 3,940,122
Hazardous	2,700,864	2,168,213	1,734,402
<b>Total proportionate share of the net pension liability</b>	<b>\$ 8,908,434</b>	<b>\$ 7,134,762</b>	<b>\$ 5,674,524</b>

**Pension plan fiduciary net position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CERS financial report.

**NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**Plan description**

The City’s employees are provide OPEB under provisions of Kentucky Revised Statutes. The Kentucky Retirement Systems (KRS) board administers the CERS Insurance Fund. The CERS Insurance fund is a cost-sharing, multiple-employer defined benefit OPEB plan which provides group health insurance benefits for plan members that are 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. OPEB benefits may be extended to beneficiaries of plan members under certain circumstances. The CERS Insurance Fund is included in a public available financial report that can be viewed at [www.kyret.ky.gov](http://www.kyret.ky.gov).

**Benefits provided**

The CERS Insurance hospital and medical benefits to eligible plan members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. Premium payments are submitted to DEI. The KRS board contracts with Humana to provide health care benefits to the eligible Medicare retirees. The CERS Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

**NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

For health insurance 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 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

**Contributions**

For the year ending June 30, 2023, the employer's contribution was 3.39% to the insurance trust for non-hazardous job classifications and 6.78% for hazardous classifications. Participating employers were required to contribute at an actuarially determined rate. 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. Employees qualifying as Tier 2 or Tier 3 of the CERS plan contribute 1.0% of creditable compensation to an account created for payment of health insurance benefits.

**Implicit Subsidy**

The fully-insured premiums KRS Pays for the Kentucky Employees' Health plan are blended rates based on the combined experience of active and retiree members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit subsidy for the non-Medicare eligible retirees. This implicit subsidy is included in the calculation of the total OPEB liability.

**NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - CONTINUED**

**OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources**

At June 30, 2023, the City reported a liability for its proportionate share of the net OPEB liability as follows:

Nonhazardous	\$ 1,355,626
Hazardous	604,982
<u>Total proportionate share of the net pension liability</u>	<u>\$ 1,960,608</u>

The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on the City's share of contributions to the OPEB plan relative to the contributions of all participating employers, actuarially determined. The City's proportionate share at June 30, 2021 was as follows:

Nonhazardous	0.0687%
Hazardous	0.0710%

For the year ended June 30, 2023, the City recognized OPEB expense of \$331,272. At June 30, 2023 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<b>Nonhazardous</b>	<u>Deferred Outflow</u>	<u>Deferred Inflow</u>	<u>Net Deferral</u>
Change in liability experience	\$ 136,455	\$ 310,877	
Change of assumptions	214,402	176,666	
Change in investment experience	55,022	-	
Change in proportionate share of contributions	40,469	76,663	
Total deferred resources	446,348	<u>\$ 564,206</u>	<u>\$ (117,858)</u>
Subsequent contributions	68,110		
Total	<u>\$ 514,458</u>		

**NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - CONTINUED**

<b>Hazardous</b>	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 13,367	\$ 35,830	
Change of assumptions	100,989	104,095	
Change in investment experience	22,081	-	
Change in proportionate share of contributions	<u>38,826</u>	<u>24,978</u>	
Total deferred resources	175,263	<u>\$ 164,903</u>	<u>\$ 10,360</u>
Subsequent contributions	<u>38,404</u>		
Total	<u>\$ 213,667</u>		
<b>Total nonhazardous and hazardous</b>	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 149,822	\$ 346,707	
Change of assumptions	315,391	280,761	
Change in investment experience	77,103	-	
Change in proportionate share of contributions	<u>79,295</u>	<u>101,641</u>	
Total deferred resources	621,611	<u>\$ 729,109</u>	<u>\$ (107,498)</u>
Subsequent contributions	<u>106,514</u>		
Total	<u>\$ 728,125</u>		

The contributions subsequent to the measurement date of \$106,514 will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. The net deferral of \$(107,498) will be recognized in OPEB expense as follows:

Year Ending June 30	Net Deferral
2024	\$ 1,654
2025	(5,611)
2026	(93,875)
2027	4,041
2028	<u>(13,707)</u>
Total net deferral	<u>\$ (107,498)</u>

**NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - CONTINUED**

**Actuarial Assumptions**

The total OPEB liability, net OPEB liability, and sensitivity as of June 30, 2022 were based on an actuarial valuation date of June 30, 2021. The total OPEB liability was rolled-forward from the valuation date (June 30, 2018) to the plan’s fiscal year ending June 30, 2022, using generally accepted accounting principles.

The actuarial assumptions are:

Employer fiscal year end	2023
Plan year end	2022
Actuarial valuation date	June 30, 2020
Actuarial cost method	Entry age normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level percent of pay
Remaining amortization period	30-year closed period at June 30, 2019
Payroll growth rate	2.00%
Investment return	6.25%
Inflation	2.30%
Salary increase - nonhazardous	3.30% - 10.30%
Salary increase - hazardous	3.55% - 19.05%
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from P- 2014 mortality improvement scale using a base year of 2019
Healthcare trend rates:	
Pre-65	Initial trend starting at 6.40% at January 1, 2022, gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post-65	Initial trend starting at 6.30% at January 1, 2023, gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement. Additionally, Humana provided “Not to Exceed” 2022 Medicare premiums, which were incorporated and resulted in an assumed 2.90% increase in Medicare premiums at January 1, 2022.

**NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - CONTINUED**

**Long-term expected rate of return**

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates 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	18.75%	4.50%
Non US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
Core Bonds	13.50%	-0.25%
Fixed income		
Cash	1.00%	-0.75%
Additional categories		
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
	100.00%	3.96%

**Discount rate**

The projection of cash flows used to determine the discount rate of 5.70% for non-hazardous and 5.61% for hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in statute as last amended by House Bill 362 (passed in 2018). The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.50%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 28, 2019. However, the cost associated with the implicit employer subsidy was not included in the calculation of the KRS' actuarial determined contributions, and any cost associated with the implicit study will not be paid out of KRS' trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the KRS plan's CAFR.

**NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate**

The following table presents the City’s proportionate share of the net pension liability calculated using the discount rate of 5.20% for non-hazardous and 5.20% for hazardous as well as what the City’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease 4.20%	Current Rate 5.20%	1% Increase 6.20%
Nonhazardous	\$ 1,812,256	\$ 1,355,626	\$ 978,145
Hazardous	840,603	604,982	413,612
<b>Total proportionate share of the net pension liability</b>	<b>\$ 2,652,859</b>	<b>\$ 1,960,608</b>	<b>\$ 1,391,757</b>

**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
Nonhazardous	\$ 1,007,878	\$ 1,355,626	\$ 1,773,206
Hazardous	422,451	604,982	827,475
<b>Total proportionate share of the net pension liability</b>	<b>\$ 1,430,329</b>	<b>\$ 1,960,608</b>	<b>\$ 2,600,681</b>

**OPEB plan fiduciary net position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CERS financial report.

**NOTE 8: CONTINGENCIES**

The City is party to various legal proceedings which normally occur in governmental operations. It is neither possible to determine the outcome of these proceedings nor possible to estimate the effects adverse decisions may have on the future expenditures or revenue sources of the City. In the opinion of City management, these legal proceedings are not likely to have a material adverse impact on the accompanying financial statements. Therefore, no provision for any liability that may result upon adjudication of this and similar cases has been made in the accompanying financial statements



**NOTE 9: 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, 2023, 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.

**REQUIRED SUPPLEMENTARY INFORMATION**

City of Williamstown, Kentucky  
 Budgetary Comparison Schedule – General Fund  
 Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance
<b>Revenues</b>				
Property taxes	\$ 1,441,900	\$ 1,441,900	\$ 1,443,351	\$ 1,451
Insurance premium taxes	360,000	394,100	460,883	66,783
Licenses, permits, and fees	577,500	577,500	503,621	(73,879)
Investment income	8,500	8,500	7,717	(783)
Charges for services	469,000	469,000	536,024	67,024
Intergovernmental	121,000	121,000	132,531	11,531
Grants and contributions	1,496,000	1,496,000	315,613	(1,180,387)
TIF Revenue	-	-	317,561	317,561
Other revenue	121,200	121,200	321,076	199,876
<b>Total revenues</b>	<b>4,595,100</b>	<b>4,629,200</b>	<b>4,038,377</b>	<b>(590,823)</b>
<b>Expenditures</b>				
General government	871,900	895,400	890,758	4,642
TIF	-	-	302,284	(302,284)
Public safety - police	1,090,850	1,090,850	927,291	163,559
Public safety - fire	477,150	477,150	410,109	67,041
Public works	706,800	717,400	713,638	3,762
Sanitation	216,000	216,000	236,485	(20,485)
Recreation	17,800	17,800	11,731	6,069
Debt service	-	-	63,335	(63,335)
Capital outlay	2,119,100	2,119,100	1,232,372	886,728
<b>Total expenditures</b>	<b>5,499,600</b>	<b>5,533,700</b>	<b>4,788,003</b>	<b>745,697</b>
<b>Net change in fund balances</b>	<b>(904,500)</b>	<b>(904,500)</b>	<b>(749,626)</b>	
<b>Fund balances - beginning</b>	<b>533,000</b>	<b>533,000</b>	<b>1,089,951</b>	
<b>Fund balances - ending</b>	<b>\$ (371,500)</b>	<b>\$ (371,500)</b>	<b>\$ 340,325</b>	

City of Williamstown, Kentucky  
 Schedule of City's Proportionate Share of the Net OPEB Liability  
 and Contributions - Nonhazardous  
 Year Ended June 30, 2023

**Schedule of City's Proportionate Share of the Net Pension Liability - Nonhazardous**

Year ended June 30	Measurement period June 30	City's proportion of the net pension liability	City's proportionate share of the net pension liability	City's covered payroll	City's proportionate share of the net pension liability as a percentage covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2023	2022	0.0687%	\$ 4,966,549	\$ 1,855,961	267.60%	52.42%
2022	2021	0.0726%	\$ 4,628,246	\$ 1,783,388	259.52%	55.95%
2021	2020	0.0697%	\$ 5,343,861	\$ 1,711,282	312.27%	47.81%
2020	2019	0.0678%	\$ 4,769,319	\$ 1,625,055	293.49%	50.45%
2019	2018	0.0684%	\$ 4,168,266	\$ 1,696,725	245.67%	53.54%
2018	2017	0.0697%	\$ 4,080,399	\$ 1,634,175	249.69%	53.32%
2017	2016	0.0691%	\$ 3,402,527	\$ 1,728,247	196.88%	55.50%
2016	2015	0.0666%	\$ 2,864,451	\$ 1,551,799	184.59%	59.97%
2015	2014	0.0830%	\$ 2,703,458	\$ 1,618,570	167.03%	66.80%

**Schedule of City's Contributions - Nonhazardous**

Year ended June 30	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	City's covered payroll	Contributions as a percentage of covered payroll
2023	\$ 470,139	\$ 470,139	\$ -	\$ 2,009,141	23.40%
2022	\$ 392,907	\$ 392,907	\$ -	\$ 1,855,961	21.17%
2021	\$ 344,194	\$ 344,194	\$ -	\$ 1,783,388	19.30%
2020	\$ 330,277	\$ 330,277	\$ -	\$ 1,711,282	19.30%
2019	\$ 263,584	\$ 263,584	\$ -	\$ 1,625,055	16.22%
2018	\$ 245,685	\$ 245,685	\$ -	\$ 1,696,725	14.48%
2017	\$ 227,967	\$ 227,967	\$ -	\$ 1,634,175	13.95%
2016	\$ 214,648	\$ 214,648	\$ -	\$ 1,728,247	12.42%
2015	\$ 197,584	\$ 197,584	\$ -	\$ 1,551,799	12.73%
2014	\$ 222,391	\$ 222,391	\$ -	\$ 1,618,570	13.74%

**Changes Since Last Actuarial Valuation**

**Benefits**

No changes

**Assumptions**

No material changes

City of Williamstown, Kentucky  
 Schedule of City's Proportionate Share of the Net OPEB Liability  
 and Contributions - Nonhazardous  
 Year Ended June 30, 2023

**Schedule of City's Proportionate Share of the Net Pension Liability - Hazardous**

Year ended June 30	Measurement period June 30	City's proportion of the net pension liability	City's proportionate share of the net pension liability	City's covered payroll	City's proportionate share of the net pension liability as a percentage covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2023	2022	0.0711%	\$ 2,168,213	\$ 510,378	424.82%	52.42%
2022	2021	0.0692%	\$ 1,842,747	\$ 460,772	399.93%	55.95%
2021	2020	0.0738%	\$ 2,223,674	\$ 476,068	467.09%	47.81%
2020	2019	0.0657%	\$ 1,814,524	\$ 413,104	439.24%	50.45%
2019	2018	0.0635%	\$ 1,536,107	\$ 372,472	412.41%	53.54%
2018	2017	0.0614%	\$ 1,373,555	\$ 432,588	317.52%	53.32%
2017	2016	0.0609%	\$ 1,045,084	\$ 387,177	269.92%	55.50%
2016	2015	0.0686%	\$ 1,052,717	\$ 396,397	265.57%	59.97%
2015	2014	0.0836%	\$ 1,004,496	\$ 412,280	243.64%	66.80%

**Schedule of City's Contributions - Hazardous**

Year ended June 30	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	City's covered payroll	Contributions as a percentage of covered payroll
2023	\$ 242,492	\$ 242,492	\$ -	\$ 566,438	42.81%
2022	\$ 172,814	\$ 172,814	\$ -	\$ 510,378	33.86%
2021	\$ 138,508	\$ 138,508	\$ -	\$ 460,772	30.06%
2020	\$ 143,106	\$ 143,106	\$ -	\$ 476,068	30.06%
2019	\$ 102,697	\$ 102,697	\$ -	\$ 413,104	24.86%
2018	\$ 82,688	\$ 82,688	\$ -	\$ 372,472	22.20%
2017	\$ 96,914	\$ 96,914	\$ -	\$ 432,588	22.40%
2016	\$ 78,442	\$ 78,442	\$ -	\$ 387,177	20.26%
2015	\$ 90,973	\$ 90,973	\$ -	\$ 396,397	22.95%
2014	\$ 89,753	\$ 89,753	\$ -	\$ 412,280	21.77%

**Changes Since Last Actuarial Valuation**

**Benefits**

No changes

**Assumptions**

No material changes

City of Williamstown, Kentucky  
 Schedule of City's Proportionate Share of the Net OPEB Liability  
 and Contributions - Nonhazardous  
 Year Ended June 30, 2023

**Schedule of City's Proportionate Share of the Net OPEB Liability - Nonhazardous**

Year ended June 30	Measurement period June 30	City's proportion of the net pension liability	City's proportionate share of the net pension liability	City's covered payroll	City's proportionate share of the net pension liability as a percentage covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2023	2022	0.0690%	\$ 1,355,626	\$ 1,855,952	73.04%	52.42%
2022	2021	0.0726%	\$ 1,389,393	\$ 1,783,388	77.91%	55.95%
2021	2020	0.0678%	\$ 1,681,884	\$ 1,711,282	98.28%	47.81%
2020	2019	0.0678%	\$ 1,140,567	\$ 1,625,055	70.19%	50.45%
2019	2018	0.0684%	\$ 1,215,103	\$ 1,696,725	71.61%	53.54%
2018	2017	0.0697%	\$ 1,401,430	\$ 1,634,175	85.76%	53.32%

**Schedule of City's Contributions - Nonhazardous**

Year ended June 30	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	City's covered payroll	Contributions as a percentage of covered payroll
2023	\$ 68,110	\$ 68,110	\$ -	\$ 2,009,141	3.39%
2022	\$ 107,274	\$ 107,274	\$ -	\$ 1,855,952	5.78%
2021	\$ 84,889	\$ 84,889	\$ -	\$ 1,783,388	4.76%
2020	\$ 81,457	\$ 81,457	\$ -	\$ 1,711,282	4.76%
2019	\$ 85,477	\$ 85,477	\$ -	\$ 1,625,055	5.26%
2018	\$ 79,746	\$ 79,746	\$ -	\$ 1,696,725	4.70%
2017	\$ 77,296	\$ 77,296	\$ -	\$ 1,634,175	4.73%

**Changes Since Last Actuarial Valuation**

**Benefits**

No changes

**Assumptions**

No material changes

City of Williamstown, Kentucky  
 Schedule of City's Proportionate Share of the Net OPEB Liability  
 and Contributions - Hazardous  
 Year Ended June 30, 2023

**Schedule of City's Proportionate Share of the Net OPEB Liability - Hazardous**

Year ended June 30	Measurement period June 30	City's proportion of the net pension liability	City's proportionate share of the net pension liability	City's covered payroll	City's proportionate share of the net pension liability as a percentage covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2023	2022	0.0703%	\$ 604,981	\$ 510,372	118.54%	52.42%
2022	2021	0.0699%	\$ 559,685	\$ 460,772	121.47%	55.95%
2021	2020	0.0737%	\$ 681,343	\$ 476,068	143.12%	47.81%
2020	2019	0.0657%	\$ 485,910	\$ 413,104	117.62%	50.45%
2019	2018	0.0635%	\$ 452,872	\$ 372,472	121.59%	53.54%
2018	2017	0.0614%	\$ 507,527	\$ 432,588	117.32%	53.32%

**Schedule of City's Contributions - Hazardous**

Year ended June 30	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	City's covered payroll	Contributions as a percentage of covered payroll
2023	\$ 38,404	\$ 38,404	\$ -	\$ 566,438	6.78%
2022	\$ 53,436	\$ 53,436	\$ -	\$ 510,372	10.47%
2021	\$ 43,865	\$ 43,865	\$ -	\$ 460,772	9.52%
2020	\$ 45,321	\$ 45,321	\$ -	\$ 476,068	9.52%
2019	\$ 43,264	\$ 43,264	\$ -	\$ 413,104	10.47%
2018	\$ 34,826	\$ 34,826	\$ -	\$ 372,472	9.35%
2017	\$ 40,447	\$ 40,447	\$ -	\$ 432,588	9.35%

**Changes Since Last Actuarial Valuation**

**Benefits**

No changes

**Assumptions**

No material changes



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*

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Honorable Mayor  
and Members of 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 and each major fund of the City of Williamstown, Kentucky (City) as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the City basic financial statements and have issued our report thereon dated January 30, 2024.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the 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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's District'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 preceding paragraph 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 the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### **Purpose of this Report**



Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on and Audit of Financial  
Statements Performed in Accordance with *Government Auditing Standards*

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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.**

Fort Thomas, Kentucky

January 30, 2024