

CITY OF WILLIAMSTOWN, KENTUCKY

JUNE 30, 2009

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

**CITY OF WILLIAMSTOWN, KENTUCKY
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INDEPENDENT AUDITORS' REPORT

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

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 as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Williamstown, Kentucky, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 19, 2010 on our consideration of the City of Williamstown, Kentucky's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 1 through 6 and page 13, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Williamstown, Kentucky's basic financial statements. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements taken as a whole.

VonLehman & Company Inc.

Fort Mitchell, Kentucky
January 19, 2010

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**CITY OF WILLIAMSTOWN, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED**

As management of the City of Williamstown, Kentucky (City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2009 are as follows.

- In total, net assets increased \$876,000. Net assets of governmental activities decreased \$100,000, which represents a 2.8 percent decrease from fiscal year 2008. Net assets of the business-type activities, increased \$976,000 or 10.1 percent from fiscal year 2008.
- Governmental activities general revenues accounted for \$1.6 million in revenue or 80.3 percent of all governmental activity revenues. Program specific revenues, in the form of charges for services and sales, grants, and contributions, accounted for \$381,000 or 19.7 percent of total governmental activity revenues.
- The City had \$2.0 million in expenses related to governmental activities, only \$381,000 of these expenses were offset by program specific charges for services and sales, grants, and contributions. General revenues (primarily property taxes and grants and entitlements) of \$1.6 million were adequate to provide for these programs.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

The government-wide financial statements can be found on pages 7 and 8 of this report.

**CITY OF WILLIAMSTOWN, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED
(Continued)**

Fund Financial Statements

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

The basic governmental fund financial statements can be found on pages 9 through 12 and the proprietary funds financial statements are found on pages 14 through 16 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 through 26 of this report.

Government-Wide Financial Analysis

The perspective of the statement of net assets is of the City as a whole. Table 1 provides a summary of the City's net assets for 2009 compared to 2008:

**Table 1
Net Assets
(In Thousands)**

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Assets						
Current and Other Assets	\$ 469	\$ 455	\$ 3,170	\$ 2,373	\$ 3,639	\$ 2,828
Capital Assets, Net	<u>3,330</u>	<u>3,404</u>	<u>11,533</u>	<u>11,564</u>	<u>14,863</u>	<u>14,968</u>
Total Assets	<u>3,799</u>	<u>3,859</u>	<u>14,703</u>	<u>13,937</u>	<u>18,502</u>	<u>17,796</u>
Liabilities						
Current and Other Liabilities	323	283	1,561	1,639	1,884	1,922
Long-Term Liabilities	<u>-</u>	<u>-</u>	<u>2,549</u>	<u>2,681</u>	<u>2,549</u>	<u>2,681</u>
Total Liabilities	<u>323</u>	<u>283</u>	<u>4,110</u>	<u>4,320</u>	<u>4,433</u>	<u>4,603</u>
Net Assets						
Invested in Capital Assets						
Net of Related Debt	3,330	3,404	8,718	8,631	12,048	12,035
Reserved	60	65	333	293	393	358
Unrestricted	<u>86</u>	<u>107</u>	<u>1,542</u>	<u>693</u>	<u>1,628</u>	<u>800</u>
Total Net Assets	<u>\$ 3,476</u>	<u>\$ 3,576</u>	<u>\$ 10,593</u>	<u>\$ 9,617</u>	<u>\$ 14,069</u>	<u>\$ 13,193</u>

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$14.1 million as of June 30, 2009.

CITY OF WILLIAMSTOWN, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED
(Continued)

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

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

Total assets increased \$707,000, current assets increased \$812,000, and capital assets decreased by \$105,000. These changes are combined with a decrease in accounts payable and other current liabilities of \$38,000 and a decrease in long term debt payable of \$131,000 resulting in an increase in net assets of \$876,000.

Net assets of the City's governmental activities decreased \$100,000. The net assets of the City's business-type activities increased \$976,000.

Table 2 reflects the change in net assets for fiscal year 2009

Table 2
Change in Net Assets
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues						
Program Revenues						
Charges for Services	\$ 152	\$ 154	\$ 8,426	\$ 6,888	\$ 8,578	\$ 7,042
Operating Capital Grants and Contributions	229	250	468	100	697	350
Total Program Revenues	381	404	8,894	6,988	9,275	7,392
General Revenues						
Property Taxes	692	672	-	-	692	672
Licenses and Permits	365	363	-	-	365	363
Interest	2	8	9	8	11	16
Transfers	416	434	(416)	(434)	-	-
Other Revenues	81	171	142	79	223	250
Total General Revenues	1,556	1,648	(265)	(347)	1,291	1,301
Total Revenues	1,937	2,052	8,629	6,641	10,566	8,693

(Continued)

CITY OF WILLIAMSTOWN, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED
(Continued)

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

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Program Expenses						
General Government	\$ 414	\$ 431	\$ -	\$ -	\$ 414	\$ 431
Police	703	625	-	-	703	625
Fire	156	134	-	-	156	134
Streets	380	341	-	-	380	341
Cemetery	28	30	-	-	28	30
Sanitation	113	121	-	-	113	121
Recreation	7	11	-	-	7	11
Main Street	29	31	-	-	29	31
Maintenance and Repairs	15	51	-	-	15	51
Utility Operation	-	-	6,683	6,049	6,683	6,049
Sewer Operation	-	-	971	901	971	901
Depreciation	<u>192</u>	<u>182</u>	<u>-</u>	<u>-</u>	<u>192</u>	<u>182</u>
Total Expenses	<u>2,037</u>	<u>1,957</u>	<u>7,654</u>	<u>6,950</u>	<u>9,691</u>	<u>8,907</u>
(Decrease) Increase in Net Assets	\$ <u>(100)</u>	\$ <u>95</u>	\$ <u>975</u>	\$ <u>(309)</u>	\$ <u>875</u>	\$ <u>(214)</u>

**- CITY OF WILLIAMSTOWN, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED
(Continued)**

Governmental Activities

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

**Table 3
Governmental Activities
(In Thousands)**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
General Government				
Police	\$ 414	\$ 431	\$ 414	\$ 431
Fire	703	625	543	475
Streets	156	134	152	130
Cemetery	380	341	315	245
Sanitation	28	30	(5)	(12)
Recreation	113	121	(6)	9
Main Street	7	11	7	11
Maintenance and Repairs	29	31	29	31
Depreciation	15	51	15	51
	<u>192</u>	<u>182</u>	<u>192</u>	<u>182</u>
Total Expenses	<u>\$ 2,037</u>	<u>\$ 1,957</u>	<u>\$ 1,656</u>	<u>\$ 1,533</u>

Business-Type Activities

The business-type activities of the City consisted of the utility and sewer enterprise funds. These activities had revenues of \$9.0 million and expenses and transfers of \$8.1 million for fiscal year 2009. Total revenues increased \$2.0 million and expenses and transfers increased \$685,000 million from the prior fiscal year.

The City's Funds

The City's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$1.9 million and expenditures and other financing uses of \$2.0 million.

General Fund Budgeting Highlights

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

For the General Fund, budgeted revenues and other financing sources, in the amount of \$2.3 million, exceeded actual revenues and other financing sources in the amount of \$396,000. The major difference comes from the difference in other financing sources.

Expenditures and other financing uses were budgeted at \$2.4 million while actual expenditures were \$2.0 million.

General Fund revenues and other financing sources were less than expenditures and other financing uses by \$23,000.

**CITY OF WILLIAMSTOWN, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED
(Continued)**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2009 the City had \$14.9 million invested in capital assets.

Table 4 reflects fiscal year 2009 balances compared to fiscal year 2008

**Table 4
Capital Assets at June 30
(Net of Depreciation, In Thousands)**

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land and Construction In Progress	\$ 533	\$ 533	\$ 348	\$ 196	\$ 881	\$ 729
Buildings and Building Improvements	1,847	1,909	-	-	1,847	1,909
Infrastructure	540	507	-	-	540	507
Furniture and Fixtures	19	24	-	-	19	24
General Equipment	391	431	-	-	391	431
Water System	-	-	5,515	5,641	5,515	5,641
Electric System	-	-	993	965	993	965
Cable T.V. System	-	-	2,353	2,202	2,353	2,202
Sewer System	-	-	2,324	2,560	2,324	2,560
	<u>\$ 3,330</u>	<u>\$ 3,404</u>	<u>\$ 11,533</u>	<u>\$ 11,564</u>	<u>\$ 14,863</u>	<u>\$ 14,968</u>

Debt

At June 30, 2009 the City had \$2.8 million in outstanding bonds and notes payable.

Current Issues

The construction of a new Wastewater Treatment Plant is planned for the future as well as the Railroad Bridge Construction Project.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the City's finances and to reflect the City's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to Vivian Link, the Clerk/Treasurer, City of Williamstown, 400 North Main Street, P.O. Box 147, Williamstown, Kentucky 41097.

CITY OF WILLIAMSTOWN, KENTUCKY
STATEMENT OF NET ASSETS
June 30, 2009

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 249,125	\$ 295,749	\$ 544,874
Accounts Receivable			
Property Taxes	18,695	-	18,695
Accounts	95,897	1,576,452	1,672,349
Intergovernmental	2,342	-	2,342
Accrued Interest Receivable	28	10,297	10,325
Bond Issuance Costs (Net of Accumulated Amortization of \$41,419)	-	71,873	71,873
Due from Other Funds	103,302	883,295	986,597
Reserved Assets - Cash	-	332,776	332,776
Total Current Assets	<u>469,389</u>	<u>3,170,442</u>	<u>3,639,831</u>
Capital Assets			
Land and Construction in Progress	532,769	347,635	880,404
Depreciable Capital Assets	3,755,230	27,030,419	30,785,649
Less Accumulated Depreciation	(957,959)	(15,845,058)	(16,803,017)
Total Capital Assets	<u>3,330,040</u>	<u>11,532,996</u>	<u>14,863,036</u>
Total Assets	<u>3,799,429</u>	<u>14,703,438</u>	<u>18,502,867</u>
Liabilities			
Current Liabilities			
Accounts Payable	122,554	294,864	417,418
Other Current Liabilities	27,951	44,270	72,221
Due to Other Funds	145,679	840,918	986,597
Customer Deposits	-	67,400	67,400
Accrued Interest Payable	-	9,364	9,364
Compensated Absences Payable	27,452	39,127	66,579
Current Portion of Bonds Payable	-	205,000	205,000
Current Portion of Notes Payable	-	60,072	60,072
Total Current Liabilities	<u>323,636</u>	<u>1,561,015</u>	<u>1,884,651</u>
Long-Term Liabilities			
Bonds Payable - Long-Term Portion	-	2,249,497	2,249,497
Notes Payable - Long-Term Portion	-	300,102	300,102
Total Long-Term Liabilities	<u>-</u>	<u>2,549,599</u>	<u>2,549,599</u>
Total Liabilities	<u>323,636</u>	<u>4,110,614</u>	<u>4,434,250</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	3,330,040	8,718,325	12,048,365
Reserved for Debt Service	-	332,776	332,776
Unreserved	85,775	1,541,723	1,627,498
Fund Balances			
Reserved for Municipal Aid	53,970	-	53,970
Reserved for LGEA	6,008	-	6,008
Total Net Assets	<u>\$ 3,475,793</u>	<u>\$ 10,592,824</u>	<u>\$ 14,068,617</u>

See accompanying notes

CITY OF WILLIAMSTOWN, KENTUCKY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

Functions/Programs	Program Revenue			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
Primary Government						
General Government						
Police	\$ 413,594	\$ -	\$ -	\$ -	\$ (413,594)	\$ -
Fire	702,912	-	160,101	-	(542,811)	-
Streets	156,193	-	4,360	-	(151,833)	-
Cemetery	379,521	-	64,395	-	(315,126)	-
Sanitation	27,701	32,721	-	-	5,020	-
Recreation	113,315	119,056	-	-	5,741	-
Main Street	6,925	-	-	-	(6,925)	-
Maintenance and Repairs	29,355	-	-	-	(29,355)	-
Depreciation	14,746	-	-	-	(14,746)	-
	192,200	-	-	-	(192,200)	-
Total Governmental Activities	2,036,462	151,777	228,856	-	(1,655,829)	(1,655,829)
Business-Type Activities						
Utility Fund	6,682,546	7,758,924	-	154,804	-	1,231,182
Sewer Fund	970,696	667,158	-	313,305	-	9,765
Total Business-Type Activities	7,653,242	8,426,080	-	468,109	-	1,240,947
Total Government	\$ 9,689,704	\$ 8,577,857	\$ 228,856	\$ 468,109	(1,655,829)	(414,882)
Property Taxes Levied for General Purposes					691,524	691,524
Licenses and Permits					365,397	365,397
Unrestricted Investment Earnings					2,366	8,720
Miscellaneous					80,647	142,118
Operating Transfers					415,980	(415,980)
Total General Revenues					1,555,914	(265,142)
Change in Net Assets					(98,915)	975,805
Net Assets July 1, 2008					3,575,708	9,617,019
Net Assets June 30, 2009					\$ 3,475,793	\$ 10,592,824
					\$	\$ 14,068,617

See accompanying notes.

CITY OF WILLIAMSTOWN, KENTUCKY

BALANCE SHEET

GOVERNMENTAL FUND

June 30, 2009

	<u>General Fund</u>
Assets	
Cash and Cash Equivalents	\$ 249,125
Accounts Receivable	
Property Taxes	18,695
Accounts	95,897
Intergovernmental	2,342
Accrued Interest Receivable	28
Due from Other Funds	<u>103,302</u>
Total Assets	<u>\$ 469,389</u>
Liabilities and Fund Balances	
Liabilities	
Accounts Payable	\$ 122,554
Other Accrued Liabilities	27,951
Due to Other Funds	145,679
Deferred Revenue	<u>18,695</u>
Total Liabilities	<u>314,879</u>
Fund Balances	
Reserved for	
Municipal Aid	53,970
LGEA	6,008
Unreserved	<u>94,532</u>
Total Fund Balances	<u>154,510</u>
Total Liabilities and Fund Balances	<u>\$ 469,389</u>

See accompanying notes.

CITY OF WILLIAMSTOWN, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND TO
THE STATEMENT OF NET ASSETS
June 30, 2009

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total Fund Balances - Governmental Fund		\$ 154,510
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental fund.		
Cost of Capital Assets	\$ 4,287,999	
Accumulated Depreciation	<u>(957,959)</u>	
		3,330,040
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		
		18,695
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in governmental funds.		
		<u>(27,452)</u>
Total Net Assets - Governmental Activities		\$ <u>3,475,793</u>

See accompanying notes

CITY OF WILLIAMSTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
Year Ended June 30, 2009

	<u>General Fund</u>
Revenues	
Property Taxes	\$ 695,728
Licenses and Permits	365,397
Grants and Contributions	260,825
Charges for Services	<u>151,777</u>
Total Revenues	<u>1,473,727</u>
Expenditures	
General Government	413,994
Police	714,959
Fire	157,133
Streets	448,421
Cemetery	27,701
Sanitation	113,315
Recreation	6,925
Main Street	29,355
Maintenance and Capital Outlay	<u>51,976</u>
Total Expenditures	<u>1,963,779</u>
Deficit of Revenues Over Expenditures	<u>(490,052)</u>
Other Financing Sources	
Interest	2,366
Other	48,678
Operating Transfers In	<u>415,980</u>
Total Other Financing Sources	<u>467,024</u>
Deficit of Revenues and Other Financing Sources Over Expenditures and Other Financing Sources	(23,028)
Fund Balance July 1, 2008	<u>177,538</u>
Fund Balance June 30, 2009	<u>\$ 154,510</u>

See accompanying notes

CITY OF WILLIAMSTOWN, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND TO
THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Change in Fund Balances - Total Governmental Fund **\$ (23,028)**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the current period.

Depreciation Expense	\$ (192,200)	
Capital Outlay	117,886	
	(74,314)	(74,314)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. (4,204)

In the Statement of Activities, compensated absences (accrued vacation and sick) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The additional expense reported in the statement of activities is a result of the change in long-term accumulated vacation and sick leave. 1,631

Change in Net Assets - Governmental Activities **\$ (99,915)**

See accompanying notes.

CITY OF WILLIAMSTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2009

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$ 610,000	\$ 610,000	\$ 695,728	\$ 85,728
Licenses and Permits	347,000	347,000	365,397	18,397
Grants and Contributions	263,500	295,470	260,825	(34,645)
Charges for Services	149,000	149,000	151,777	2,777
Total Revenues	<u>1,369,500</u>	<u>1,401,470</u>	<u>1,473,727</u>	<u>72,257</u>
Expenditures				
General Government	416,300	416,300	413,994	2,306
Police	764,800	764,800	714,959	49,841
Fire	171,600	171,600	157,133	14,467
Streets	435,050	430,550	448,421	(17,871)
Cemetery	31,000	35,500	27,701	7,799
Sanitation	113,000	113,000	113,315	(315)
Recreation	15,300	15,300	6,925	8,375
Main Street	36,150	36,150	29,355	6,795
Maintenance and Capital Outlay	418,700	454,670	51,976	402,694
Total Expenditures	<u>2,401,900</u>	<u>2,437,870</u>	<u>1,963,779</u>	<u>474,091</u>
(Deficit) Excess of Revenues Over Expenditures	<u>(1,032,400)</u>	<u>(1,036,400)</u>	<u>(490,052)</u>	<u>546,348</u>
Other Financing Sources				
Interest	2,000	2,000	2,366	366
Other	33,100	33,100	48,678	15,578
Operating Transfers In (Out)	900,000	900,000	415,980	(484,020)
Total Other Financing Sources and (Uses)	<u>935,100</u>	<u>935,100</u>	<u>467,024</u>	<u>(468,076)</u>
(Deficit) Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>(97,300)</u>	<u>(101,300)</u>	<u>(23,028)</u>	<u>78,272</u>
Fund Balance July 1, 2008	<u>177,538</u>	<u>177,538</u>	<u>177,538</u>	<u>-</u>
Fund Balance June 30, 2009	<u>\$ 80,238</u>	<u>\$ 76,238</u>	<u>\$ 154,510</u>	<u>\$ 78,272</u>

See accompanying notes.

CITY OF WILLIAMSTOWN, KENTUCKY

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

June 30, 2009

	Business-Type Activities		
	Enterprise Funds		Total
	Utility Fund	Sewer Fund	
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 195,121	\$ 100,628	\$ 295,749
Reserved Cash	332,776	-	332,776
Total Cash	527,897	100,628	628,525
Accounts Receivable			
Customers	1,351,076	133,013	1,484,089
Other Receivables	-	92,363	92,363
Accrued Interest Receivable	10,297	-	10,297
Due from Other Funds	704,466	178,829	883,295
Bond Issuance Costs (Net of Accumulated Amortization of \$41,419)	71,873	-	71,873
Total Current Assets	2,665,609	504,833	3,170,442
Capital Assets			
Construction in Progress	-	347,635	347,635
Depreciable Capital Assets	19,121,529	7,908,890	27,030,419
Less Accumulated Depreciation	(10,260,112)	(5,584,946)	(15,845,058)
Total Capital Assets	8,861,417	2,671,579	11,532,996
Total Assets	11,527,026	3,176,412	14,703,438
Liabilities			
Current Liabilities			
Accounts Payable	222,595	72,269	294,864
Other Current Liabilities	39,613	4,657	44,270
Due to Other Funds	272,473	568,445	840,918
Customer Deposits	67,400	-	67,400
Accrued Interest Payable	9,364	-	9,364
Compensated Absences Payable	34,435	4,692	39,127
Current Portion of Bonds Payable	205,000	-	205,000
Current Portion of Notes Payable	60,072	-	60,072
Total Current Liabilities	910,952	650,063	1,561,015
Long-Term Liabilities			
Bonds Payable	2,249,497	-	2,249,497
Notes Payable	300,102	-	300,102
Total Long-Term Liabilities	2,549,599	-	2,549,599
Total Liabilities	3,460,551	650,063	4,110,614
Net Assets			
Invested in Capital Assets, Net of Related Debt	6,046,746	2,671,579	8,718,325
Reserved for Debt Service	332,776	-	332,776
Unreserved	1,686,953	(145,230)	1,541,723
Total Net Assets	\$ 8,066,475	\$ 2,526,349	\$ 10,592,824

See accompanying notes.

CITY OF WILLIAMSTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2009

	Business-Type Activities		
	Enterprise Funds		
	Utility Fund	Sewer Fund	Total
Operating Revenues			
Charges for Services			
Electric Services	\$ 5,528,231	\$ -	\$ 5,528,231
Water Services	1,437,099	-	1,437,099
Cable TV Services	793,594	-	793,594
Sewer Services	-	667,156	667,156
Other Operating Revenues	45,570	96,548	142,118
Total Operating Revenues	<u>7,804,494</u>	<u>763,704</u>	<u>8,568,198</u>
Operating Expenses			
Personnel Services	1,276,986	292,406	1,569,392
Contractual Services	4,382,518	383,777	4,766,295
Materials and Supplies	232,191	35,627	267,818
Depreciation and Amortization	666,977	236,350	903,327
Miscellaneous	10,656	(1,094)	9,562
Total Operating Expenses	<u>6,569,328</u>	<u>947,066</u>	<u>7,516,394</u>
Operating Income (Loss)	<u>1,235,166</u>	<u>(183,362)</u>	<u>1,051,804</u>
Other Income (Expense)			
Interest Income	8,508	212	8,720
Capital Grants and Contributions	154,804	313,305	468,109
Interest Expense	(113,218)	(23,630)	(136,848)
Fund Transfer Out	(415,980)	-	(415,980)
Total Other (Expense) Income	<u>(365,886)</u>	<u>289,887</u>	<u>(75,999)</u>
Change in Net Assets	869,280	106,525	975,805
Net Assets July 1, 2008	<u>7,197,195</u>	<u>2,419,824</u>	<u>9,617,019</u>
Net Assets June 30, 2009	<u>\$ 8,066,475</u>	<u>\$ 2,526,349</u>	<u>\$ 10,592,824</u>

See accompanying notes

CITY OF WILLIAMSTOWN, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2009

	Business-Type Activities Enterprise Funds		
	Utility Fund	Sewer Fund	Total
Cash Flows From Operating Activities			
Cash Received from Customers	\$ 7,399,374	\$ 644,195	\$ 8,043,569
Cash Paid to/for			
Employees	(1,281,434)	(299,127)	(1,580,561)
Contractual Services	(4,382,518)	(383,777)	(4,766,295)
Supplies	(457,268)	(6,763)	(464,031)
Net Cash Provided (Used) by Operating Activities	1,278,154	(45,472)	1,232,682
Cash Flows from Non-Capital Financing Activities			
Fund Transfer Out	(341,388)	(81,778)	(423,166)
Cash Flows from Capital and Related Financing Activities			
Payments on Bonds Payable	(186,542)	-	(186,542)
Proceeds from Notes Payable	129,563	-	129,563
Payments on Notes Payable	(57,460)	-	(57,460)
Interest Expense	(118,008)	(23,630)	(141,638)
Acquisition of Capital Assets	(713,006)	(151,583)	(864,589)
Net Cash Used by Capital and Related Financing Activities	(945,453)	(175,213)	(1,120,666)
Cash Flows from Investing Activities			
Interest Income	3,100	212	3,312
Net Change in Cash	149,217	11,054	160,271
Cash and Cash Equivalents July 1, 2008	378,680	89,574	468,254
Cash and Cash Equivalents June 30, 2009	\$ 527,897	\$ 100,628	\$ 628,525
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ 1,235,166	\$ (183,362)	\$ 1,051,804
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities			
Depreciation and Amortization	666,977	236,350	903,327
Change in Assets and Liabilities			
Accounts Receivable	(398,543)	(119,509)	(518,052)
Accounts Payable	(214,421)	27,770	(186,651)
Other Current Liabilities	(4,448)	(6,721)	(11,169)
Customer Deposits	(6,577)	-	(6,577)
Net Cash Provided (Used) by Operating Activities	\$ 1,278,154	\$ (45,472)	\$ 1,232,682

The City had no non-cash financing and investing transactions during the year.

See accompanying notes

**CITY OF WILLIAMSTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 – ACCOUNTING POLICIES

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

The Reporting Entity

The City, for financial purposes, includes all of the funds relevant to the operations of the City of Williamstown. As required by U.S. generally accepted accounting principles, these financial statements present the primary government. The City has no component units or entities for which the government is considered to be financially accountable.

The City of Williamstown is a Charter City in which citizens elect the mayor at large and six council members.

Use of Estimates

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

Government-Wide Financial Statements – The statement of net assets 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 government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide 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 – Fund financial statements report detailed information about the City. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

NOTE 1 – ACCOUNTING POLICIES (Continued)

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

The City has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the main operating fund of the City. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use. This is a major fund of the City.

II. Proprietary Fund Types (Enterprise Fund)

- (A) The Utility Fund is used to account for utility service activities. The Utility Fund is a major fund.
- (B) The Sewer Fund is used to account for sewer service activities. The Sewer Fund is a major fund.

The City applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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 use the accrual basis of accounting.

Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and 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.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, and grants. On an 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 a modified accrual basis, revenues from non-exchange transactions must also be available before they can be recognized.

Expenses are recognized at the time they are incurred.

NOTE 1 – ACCOUNTING POLICIES (Continued)

The measurement focus of governmental fund accounting is on 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.

Budgets

Budgets are adopted on a basis consistent with U S generally accepted accounting principles. Annually appropriated budgets are adopted for all government funds. All annual appropriations continue in effect until a new budget is adopted.

Stewardship, Compliance and Accountability

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 assets, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in both the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of one thousand dollars 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.

NOTE 1 – ACCOUNTING POLICIES (Continued)

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. 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

Restricted Assets

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

Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

Employees accrue unused accumulated sick leave up to a maximum of 960 hours. Under the City's policy, employees can utilize sick leave only when sick or upon retirement. Since the employees' accumulating rights to receive compensation for unused accumulated sick leave are contingent upon the absences being caused by illnesses or retirement and such amounts cannot be reasonably estimated, a liability for unused sick leave is not recorded in the financial statements.

Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Advertising

All advertising costs are expensed to operations when incurred.

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, 2009, \$200,000 of the City's deposits are insured by the FDIC, and \$682,639 of the City's deposits are collateralized with securities held by the pledging institution's trust department or agent, but not in the City's name. As of June 30, 2009, the City did not have any deposits in excess of insured and/or collateralized amounts.

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 RECEIVABLE

Property taxes attached as an enforceable lien on property as of January 1, 2008. Taxes were levied in August, 2008, and were due and payable at that time. All unpaid taxes levied in August become delinquent January 1 of the following year.

A deferred revenue account is established for delinquent taxes to the extent that their collectability is improbable.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable 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. Based on these criteria, the City has estimated no allowance for doubtful accounts at June 30, 2009 because it expects no material losses.

NOTE 5 - PROPERTY AND EQUIPMENT

Capital Asset activity for the fiscal year ended June 30, 2009 was as follows.

	Balance July 1, 2008	Additions	Disposals	Balance June 30, 2009
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 532,769	\$ -	\$ -	\$ 532,769
Depreciable Capital Assets				
Street Improvements	603,541	69,275	-	672,816
Building and Building Improvements	2,226,521	1,629	-	2,228,150
Furniture and Fixtures	44,287	-	-	44,287
General Equipment	762,995	46,982	-	809,977
Total Depreciable Capital Assets	3,637,344	117,886	-	3,755,230
Total Capital Assets at Historical Cost	4,170,113	117,886	-	4,287,999
Less. Accumulated Depreciation				
Street Improvements	95,840	36,904	-	132,744
Building Improvements	317,017	63,965	-	380,982
Furniture and Fixtures	20,689	4,336	-	25,025
General Equipment	332,213	86,995	-	419,208
Total Accumulated Depreciation	765,759	192,200	-	957,959
Depreciable Capital Assets, Net	2,871,585	(74,314)	-	2,797,271
Governmental Activities Capital Assets, Net	\$ 3,404,354	\$ (74,314)	\$ -	\$ 3,330,040
Business-Type Activities				
Capital Assets Not Being Depreciated				
Construction in Progress	\$ 196,051	\$ 151,584	\$ -	\$ 347,635
Depreciable Capital Assets				
Water System	12,149,850	310,109	-	12,459,959
Electric System	3,278,801	120,061	-	3,398,862
Cable TV System	2,979,873	282,835	-	3,262,708
Sewer System	7,908,890	-	-	7,908,890
Total Depreciable Capital Assets	26,317,414	713,005	-	27,030,419
Total Capital Assets at Historical Cost	26,513,465	864,589	-	27,378,054
Less. Accumulated Depreciation				
Water System	6,508,549	435,769	-	6,944,318
Electric System	2,314,086	91,712	-	2,405,798
Cable TV System	777,873	132,123	-	909,996
Sewer System	5,348,596	236,350	-	5,584,946
Total Accumulated Depreciation	14,949,104	895,954	-	15,845,058
Depreciable Capital Assets, Net	11,368,310	(182,949)	-	11,185,361
Business-Type Activities Capital Assets, Net	\$11,564,361	\$ (31,365)	\$ -	\$11,532,996

NOTE 5 – PROPERTY AND EQUIPMENT (Continued)

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 6 – NOTES/BONDS PAYABLE**Utility System Revenue Refunding Bonds, Series 2003**

The City issued \$1,345,000 of "Water Revenue Bonds" dated June, 1993 bearing interest rates varying from 3.05% to 5.80% to finance the construction of the water system.

On March 1, 2004, the City issued utility revenue refunding bonds of \$1,075,000, with interest rates varying from 1.875% to 4.100% to advance refund the 1993 water revenue bonds. The new issue redeemed the outstanding 1993 bonds maturing after June 1, 2005 in the principal amount of \$930,000 on June 1, 2004 at the redemption price of 102%.

The outstanding balance at June 30, 2009 is \$435,000, payments on which are due June 1 of each year through 2013. The City incurred deferred refunding costs in the amount of \$42,288, which were capitalized and netted against the outstanding balance of the bonds. The deferred refunding costs are being written off over 10 years as a component of interest expense.

Utility System Revenue Refunding Bonds, Series 2004

On July 1, 2004, the City issued Utility Revenue Refunding Bonds of \$2,490,000, with interest rates varying from 2.0% to 5.0%.

The Outstanding balance at June 30, 2009 is \$2,035,000, payments on which are due June 1, of each year through 2024.

The bonds may be called prior to maturity at dates and redemption premiums specified in each issue. Assuming no issues are called prior to maturity, the minimum obligations of the City at June 30, 2009 for debt service, (principal and interest) are as follows:

Fiscal Years Ending June 30,	Bonds		
	Principal	Interest	Total
2010	\$ 205,000	\$ 112,368	\$ 317,368
2011	210,000	104,830	314,830
2012	215,000	96,640	311,640
2013	225,000	88,040	313,040
2014	115,000	78,930	193,930
2015	120,000	74,100	194,100
2016	125,000	69,000	194,000
2017	130,000	62,750	192,750
2018	140,000	56,250	196,250

(Continued)

NOTE 6 – NOTES/BONDS PAYABLE (Continued)

Fiscal Years Ending June 30.	Bonds		
	Principal	Interest	Total
2019	\$ 145,000	49,250	194,250
2020	150,000	42,000	192,000
2021	160,000	34,500	194,500
2022	170,000	26,500	196,500
2023	175,000	18,000	193,000
2024	<u>185,000</u>	<u>8,890</u>	<u>193,890</u>
Totals	2,470,000	\$ <u>922,048</u>	\$ <u>3,395,048</u>
Unamortized Deferred Refunding Costs	<u>(15,503)</u>		
Net Bonds Payable Business-Type Activities	\$ <u>2,454,497</u>		

The following is a summary of the City's bond transactions for the year ended June 30, 2009.

	Outstanding July 1, 2008	Additions of New Debt	Repayments	Outstanding June 30, 2009	Amounts Expected to be Paid Within One Year
Bonds Payable	\$ <u>2,665,000</u>	\$ <u>-</u>	\$ <u>195,000</u>	\$ <u>2,470,000</u>	\$ <u>205,000</u>

Other Note Payable

Kentucky League of Cities loan, bearing an interest rate of 3.8% with monthly principal and interest payments of \$6,345, with final maturity due November, 2014. The note is a project reimbursement note and proceeds are only obtained through reimbursed project expenses up to the maximum amount of \$455,000.

	\$ 360,174
Less Current Portion	<u>60,072</u>
Long-Term Portion	\$ <u>300,102</u>

The remaining maturity on the note payable is as follows.

Years Ending June 30.	
2010	\$ 60,072
2011	62,833
2012	65,704
2013	68,747
2014	71,895
2015	<u>30,923</u>
Total	\$ <u>360,174</u>

NOTE 7 – CONTINGENT LIABILITIES

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 8 – INTEREST EXPENSE

Interest expense for the year ended June 30, 2009 consisted of the following.

Proprietary Funds	
Interest Expense on Utility Revenue Refunding Bonds, Series 2003	\$ 20,638
Interest Expense on Utility Revenue Refunding Bonds, Series 2004	98,460
Interest Expense on Kentucky League of Cities Note Payable	14,656
Deferred Refunding Costs	<u>4,229</u>
	<u>\$ 137,983</u>

NOTE 9 – EMPLOYEES' RETIREMENT PLAN

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

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

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

Participating employees contribute 5% of the creditable compensation (8% for hazardous duty participants). Employer contribution rates are intended to fund the normal cost on a current basis plus one percent (1%) of unfunded past service costs per annum plus interest at the actuarial assumed rate. Such contribution rates are determined by the Board of Trustees of Kentucky Retirement Systems each biennium. The City contributed 13.50% of the employees' compensation (29.50% for hazardous duty participants) during the fiscal year ended June 30, 2009.

The City of Williamstown's required contribution for pension obligations to CERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$273,520, \$305,103 and \$234,588, respectively; 100 percent has been contributed for fiscal years 2009, 2008, and 2007.

NOTE 10 – CONTINGENCIES

The City receives funding from federal, state and local government agencies. 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.

NOTE 11 – RISK MANAGEMENT

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

Management estimates that the amount of actual or potential claims against the City as of June 30, 2009 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.

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SUPPLEMENTAL INFORMATION

CITY OF WILLIAMSTOWN, KENTUCKY
SCHEDULE OF CURRENT EXPENDITURES
GENERAL FUND
Year Ended June 30, 2009

Expenditures	General Government	Police	Fire	Streets	Cemetery	Sanitation	Recreation	Main Street	Maintenance and Capital Outlay	Total
Salaries	\$ 154,200	\$ 362,434	\$ 38,597	\$ 170,235	\$ -	\$ -	\$ -	\$ 26,577	\$ -	\$ 750,043
Medical Insurance	23,643	68,631	14,938	37,904	-	-	-	-	-	146,116
FICA	4,644	26,093	2,675	12,381	-	-	-	2,026	-	47,819
Employee Retirement	13,945	104,683	11,222	21,476	-	-	-	-	-	151,326
Workers Compensation	876	23,057	-	24,303	-	-	-	-	-	48,236
Advertising and Printing	1,611	-	-	-	-	-	-	-	-	1,611
Professional Fees	48,833	-	-	-	-	-	-	-	-	48,833
Insurance	21,238	50,701	29,992	27,757	-	-	-	-	-	129,688
Economic Development	30,921	-	-	-	-	-	-	-	-	30,921
Planning and Zoning	29,025	-	-	-	-	-	-	-	-	29,025
Other Contractual Services	6,238	9,064	13,952	3,726	-	-	1,589	-	-	34,569
Education and Training	9,578	1,708	2,393	1,090	-	-	-	516	-	9,286
Repairs and Maintenance	622	353	6,197	35,035	602	-	(3,115)	-	-	39,694
Travel and Lodging	6,012	-	-	-	-	-	-	-	-	6,012
Utilities	24,176	7,944	10,291	1,758	-	-	5,925	-	-	40,392
Communications and Postage	4,762	-	1,519	-	-	-	827	250	-	17,050
Dues and Subscriptions	3,678	-	-	-	-	-	-	490	-	3,678
Office Supplies	3,397	3,159	-	-	-	-	-	-	-	7,046
City Festivals	11,069	-	-	-	-	-	-	-	-	11,069
Contributions	17,758	-	-	-	-	-	-	-	-	17,758
Miscellaneous	2,209	9,998	7,301	5,869	-	-	-	-	-	26,308
Vehicle Maintenance	1,568	33,693	14,483	14,418	-	-	434	(504)	-	84,162
Technical Supplies	-	9,837	-	-	-	-	-	-	-	9,837
Uniforms	-	2,603	1,621	645	-	-	-	-	-	4,869
Equipment Parts	-	-	3,083	4,746	-	-	743	-	-	8,572
Other Material and Supplies	-	-	869	17,802	-	-	522	-	-	19,193
Municipal Aid/LGEA	-	-	-	69,276	-	-	-	-	-	69,276
Graves	-	-	-	-	-	-	-	-	-	16,175
Cemetery Sexton	-	-	-	-	16,175	-	-	-	-	16,175
Trustee Fees	-	-	-	-	6,600	-	-	-	-	6,600
Waste Collection	-	-	-	-	4,324	-	-	-	-	4,324
Maintenance and Capital Outlay	-	-	-	-	-	113,315	-	-	51,976	113,315
Total General Fund	\$ 413,994	\$ 714,959	\$ 157,133	\$ 448,421	\$ 27,701	\$ 113,315	\$ 8,925	\$ 29,355	\$ 51,976	\$ 1,963,779
Current Expenditures										

CITY OF WILLIAMSTOWN, KENTUCKY
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
ALL PROPRIETARY FUND TYPES
Year Ended June 30, 2009

	All Proprietary Fund Types					Total
	Electric System	Water System	Cable T.V. System	Total	Sewer Fund Total	
Operating Revenues						
Charges for Services	\$ 5,528,231	\$ 1,437,099	\$ 793,594	\$ 7,758,924	\$ 667,156	\$ 8,426,080
Tap In Fees	-	28,668	-	28,668	22,748	51,416
Lift Station	-	-	-	-	38,051	38,051
Reconnects	870	-	-	870	-	870
Miscellaneous	16,032	-	-	16,032	-	16,032
Total Operating Revenues	5,545,133	1,465,767	793,594	7,804,494	763,704	8,568,198
Operating Expenses						
Personnel Services						
Salaries	323,997	320,787	232,648	877,432	194,042	1,071,474
Medical Insurance	78,818	53,503	45,934	178,255	41,586	219,841
FICA	16,123	23,122	17,121	56,366	13,199	69,565
Employee Retirement	42,019	42,715	32,365	117,099	28,561	145,660
Workers' Compensation	9,836	22,857	15,141	47,834	15,018	62,852
Total Personnel Services	470,793	462,984	343,209	1,276,986	292,406	1,569,392
Contractual Services						
System Repairs/Maintenance	22,646	37,339	2,427	62,412	101,319	163,731
Utilities	3,464,556	119,913	29,512	3,613,981	178,143	3,792,124
Other Contract Service	94,709	7,383	126,242	228,334	38,737	267,071
Education and Training	161	1,934	6,649	8,744	4,328	13,072
Lab Tests	-	8,913	-	8,913	9,072	17,985
Communications and Postage	14,259	5,632	8,394	28,285	4,763	33,048
Insurance	34,650	29,046	16,973	80,669	25,327	106,996
Advertising and Printing	-	875	-	875	-	875
Professional Fees	12,821	7,473	17,168	37,462	6,359	43,821
Royalties	-	-	265,941	265,941	-	265,941
Vehicle Maintenance	10,194	25,513	11,195	46,902	15,729	62,631
Total Contractual Services	3,653,996	244,021	484,501	4,382,518	383,777	4,766,295
Materials and Supplies						
Equipment Parts	1,204	645	2,801	4,650	1,123	5,773
Technical Supplies	390	90,900	3,317	94,607	1,178	95,785
Uniforms	3,177	236	633	4,046	1,848	5,894
Chemicals and Chlorine	-	68,711	-	68,711	20,243	88,954
Lab Materials	-	15,782	-	15,782	11,235	27,017
Construction Materials	14,772	-	11,195	25,967	-	25,967
Office Supplies	16,090	-	2,338	18,428	-	18,428
Total Materials and Supplies	35,633	176,274	20,284	232,191	35,627	267,818
Depreciation and Amortization	91,712	443,142	132,123	666,977	236,350	903,327
Miscellaneous						
Dues and Subscriptions	3,600	1,342	2,159	7,101	407	7,508
Safety Committee	53	-	-	53	-	53
Miscellaneous	(773)	3,571	704	3,502	(1,501)	2,001
Total Miscellaneous	2,880	4,913	2,863	10,656	(1,094)	9,562
Total Operating Expenses	4,255,014	1,331,334	982,980	6,569,328	947,066	7,516,394
Operating Income (Loss)	1,290,119	134,433	(189,386)	1,235,166	(183,362)	1,051,804
Non-Operating Revenues and (Expenses)						
Interest Income	8,508	-	-	8,508	212	8,720
Capital Grants and Contributions	-	154,804	-	154,804	313,305	468,109
Interest Expense	-	(113,218)	-	(113,218)	(23,630)	(136,848)
Total Non-Operating Revenues	8,508	41,586	-	50,094	289,887	339,981
Income (Loss) Before Transfers	1,298,627	176,019	(189,386)	1,285,260	106,525	1,391,785
Operating Transfers (Out) In	(519,898)	103,918	-	(415,980)	-	(415,980)
Change In Net Assets	\$ 778,729	\$ 279,937	\$ (189,386)	\$ 869,280	\$ 106,525	\$ 975,805

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**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 the financial statements of the governmental activities, the business-type activities, and each major fund of City of Williamstown, Kentucky as of and for the year ended June 30, 2009, which collectively comprise the City of Williamstown, Kentucky's basic financial statements and have issued our report thereon dated January 19, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Williamstown, Kentucky's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Williamstown, Kentucky's financial statements that is more than inconsequential will not be prevented or detected by the City of Williamstown, Kentucky's internal control. We consider the deficiency described below to be a significant deficiency in internal control over financial reporting.

Finding 2009-1

Management has requested that we prepare the City's financial statements including footnotes. Although we have prepared the financial statements, the financial statements still remain the responsibility of management. A proper system of internal controls over financial reporting is essential in order to prevent, detect, and correct, misstatements. We noted that the City does not have the necessary expertise in order to prepare the financial statements, including footnotes in accordance with the complex requirements of the U.S. generally accepted accounting principles. Our firm has implemented the appropriate controls over the financial statement preparation; however, our controls cannot be considered as the City's internal controls. Accordingly, a significant deficiency in the City's internal controls exists in regards to the financial statement reporting function.

Honorable Mayor
Members of the City Council
City of Williamstown, Kentucky
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Management's Response

We agree with the above finding and have designated a competent employee to oversee those services. In addition, we have taken responsibility for the financial statements.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Williamstown, Kentucky's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not consider the significant deficiency described above as item 2009-1 to be a material weakness.

Compliance and Other Matters

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

The City of Williamstown, Kentucky's response to the finding identified in our audit is described above. We did not audit the City of Williamstown, Kentucky's response and, accordingly, we express no opinion on it.

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

VonLehman & Company Inc.

Fort Mitchell, Kentucky
January 19, 2010