

CITY OF WILLIAMSTOWN, KENTUCKY

FINANCIAL STATEMENTS

JUNE 30, 2020



MADDOX & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor’s Report	1-2
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	3
Statement of Activities	4-5
Fund Financial Statement	
Balance Sheet – Governmental Funds.....	6
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	7
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	9
Statement of Net Position – Proprietary Funds	10
Statement of Revenues, Expenditures, and Changes in Fund Balances – Proprietary Funds	11-12
Statement of Cash Flows – Proprietary Funds	13
Notes to Financial Statements	14-35
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	36
Schedule of District’s Proportionate Share of the Net Pension Liability and Schedule of District’s Contributions – County Employees Retirement System Nonhazardous	37
Schedule of District’s Proportionate Share of the Net Pension Liability and Schedule of District’s Contributions – County Employees Retirement System Hazardous	38
Schedule of District’s Proportionate Share of the Net OPEB Liability and Schedule of District’s Contributions – County Employees Retirement System Nonhazardous	39
Schedule of District’s Proportionate Share of the Net OPEB Liability and Schedule of District’s Contributions – County Employees Retirement System – Hazardous	40
Notes to pension and OPEB schedules	41-42
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance with Other Matters Based on an Audit of Financial Statements Performed In Accordance with Government Auditing Standards	43-44

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Williamstown, Kentucky (City) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule on pages 36, and pension and OPEB schedules, on pages 37 to 42, be presented to supplement the basic financial statements. Such 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. 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 Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements into an appropriate operational, economic, or historical context. Our opinion of the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 14, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

Maddox & Associates CPAs Inc.

Fort Thomas, Kentucky

January 14, 2021

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 283,871	\$ 1,076,003	\$ 1,359,874
Receivables:			
Taxes	146,467		146,467
Accounts		1,290,933	1,290,933
Intergovernmental	4,205		4,205
Due from other funds	55,575	1,388,862	1,444,437
Restricted cash	108,996	71,379	180,375
Capital assets, net of depreciation	3,355,456	38,749,633	42,105,089
Total assets	3,954,570	42,576,810	46,531,380
Deferred outflows			
Related to pensions	717,299	767,283	1,484,582
Related to OPEB	318,111	336,354	654,465
Total deferred outflows	1,035,410	1,103,637	2,139,047
Liabilities			
Accounts payable	44,746	293,742	338,488
Payroll related liabilities	49,825	85,138	134,963
Compensated absences	31,659	85,234	116,893
Customer deposits		76,345	76,345
Other current liabilities	205	18,953	19,158
Due to other funds	101,798	1,304,047	1,405,845
Noncurrent liabilities:			
Due within one year:			
Bonds and notes payable	66,989	1,687,416	1,754,405
Due in more than one year:			
Bonds and notes payable	726,885	21,692,984	22,419,869
Net pension liability	2,971,227	3,612,616	6,583,843
Net OPEB liability	762,532	863,945	1,626,477
Total liabilities	4,755,866	29,720,420	34,476,286
Deferred inflows			
Related to pensions	109,612	174,957	284,569
Related to OPEB	228,870	331,853	560,723
Total deferred inflows of resources	338,482	506,810	845,292
Net position			
Net investment in capital assets	2,561,582	15,369,233	17,930,815
Restricted	108,996	71,379	180,375
Unrestricted	(2,774,946)	(1,987,395)	(4,762,341)
Total net position	\$ (104,368)	\$ 13,453,217	\$ 13,348,849

See accompanying notes to financial statements.

City of Williamstown, Kentucky
Statement of Activities
Year Ended June 30, 2020

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Grants and Contributions		Governmental Activities	Business-Type Activities	Total
			Operating	Capital			
Governmental activities							
General government	\$ 577,010	\$	\$ 5,873	\$	\$ (571,137)	\$	\$ (571,137)
TIF district	486,030				(486,030)		(486,030)
Police	891,771		49,288		(842,483)		(842,483)
Fire	353,644	30,612	5,649		(317,383)		(317,383)
Public works	625,483		77,906		(547,577)		(547,577)
Cemetery		29,830			29,830		29,830
Recreation	22,175				(22,175)		(22,175)
Sanitation	187,514	197,497			9,983		9,983
Pension and OPEB Changes	276,534				(276,534)		(276,534)
Depreciation - unallocated	123,773				(123,773)		(123,773)
Total governmental activities	3,543,934	257,939	138,716	0	(3,147,279)	0	(3,147,279)
Business-type activities							
Utility	7,753,863	7,940,383				186,520	186,520
Sewer	1,724,199	1,951,233				227,034	227,034
Pension and OPEB Changes	490,175					(490,175)	(490,175)
Total business-type activities	9,968,237	9,891,616	-	-	-	(76,621)	(76,621)
Total primary government	\$ 13,512,171	\$10,149,555	\$ 138,716	\$ 0	(3,147,279)	(76,621)	(3,223,900)

See accompanying notes to financial statements

City of Williamstown, Kentucky
Statement of Activities - Continued
Year Ended June 30, 2020

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
General revenues			
Property and other taxes	947,706		947,706
Insurance premium tax	365,576		365,576
Motor vehicle tax	114,309		114,309
Licenses and fees	391,787		391,787
TIF district	508,748		508,748
Other revenue	54,195		54,195
Transfers	325,000	(325,000)	0
Investment income	5,238	6,420	11,658
Total general revenues	2,712,559	(318,580)	2,393,979
Change in net position	(434,720)	(395,201)	(829,921)
Net position - beginning (restated)	330,352	13,848,418	14,178,770
Net position - ending	\$ (104,368)	\$ 13,453,217	\$13,348,849

See accompanying notes to financial statements

	General Fund	Total Governmental Funds
Assets		
Cash and cash equivalents	\$ 283,871	\$ 283,871
Receivables:		
Taxes	146,467	146,467
Intergovernmental	4,204	4,204
Restricted cash	108,996	108,996
Due from other funds	55,575	55,575
Total assets	\$ 599,113	\$ 599,113
Liabilities		
Accounts payable	\$ 44,746	\$ 44,746
Payroll liabilities	49,825	49,825
Other liabilities	205	205
Unearned revenue	13,724	13,724
Due to other funds	101,798	101,798
Total liabilities	210,298	210,298
Fund balances		
Nonspendable	55,575	55,575
Restricted	108,996	108,996
Unassigned	224,244	224,244
Total fund balances	388,815	388,815
Total liabilities and fund balances	\$ 599,113	\$ 599,113

See accompanying notes to financial statements.

City of Williamstown, Kentucky
 Reconciliation of Balance Sheet – Governmental Funds to Statement of Net Position
 June 30, 2020

Total governmental fund balances		\$ 388,815
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

		3,355,456
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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	717,299	
Deferred outflows - OPEB related	318,111	
Deferred inflows - pension related	(109,612)	
Deferred inflows - OPEB related	<u>(228,870)</u>	
Total deferred outflows and inflows		696,928

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

Accrued interest payable		
Compensated absences	(31,659)	
Long-term debt	(793,874)	
Net pension liability	(2,971,227)	
Net OPEB liability	(762,532)	
Total long-term liabilities		(4,559,292)

Some assets reported in the governmental activities are not available for current use and, therefore, are not reported in the funds.

		<u>13,725</u>
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<u>Net position of governmental activities</u>		<u>\$ (104,368)</u>
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See accompanying notes to financial statements.

	General Fund	Total Governmental Funds
Revenues		
Property taxes	\$ 945,853	\$ 945,853
Insurance premium taxes	365,576	365,576
Motor vehicle taxes	114,309	114,309
Licenses, permits, and fees	391,787	391,787
Investment income	5,238	5,238
Charges for services	257,939	257,939
Intergovernmental	126,211	126,211
Grants and contributions	12,505	12,505
TIF Revenue	508,747	508,747
Other revenue	54,195	54,195
Total revenues	2,782,360	2,782,360
Expenditures		
Current		
General government	547,389	547,389
TIF	460,098	460,098
Public safety - police	863,077	863,077
Public safety - fire	329,532	329,532
Public works	620,830	620,830
Sanitation	187,514	187,514
Recreation	18,840	18,840
Debt service	94,136	94,136
Capital outlay	2,670	2,670
Total expenditures	3,124,086	3,124,086
Deficiency of revenues over expenditures	(341,726)	(341,726)
Other financing sources		
Transfers in (payment in lieu of taxes)	325,000	325,000
Total other financing sources	325,000	325,000
Net change in fund balances	(16,726)	(16,726)
Fund balances - beginning (restated)	405,541	405,541
Fund balances - ending	\$ 388,815	\$ 388,815

See accompanying notes to financial statements.

City of Williamstown, Kentucky
 Reconciliation of Statement of Revenues, Expenditures and Changes in
 Fund Balances – Governmental Funds to Statement of Activities
 June 30, 2020

Net change in fund balances - total governmental funds	\$ (16,726)
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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	27,151	
Depreciation expense	(237,977)	
Total capital asset activities		(210,826)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds	1,854
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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	65,908

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	(324,945)	
Changes in OPEB liabilities and related deferred outflows and inflows	48,411	
Changes in compensated absences	1,604	
		(274,930)

Change in net position of governmental activities	\$ (434,720)
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See accompanying notes to financial statements.

City of Williamstown, Kentucky
Statement of Net Position – Proprietary Fund
June 30, 2020

	Utility Fund	Sewer Fund	Total
Assets			
Cash and cash equivalents	\$ 926,091	\$ 149,912	\$ 1,076,003
Customer receivables	1,029,523	261,410	1,290,933
Due from other funds	797,998	590,864	1,388,862
Restricted cash	71,379		71,379
Capital assets, net of depreciation	24,279,540	14,470,093	38,749,633
Total assets	27,104,531	15,472,279	42,576,810
Deferred outflows			
Related to pensions	567,951	199,332	767,283
Related to OPEB	248,973	87,381	336,354
Total deferred outflows	816,924	286,713	1,103,637
Liabilities			
Accounts payable	282,826	10,916	293,742
Accrued payroll liabilities	65,976	19,162	85,138
Compensated absences	65,720	19,514	85,234
Customer deposits	76,345		76,345
Due to other funds	876,269	427,778	1,304,047
Other liabilities	23,964	(5,011)	18,953
Noncurrent liabilities:			
Due within one year:			
Bonds and notes payable	939,393	748,023	1,687,416
Due in more than one year:			
Bonds and notes payable	12,190,567	9,502,417	21,692,984
Net pension liability	2,674,095	938,521	3,612,616
Net OPEB liability	639,501	224,444	863,945
Total liabilities	17,834,656	11,885,764	29,720,420
Deferred inflows			
Related to pensions	129,505	45,452	174,957
Related to OPEB	245,641	86,212	331,853
Total deferred inflows	375,146	131,664	506,810
Net position			
Net investment in capital assets	11,149,580	4,219,653	15,369,233
Restricted	71,379		71,379
Unrestricted	(1,509,306)	(478,089)	(1,987,395)
Total net position	\$ 9,711,653	\$ 3,741,564	\$ 13,453,217

See accompanying notes to financial statements.

City of Williamstown, Kentucky
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
June 30, 2020

	Utility Fund			Sewer Fund Total
	Electric System	Water System	Cable TV and Internet	
Operating revenues				
Charges for services	\$ 3,587,935	\$ 2,363,138	\$ 1,695,444	\$ 1,951,233
Other revenue	293,866			293,866
Total operating revenues	3,881,801	2,363,138	1,695,444	1,951,233
Operating expenses				
<i>Employee costs</i>				0
Salaries and wages	286,495	413,915	266,448	348,791
Employee retirement	68,287	97,782	64,784	81,023
Medical insurance	49,640	142,661	72,583	102,488
Employers FICA	21,590	31,090	20,357	26,650
Workers compensation	5,754	11,670	7,178	8,200
Unemployment insurance	61	92	59	87
Total employee costs	431,827	697,210	431,409	567,239
<i>Purchases</i>	2,584,688	144,006	834,159	13,494
<i>Operating expenses</i>	272,552			272,552
Professional fees	3,940	11,254	2,680	4,452
Education and training	197	934	3,076	686
Repairs and maintenance	5,919	30,183	93,673	38,999
Utilities	57,936	207,070	52,374	208,593
Communications and postage	9,111	8,441	11,292	9,028
Lab tests		11,345		27,492
Other contractual services	75,010	18,275	24,605	68,219
Distribution		37,251		37,251
Annual support fees				0
Technical supplies			22,939	862
Equipment parts	14,235	2,441		4,061
Headend			63,923	63,923
CPE			51,742	51,742
Materials	43,546		43,546	43,546
Metering	1,013		1,013	1,013
Lighting	4,828		4,828	4,828
Uniforms and laundry	2,205	1,478	1,204	1,886
Vehicle	18,011	20,402	10,696	20,922
Office supplies	5,630		12,774	18,404
Lab materials				0
Dues and subscriptions	1,410	1,232	1,186	780
Insurance	22,799	44,460	22,037	32,991
Safety	3,763			3,763
Miscellaneous	2,999	21,396	10,663	5,953
Total	272,552	416,162	384,864	425,723

See accompanying notes to financial statements.

1,499,301

City of Williamstown, Kentucky
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
June 30, 2020

	Electric System	Water System	Cable TV and Internet	Total	Sewer Fund Total	Total
Total operating expenses	3,289,067	1,257,378	1,650,432	6,196,877	1,006,456	7,203,333
Operating profit before depreciati	592,734	1,105,760	45,012	1,743,506	944,777	2,688,283
Depreciation	191,585	839,672	206,150	1,237,407	602,984	1,840,391
Operating profit	\$ 401,149	\$ 266,088	\$ (161,138)	506,099	341,793	847,892
Non-operating revenues and (expenses):						
Interest Income				5,018	1,402	6,420
Pension and OPEB change				(371,319)	(118,856)	(490,175)
Interest expense				(319,579)	(114,759)	(434,338)
Transfers out				(325,000)		(325,000)
Total non-operating revenues and (expenses):				(1,010,880)	(232,213)	(1,243,093)
Change in net position				(504,781)	109,580	(395,201)
Net position - beginning (restated)				10,216,434	3,631,984	13,848,418
Net position - ending				\$ 9,711,653	\$ 3,741,564	\$ 13,453,217

See accompanying notes to financial statements.

Cash flows from operating activities	
Change in net assets	\$ (395,201)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Amortization and depreciation	1,840,391
Increase in current and other assets	(71,665)
Increase in current and other liabilities	119,877
Increase in net pension liability	408,245
Decrease in net OPEB liability	(599)
Decrease in deferred outflows	6,081
Increase in deferred inflows	76,448
Net cash provided by operating activities	1,983,577
Cash flows from capital financing activities	
Acquisition of capital assets	(301,020)
Principal payments on long term obligations	(1,775,944)
Net cash used by capital financing activities	(2,076,964)
Net increase in cash	(93,387)
Cash - beginning	1,169,390
Cash - ending	\$ 1,076,003
Supplemental disclosures of cash flow information:	
Cash paid during the year for interest expense	\$ 452,393

See accompanying notes to financial statements.

NOTE 1: ACCOUNTING POLICIES

These financial statements of the City of Williamstown, Kentucky (City) were prepared in accordance with accounting principles generally accepted in the United States of America for governmental entities (GAAP). The following summary of the more significant policies of the City is presented to assist the reader in interpreting these financial statements and should be viewed as an integral part of this report.

Reporting Entity

The City operates under a city council form of government comprised of the Mayor and six council members. The City's major operations include fire and police protection, 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.

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

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

related to water, electric, cable, and sewer operations. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses

Fund Accounting

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

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 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.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

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:

Description	Estimated Lives
Buildings	50 Years
Improvements	20 Years
Infrastructure	40 Years
Vehicles	7 Years
General 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 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.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

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 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.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

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.

Revenues

Exchange and Nonexchange Transactions

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

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

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 14, 2021, 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:

	Unrestricted	Restricted
General fund	\$ 61,137	\$
LGEA	1,170	
Municipal road aid		82,578
Payroll	23,467	
Cemetery perpetual	117,778	
Cemetery	4,101	
Disbursing	4,276	
Shop with a cop	135	
Narcotics forfeiture	6,160	
Festival	10,116	
TIF	2,953	
Eibeck Lane TIF	2,773	
TIF sinking fund		26,418
Ark TIF	49,805	
	\$ 283,871	\$ 108,996

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

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

	<u>Unrestricted</u>	<u>Restricted</u>		<u>Unrestricted</u>
Utility operation	\$ 5,038		Sewer operation	\$ 19,709
Utility revenue	(85,196)		Sewer depreciation	4,934
Utility depreciation	139,895		Sewer bond	115,662
Cable operation	69,503		Payroll	9,602
Cable depreciation	63,668		Sewer revenue	5
Lake expansion	99,212			
Payroll	1,466			
Electric depreciation	220,043			
Debt service		71,379		
F13-03	35,669			
F11-02	76,431			
Metering system	257,568			
Water improvement	<u>42,794</u>			
Total utility fund	<u>\$ 926,091</u>	<u>\$ 71,379</u>	Total sewer fund	<u>\$ 149,912</u>

Concentrations of Credit Risk

At June 30, 2020, 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.

Custodial Credit Risk

Kentucky Revised Statues (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, 2020 is summarized below:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Governmental Activities				
Land	\$ 537,390	\$ 0	\$ 0	\$ 537,390
Street improvements	1,456,458			1,456,458
Buildings and improvements	2,280,342			2,280,342
Infrastructure	939,624			939,624
Furniture and fixtures	44,287			44,287
General equipment	1,727,025	27,151		1,754,176
Total capital assets	<u>6,985,126</u>	<u>27,151</u>	<u>0</u>	<u>7,012,277</u>
Less accumulated depreciation	<u>3,418,844</u>	<u>237,977</u>	<u>-</u>	<u>3,656,821</u>
Net governmental capital assets	<u>\$ 3,566,282</u>	<u>\$ (210,826)</u>	<u>\$ -</u>	<u>\$ 3,355,456</u>
Business-Type Activities				
Water system	\$ 35,545,564	\$ 14,425	\$ 0	\$ 35,559,989
Electric system	5,371,089	38,311	0	5,409,400
Cable TV system	4,564,522	37,372	0	4,601,894
Sewer system	24,886,962	210,912	0	25,097,874
Total capital assets	<u>70,368,137</u>	<u>301,020</u>	<u>0</u>	<u>70,669,157</u>
Less accumulated depreciation				
Water system	13,529,867	839,672	0	14,369,539
Electric system	3,798,651	191,585	0	3,990,236
Cable TV system	2,725,810	206,150	0	2,931,960
Sewer system	10,024,805	602,984	0	10,627,789
Total accumulated depreciation	<u>30,079,133</u>	<u>1,840,391</u>	<u>0</u>	<u>31,919,524</u>
Net business-type capital assets	<u>\$ 40,289,004</u>	<u>\$ (1,539,371)</u>	<u>\$ 0</u>	<u>\$ 38,749,633</u>

Depreciation was charged to the following funds:

Government	\$ 30,559	Water	\$ 839,672
Police	28,241	Electric	191,585
Fire	22,720	Cable	206,150
Public works	29,349	Sewer	602,984
Recreation	3,335		
Unallocated	123,773		
	<u>\$ 237,977</u>		<u>\$ 1,840,391</u>

NOTE 4: RECEIVABLES

As of June 30, 2020, the receivables due the City consist of the following:

Property tax	\$	18,318
Motor vehicle tax		10,925
Safety assessment fee		20,217
Insurance premium tax		<u>97,007</u>
Total tax receivable		146,467
Intergovernmental		<u>4,204</u>
Total governmental receivables	\$	<u>150,671</u>
Customer accounts		<u>1,290,933</u>
Total proprietary receivables	\$	<u>1,290,933</u>

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NOTE 5: LONG-TERM LIABILITIES

Changes in the City's long-term liabilities for the year ended June 30, 2020 are as follows:

	Balance June 30, 2019	Proceeds	Retirements	Balance June 30, 2020	Amount Due Within One Year
Governmental Activities					
Series 2015 TIF Bond	\$ 775,000	\$	\$ 35,000	\$ 740,000	\$ 35,000
Fire Truck Lease	\$ 84,782		30,908	53,874	31,989
Total governmental activities	\$ 859,782	\$ 0	\$ 65,908	\$ 793,874	\$ 66,989
Business-Type Activities					
Sewer Fund					
KIA Loan A08-09	\$ 10,964,336	\$	\$ 733,406	\$ 10,230,930	\$ 733,405
Pumping Station	34,130		14,619	19,511	14,618
Total sewer fund	10,998,466	-	748,025	10,250,441	748,023
Series 2012 Bonds	\$ 680,000	\$	\$ 150,000	\$ 530,000	\$ 150,000
KIA Loan F11-02	1,325,240		82,907	1,242,333	82,907
KIA Loan F13-013	5,602,569		250,931	5,351,638	246,596
KLC Waterline Replacement	157,737		25,117	132,620	26,056
First Security Bank Cable Upgrad	286,906		53,824	233,082	55,547
Forcht Bank	157,426		125,639	31,787	31,787
BBT Series 2017	1,115,000		270,000	845,000	275,000
Rural Development	4,833,000		69,500	4,763,500	71,500
Total utility fund	14,157,878	-	1,027,918	13,129,960	939,393
Total business-type activities	\$ 25,156,344	\$ 0	\$ 1,775,943	\$ 23,380,401	\$ 1,687,416

NOTE 5: LONG-TERM LIABILITIES (CONTINUED)

Future minimum principal and interest payments are as follows:

	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 66,989	\$ 26,688	\$ 1,717,110	\$ 418,815	\$ 1,784,099	\$ 445,503
2022	56,885	25,200	1,700,587	389,645	1,757,472	414,845
2023	40,000	23,793	1,726,760	357,795	1,766,760	381,588
2024	40,000	22,694	1,331,181	330,019	1,371,181	352,713
2025	40,000	21,393	1,240,255	307,781	1,280,255	329,174
2026 - 2030	235,000	85,506	6,349,573	1,243,437	6,584,573	1,328,943
2031 - 2035	285,000	41,500	4,896,015	747,850	5,181,015	789,350
2036 - 2040	30,000	1,200	1,629,920	455,385	1,659,920	456,585
2041 - 2045	0	0	725,000	332,349	725,000	332,349
2046 - 2050	0	0	850,500	229,834	850,500	229,834
2051 - 2055	0	0	998,000	109,590	998,000	109,590
2056 - 2060	0	0	215,500	5,710	215,500	5,710
	<u>\$ 793,874</u>	<u>\$ 247,974</u>	<u>\$ 23,380,401</u>	<u>\$ 4,928,210</u>	<u>\$ 24,174,275</u>	<u>\$ 5,176,184</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, 2020, accrued compensated absences are \$116,893.

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 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.

NOTE 6: RETIREMENT PLANS (CONTINUED)

Contributions

Employees - For the year ended June 30, 2020 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, 2020 participating employers contributed 19.30% of wages for non-hazardous covered employees and 30.06% of wages for hazardous covered employees. The City made all required contributions for fiscal year in the amount of \$312,701 for non-hazardous and \$143,106 for hazardous.

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

At June 30, 2020, the City reported a liability for its proportionate share of the net pension liability as follows:

Nonhazardous	\$	4,769,319
Hazardous		<u>1,814,524</u>
Total proportionate share of the net pension liability	\$	<u>6,583,843</u>

The net pension liability was measured as of June 30, 2019, 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 2019 contributions to the pension plan relative to the 2019 contributions of all participating employers, actuarially determined. The City's proportionate share at June 30, 2019 was:

Nonhazardous	0.0678%
Hazardous	0.0657%

For the year ended June 30, 2020, the City recognized pension expense of \$1,188,079. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Nonhazardous	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 121,775	\$ 20,152	
Change of assumptions	482,709		
Change in investment experience	91,552	168,436	
Change in proportionate share of contributions	<u>4,217</u>	<u>42,387</u>	
Total deferred resources	700,253	<u>\$ 230,975</u>	<u>\$ 469,278</u>
Subsequent contributions	<u>312,702</u>		
Total	<u>\$ 1,012,955</u>		

NOTE 7: RETIREMENT PLANS (CONTINUED)

Hazardous	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 77,095	\$ -	
Change of assumptions	176,134		
Change in investment experience	27,913	53,594	
Change in proportionate share of contributions	47,376		
Total deferred resources	<u>328,518</u>	<u>\$ 53,594</u>	<u>\$ 274,924</u>
Subsequent contributions	<u>143,106</u>		
Total	<u>\$ 471,624</u>		

Total nonhazardous and hazardous	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 198,870	\$ 20,152	
Change of assumptions	658,843	-	
Change in investment experience	119,465	222,030	
Change in proportionate share of contributions	51,593	42,387	
Total deferred resources	<u>1,028,771</u>	<u>\$ 284,569</u>	<u>\$ 744,202</u>
Subsequent contributions	<u>455,808</u>		
Total	<u>\$ 1,484,579</u>		

The contributions subsequent to the measurement date of \$455,808 will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. The net deferral of \$744,202 will be recognized as pension expense as follows:

Year Ending June 30	Net Deferral
2021	\$ 491,613
2022	176,034
2023	69,467
2024	7,088
Total net deferral	<u>\$ 744,202</u>

Actuarial assumptions

The total pension liability, net pension liability, and sensitivity information as of June 30, 2019 were based on an actuarial valuation date of June 30, 2018. The total pension liability was rolled forward from the valuation date to the plan's fiscal year ending June 30, 2019, using generally accepted actuarial principles

The KRS Board of Trustee adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2010". The total pension liability as of June 30, 2019 was determined using these updated assumptions.

NOTE 6: RETIREMENT PLANS (CONTINUED)

The actuarial assumptions are:

Inflation	2.30%
Payroll growth rate	2.00% for non-hazardous 0.00% for hazardous
Salary increase	3.30% to 10.30% for non-hazardous 3.55% to 19.05% for hazardous
Investment rate of return	6.25%

The mortality table used for active members was Pub-2010 General Mortality Table, for the non-hazardous system, and Pub-2010 Public Safety Mortality Table for the hazardous system, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018 projected with ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for disabled members was PUB-2010 Mortality Table, with a 4-year set-forward for both male and female rates, projected with ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

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. The current long-term inflation assumption is 2.30% per annum for both the non-hazardous and hazardous system.

Asset Class	Target Allocation	Long-term Expected Nominal Return
US Equity	18.75%	4.30%
Non US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
	<u>100.00%</u>	<u>3.89%</u>

NOTE 7: RETIREMENT PLANS (CONTINUED)

Discount rate

The projection of cash flows used to determine the discount rate of 6.25% 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.

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	\$ 5,962,065	\$ 4,769,319	\$ 3,772,676
Hazardous	2,268,562	1,814,524	1,442,278
Total proportionate share of the net pension liability	\$ 8,230,627	\$ 6,583,843	\$ 5,214,954

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.

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, 2020, the employer’s contribution was 4.76% to the insurance trust for non-hazardous job classifications and 9.52% 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.

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

At June 30, 2020, the City reported a liability for its proportionate share of the net OPEB liability as follows:

Nonhazardous	\$ 1,140,567
Hazardous	485,910
Total proportionate share of the net pension liability	\$ 1,626,477

NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

The net OPEB liability was measured as of June 30, 2019, 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, 2019 was as follows:

Nonhazardous	0.0678%
Hazardous	0.0657%

For the year ended June 30, 2020, the City recognized OPEB expense of \$178,791. At June 30, 2020 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Nonhazardous	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 337,504	\$ 344,136	
Change of assumptions	7,513	2,257	
Change in investment experience		58,172	
Change in proportionate share of contributions		33,542	
Total deferred resources	345,017	<u>\$ 438,107</u>	<u>\$ (93,090)</u>
Subsequent contributions	99,032		
Total	<u>\$ 444,049</u>		

Hazardous	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ -	\$ 90,395	
Change of assumptions	146,840	920	
Change in investment experience	3,320	31,257	
Change in proportionate share of contributions	14,934	44	
Total deferred resources	165,094	<u>\$ 122,616</u>	<u>\$ 42,478</u>
Subsequent contributions	45,321		
Total	<u>\$ 210,415</u>		

Total nonhazardous and hazardous	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 337,504	\$ 434,531	
Change of assumptions	154,353	3,177	
Change in investment experience	3,320	89,429	
Change in proportionate share of contributions	14,934	33,586	
Total deferred resources	510,111	<u>\$ 560,723</u>	<u>\$ (50,612)</u>
Subsequent contributions	144,353		
Total	<u>\$ 654,464</u>		

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

The contributions subsequent to the measurement date of \$144,353 will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. The net deferral of \$(50,612) will be recognized in OPEB expense as follows:

Year Ending June 30	Net Deferral
2021	\$ 19,785
2022	(6,060)
2023	(6,061)
2024	(27,286)
2025	(26,357)
Thereafter	(4,633)
Total net deferral	\$ (50,612)

Actuarial Assumptions

The total OPEB liability, net OPEB liability, and sensitivity as of June 30, 2019 were based on an actuarial valuation date of June 30, 2019. The total OPEB liability was rolled-forward from the valuation date (June 20, 2018) to the plan’s fiscal year ending June 30, 2019, using generally accepted accounting principles.

The KRS Board of Trustee adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled “Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2010”. The total OPEB liability as of June 30, 2019 was determined using these updated assumptions.

The actuarial assumptions are:

Inflation	2.30%
Payroll growth rate	2.00% for non-hazardous
	0.00% for hazardous
Salary increase	3.30% to 10.30% for non-hazardous
	3.55% to 19.05% for hazardous
Investment rate of return	6.25%

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

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. The current long-term inflation assumption is 2.30% per annum for both the non-hazardous and hazardous system.

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

Asset Class	Target Allocation	Long-term Expected Nominal Return
US Equity	18.75%	4.30%
Non US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
	<u>100.00%</u>	<u>3.89%</u>

Discount rate

The projection of cash flows used to determine the discount rate of 5.68% for non-hazardous and 5.69% 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 3.13%, 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.

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 5.68% for non-hazardous and 5.69% 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 4.68%	Current Rate 5.68%	1% Increase 6.68%
Nonhazardous	\$ 1,527,891	\$ 1,140,567	\$ 821,438
	1% Decrease 4.69%	Current Rate 5.69%	1% Increase 6.69%
Hazardous	677,943	485,910	330,036
Total proportionate share of the net pension liability	\$ 2,205,834	\$ 1,626,477	\$ 1,151,474

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 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:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Nonhazardous	\$ 848,246	\$ 1,140,567	\$ 1,495,042
Hazardous	338,104	485,910	666,226
<u>Total proportionate share of the net pension liability</u>	<u>\$ 1,186,350</u>	<u>\$ 1,626,477</u>	<u>\$ 2,161,268</u>

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, 2020, 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.

City of Williamstown, Kentucky
 Budget Comparison Schedule
 General Fund
 Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance
Fund balance - beginning	\$ 107,700	\$ 107,700	\$ 405,541	\$ 297,841
Revenues				
Taxes	1,350,000	1,350,000	1,934,486	584,486
Licenses and permits	502,000	502,000	391,787	(110,213)
Intergovernmental revenues	117,900	117,900	126,211	8,311
Charges for services	190,000	190,000	257,939	67,939
Other revenue	95,400	95,400	71,938	(23,462)
Total revenues	<u>2,255,300</u>	<u>2,255,300</u>	<u>2,782,361</u>	<u>527,061</u>
Total resources	<u>2,363,000</u>	<u>2,363,000</u>	<u>3,187,902</u>	<u>824,902</u>
Expenditures				
General government	544,650	544,650	1,007,487	(462,837)
Police	1,115,300	1,115,300	863,077	252,223
Fire	273,300	273,300	329,532	(56,232)
Streets and cemetery	619,100	619,100	620,830	(1,730)
Parks and recreation	19,200	19,200	18,840	360
Garbage and sanitation	183,000	183,000	187,514	(4,514)
Debt service			94,136	(94,136)
Capital outlay	65,000	65,000	2,670	62,330
Total expenditures	<u>2,819,550</u>	<u>2,819,550</u>	<u>3,124,086</u>	<u>(304,536)</u>
Deficiency of revenues over expenditures	<u>(456,550)</u>	<u>(456,550)</u>	<u>63,816</u>	
Other financing sources (uses)	<u>549,200</u>	<u>549,200</u>	<u>325,000</u>	
Budgetary fund balance - end of year	<u>\$ 92,650</u>	<u>\$ 92,650</u>	<u>\$ 388,816</u>	

City of Williamstown, Kentucky
 Schedule of City's Share of Net Pension Liability and Contributions - Nonhazardous
 Year Ended June 30, 2020

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

As of June 30,	2020	2019	2018	2017	2016	2015
Measurement period as of June 30,	2019	2018	2017	2016	2015	2014
City's proportion of the net pension liability	0.0678%	0.0684%	0.0697%	0.0691%	0.0666%	0.0830%
City's proportionate share of the net pension liability	\$4,769,319	\$4,168,266	\$4,080,399	\$3,402,527	\$2,864,451	\$2,703,458
City's covered payroll	\$1,625,055	\$1,696,725	\$1,634,175	\$1,728,247	\$1,551,799	\$1,618,570
City's proportionate share of the net pension liability as a percentage of its covered payroll	293.49%	245.67%	249.69%	196.88%	184.59%	167.03%
Plan fiduciary net position as a percentage of the total pension liability	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%

Schedule of City's Contributions - CERS

As of June 30,	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 411,734	\$ 349,062	\$ 325,432	\$ 305,264	\$ 294,839	\$ 274,203	\$ 305,748
Actual contribution	411,734	183,627	159,424	147,014	132,073	149,859	153,008
Contribution deficiency (excess)	\$ -	\$ 165,435	\$ 166,008	\$ 158,250	\$ 162,766	\$ 124,344	\$ 152,740
City's covered payroll	\$1,711,282	\$1,625,055	\$1,696,725	\$1,634,175	\$1,728,247	\$1,551,799	\$1,618,570
Contributions as a percentage of covered payroll	24.06%	11.30%	9.40%	9.00%	7.64%	9.66%	9.45%

City of Williamstown, Kentucky
 Schedule of City's Share of Net Pension Liability and Contributions - Hazardous
 Year Ended June 30, 2020

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

As of June 30,	2020	2019	2018	2017	2016	2015
Measurement period as of June 30,	2019	2018	2017	2016	2015	2014
City's proportion of the net pension liability	0.0657%	0.0635%	0.0614%	0.0609%	0.0686%	0.0836%
City's proportionate share of the net pension liability	\$1,814,524	\$1,536,107	\$1,373,555	\$1,045,084	\$1,052,717	\$1,004,496
City's covered payroll	\$ 168,114	\$ 148,416	\$ 135,674	\$ 103,702	\$ 123,332	\$ 233,137
City's proportionate share of the net pension liability as a percentage of its covered payroll	1079.34%	1035.00%	1012.39%	1007.78%	853.56%	430.86%
Plan fiduciary net position as a percentage of the total pension liability	46.63%	49.26%	49.78%	53.95%	57.52%	63.46%

Schedule of City's Contributions - CERS

As of June 30,	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 188,427	\$ 145,991	\$ 117,515	\$ 134,362	\$ 127,575	\$ 136,004	\$ 147,184
Actual contribution	188,427	145,991	117,515	134,362	127,575	136,004	147,184
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 118,693	\$ 168,114	\$ 148,416	\$ 135,674	\$ 103,702	\$ 123,332	\$ 233,137
Contributions as a percentage of covered payroll	158.75%	86.84%	79.18%	99.03%	123.02%	110.27%	63.13%

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

As of June 30, Measurement period as of June 30,	2020 2019	2019 2018	2018 2017
City's proportion of the net OPEB liability	0.0678%	0.0684%	0.0697%
City's proportionate share of the net OPEB liability	\$1,140,567	\$1,215,103	\$ 1,401,430
City's covered payroll	\$1,625,055	\$1,696,725	\$ 1,634,175
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	70.19%	71.61%	85.76%
Plan fiduciary net position as a percentage of the total OPEB liability	60.44%	57.62%	52.39%

Schedule of City's Contributions - CERS

As of June 30,	2020	2019	2018	2017
Contractually required contribution	\$ 99,032	\$ 103,444	\$ 96,443	\$ 91,893
Actual contribution	99,032	103,444	96,443	91,893
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$1,711,282	\$1,625,055	\$ 1,696,725	\$ 1,634,175
Contributions as a percentage of covered payroll	5.79%	6.37%	5.68%	5.62%

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

As of June 30,	2020	2019	2018
Measurement period as of June 30,	2019	2018	2017
City's proportion of the net OPEB liability	0.0657%	0.0635%	0.0614%
City's proportionate share of the net OPEB liability	\$ 485,910	\$ 452,872	\$ 507,527
City's covered payroll	\$ 413,104	\$ 372,472	\$ 432,588
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	117.62%	121.59%	117.32%
Plan fiduciary net position as a percentage of the total OPEB liability	64.44%	64.24%	58.99%

Schedule of City's Contributions - CERS

As of June 30,	2020	2019	2018	2017
Contractually required contribution	\$ 45,321	\$ 43,264	\$ 34,826	\$ 40,447
Actual contribution	45,321	43,264	34,826	40,447
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 476,068	\$ 413,104	\$ 372,472	\$ 432,588
Contributions as a percentage of covered payroll	9.52%	10.47%	9.35%	9.35%

City of Williamstown, Kentucky
 Schedule of City's Share of Net OPEB Liability and Contributions - Hazardous
 Year Ended June 30, 2020

Change of Benefits	<u>2020</u>	<u>2019</u>
	no change	no change
Change of Assumptions	<u>2020</u>	<u>2019</u>
Valuation date	6/30/2017	6/30/2016
Experience study	7/1/08-6/30/13	7/1/08-6/30/13
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percent of pay	Level percent of pay
Remaining amortization period	26 years, closed	27 years, closed
Payroll growth rate	2.00%	4.00%
Asset valuation method	20% of difference	20% of difference
Salary increase rate - non-hazardous	3.30% - 11.55%	4.00%
Salary increase rate - hazardous	3.05% - 18.55%	4.00%
Inflation	2.30%	3.25%
Investment rate of return	6.25%	7.50%

City of Williamstown, Kentucky
 Changes of Benefits and Assumptions - OPEB
 Year Ended June 30, 2020

Change of Benefits	<u>2020</u>	<u>2019</u>
	no change	no change
Change of Assumptions	<u>2020</u>	<u>2019</u>
Valuation date	6/30/2017	6/30/2016
Experience study	7/1/08-6/30/13	7/1/08-6/30/13
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percent of pay	Level percent of pay
Remaining amortization period	26 years, closed	27 years, closed
Payroll growth rate	2.00%	4.00%
Asset valuation method	20% of difference	20% of difference
Salary increase rate - non-hazardous	3.30% - 11.55%	4.00%
Salary increase rate - hazardous	3.05% - 18.55%	4.00%
Inflation	2.30%	3.25%
Investment rate of return	6.25%	7.50%

**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***

To City Council
City of Williamstown, Kentucky
Williamstown, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Williamstown, Kentucky (City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 14, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, 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 internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Maddox & Associates CPAs, Inc.

Fort Thomas, KY

January 14, 2021