

**CITY OF WILLIAMSTOWN, KENTUCKY**

**FINANCIAL STATEMENTS**

**JUNE 30, 2021**



**MADDOX & ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS

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## 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, 2021, 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, 2021 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**

1407 Alexandria Pike  
Fort Thomas, KY 41075

3863 Glenmore Ave  
Cincinnati, OH 45211

### *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 mission 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 contest. 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 December 13, 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

December 13, 2021

City of Williamstown, Kentucky  
Statement of Net Position  
June 30, 2021

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 387,364	\$ 1,033,464	\$ 1,420,828
Receivables:			
Taxes	161,194		161,194
Accounts		1,222,276	1,222,276
Intergovernmental	10,124		10,124
Due from other funds	55,575	1,388,862	1,444,437
Restricted cash	322,872	306,404	629,276
Capital assets, net of depreciation	3,218,821	37,514,221	40,733,042
<b>Total assets</b>	<b>4,155,950</b>	<b>41,465,227</b>	<b>45,621,177</b>
<b>Deferred outflows</b>			
Related to pensions	790,831	750,823	1,541,654
Related to OPEB	473,740	599,449	1,073,189
<b>Total deferred outflows</b>	<b>1,264,571</b>	<b>1,350,272</b>	<b>2,614,843</b>
<b>Liabilities</b>			
Accounts payable	16,164	238,294	254,458
Payroll related liabilities	66,411	107,849	174,260
Compensated absences	19,216	69,816	89,032
Customer deposits		90,680	90,680
Other current liabilities	968	24,628	25,596
Due to other funds	101,798	1,304,047	1,405,845
Noncurrent liabilities:			
Due within one year:			
Bonds and notes payable	58,977	1,764,559	1,823,536
Accrued interest payable	2,052	68,347	70,399
Due in more than one year:			
Bonds and notes payable	653,333	19,931,092	20,584,425
Net pension liability	3,506,955	4,060,580	7,567,535
Net OPEB liability	1,085,233	1,277,994	2,363,227
<b>Total liabilities</b>	<b>5,511,107</b>	<b>28,937,886</b>	<b>34,448,993</b>
<b>Deferred inflows</b>			
Related to pensions	61,909	87,951	149,860
Related to OPEB	171,375	261,000	432,375
<b>Total deferred inflows of resources</b>	<b>233,284</b>	<b>348,951</b>	<b>582,235</b>
<b>Net position</b>			
Net investment in capital assets	2,506,511	15,818,570	18,325,081
Restricted	322,872	306,404	629,276
Unrestricted	(3,153,253)	(2,596,312)	(5,749,565)
<b>Total net position</b>	<b>\$ (323,870)</b>	<b>\$ 13,528,662</b>	<b>\$ 13,204,792</b>

See accompanying notes to financial statements.

City of Williamstown, Kentucky  
Statement of Activities  
Year Ended June 30, 2021

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Grants and Contributions		Governmental Activities	Business-Type Activities	Total
			Operating	Capital			
<b>Governmental activities</b>							
General government	\$ 722,369	\$ 75,012	\$ 374,008	\$	\$ (273,349)	\$	\$ (273,349)
TIF district	430,768				(430,768)		(430,768)
Police	828,037		50,204		(777,833)		(777,833)
Fire	346,566		5,643		(340,923)		(340,923)
Public works	616,444		78,808		(537,636)		(537,636)
Cemetery		49,378			49,378		49,378
Recreation	11,419				(11,419)		(11,419)
Sanitation	203,555	200,009			(3,546)		(3,546)
Pension and OPEB Changes	524,070				(524,070)		(524,070)
Depreciation - unallocated	105,024				(105,024)		(105,024)
<b>Total governmental activities</b>	<b>3,788,252</b>	<b>324,399</b>	<b>508,663</b>	<b>0</b>	<b>(2,955,190)</b>	<b>0</b>	<b>(2,955,190)</b>
<b>Business-type activities</b>							
Utility	7,558,509	7,698,797				140,288	140,288
Sewer	1,490,559	2,003,201				512,642	512,642
Pension and OPEB Changes	457,519					(457,519)	(457,519)
<b>Total business-type activities</b>	<b>9,506,587</b>	<b>9,701,998</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>195,411</b>	<b>195,411</b>
<b>Total primary government</b>	<b>\$ 13,294,839</b>	<b>\$ 10,026,397</b>	<b>\$ 508,663</b>	<b>\$ 0</b>	<b>(2,955,190)</b>	<b>195,411</b>	<b>(2,759,779)</b>

See accompanying notes to financial statements.

City of Williamstown, Kentucky  
Statement of Activities - Continued  
Year Ended June 30, 2021

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
<b>General revenues</b>			
Property and other taxes	1,100,118		1,100,118
Insurance premium tax	378,214		378,214
Motor vehicle tax	133,547		133,547
Licenses and fees	390,947		390,947
TIF district	449,786		449,786
Other revenue	76,216		76,216
Transfers	150,000	(150,000)	0
Investment income	6,375	10,031	16,406
<b>Total general revenues</b>	<b>2,685,203</b>	<b>(139,969)</b>	<b>2,545,234</b>
Change in net position	(269,987)	55,442	(214,545)
Net position - beginning (restated)	(53,883)	13,473,220	13,419,337
<b>Net position - ending</b>	<b>\$ (323,870)</b>	<b>\$ 13,528,662</b>	<b>\$ 13,204,792</b>

See accompanying notes to financial statements.

City of Williamstown, Kentucky  
 Balance Sheet – Governmental Funds  
 June 30, 2021

	General Fund	Total Governmental Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 360,297	\$ 360,297
Receivables:		
Taxes	161,194	161,194
Intergovernmental	10,124	10,124
Restricted cash	349,940	349,940
Due from other funds	55,575	55,575
<b>Total assets</b>	<b>\$ 937,130</b>	<b>\$ 937,130</b>
<b>Liabilities</b>		
Accounts payable	\$ 16,164	\$ 16,164
Payroll liabilities	66,411	66,411
Other liabilities	968	968
Unearned revenue	14,917	14,917
Due to other funds	101,798	101,798
<b>Total liabilities</b>	<b>200,258</b>	<b>200,258</b>
<b>Fund balances</b>		
Nonspendable	55,575	55,575
Restricted	349,940	349,940
Unassigned	331,357	331,357
<b>Total fund balances</b>	<b>736,872</b>	<b>736,872</b>
<b>Total liabilities and fund balances</b>	<b>\$ 937,130</b>	<b>\$ 937,130</b>

See accompanying notes to financial statements.

City of Williamstown, Kentucky  
 Reconciliation of Balance Sheet – Governmental Funds to Statement of Net Position  
 June 30, 2021

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Total governmental fund balances		\$ 736,872
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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.		3,218,821
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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		790,831
Deferred outflows - OPEB related		473,740
Deferred inflows - pension related		(61,909)
Deferred inflows - OPEB related		<u>(171,375)</u>
Total deferred outflows and inflows		1,031,287

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

Accrued interest payable		(2,052)
Compensated absences		(19,216)
Long-term debt		(712,310)
Net pension liability		(3,506,955)
Net OPEB liability		<u>(1,085,233)</u>
Total long-term liabilities		(5,325,766)

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

		<u>14,916</u>
Net position of governmental activities		\$ (323,870)

See accompanying notes to financial statements.

City of Williamstown, Kentucky  
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2021

	General Fund	Total Governmental Funds
<b>Revenues</b>		
Property taxes	\$ 1,098,925	\$ 1,098,925
Insurance premium taxes	378,214	378,214
Motor vehicle taxes	133,547	133,547
Licenses, permits, and fees	390,947	390,947
Investment income	6,375	6,375
Charges for services	324,399	324,399
Intergovernmental	122,117	122,117
Grants and contributions	386,547	386,547
TIF Revenue	449,786	449,786
Other revenue	63,465	63,465
<b>Total revenues</b>	<b>3,354,322</b>	<b>3,354,322</b>
<b>Expenditures</b>		
Current		
General government	665,554	665,554
TIF	430,769	430,769
Public safety - police	815,240	815,240
Public safety - fire	326,742	326,742
Public works	592,940	592,940
Sanitation	203,555	203,555
Recreation	8,084	8,084
Debt service	93,348	93,348
Capital outlay	68,685	68,685
<b>Total expenditures</b>	<b>3,204,917</b>	<b>3,204,917</b>
<b>Deficiency of revenues over expenditures</b>	<b>149,405</b>	<b>149,405</b>
<b>Other financing sources</b>		
Sale of assets	12,750	12,750
Transfers in (payment in lieu of taxes)	150,000	150,000
<b>Total other financing sources</b>	<b>162,750</b>	<b>162,750</b>
<b>Net change in fund balances</b>	<b>312,155</b>	<b>312,155</b>
<b>Fund balances - beginning (restated)</b>	<b>424,717</b>	<b>424,717</b>
<b>Fund balances - ending</b>	<b>\$ 736,872</b>	<b>\$ 736,872</b>

See accompanying notes to financial statements.

City of Williamstown, Kentucky  
 Reconciliation of Statement of Revenues, Expenditures and Changes in  
 Fund Balances – Governmental Funds to Statement of Activities  
 Year Ended June 30, 2021

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Net change in fund balances - total governmental funds \$ 312,155

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	74,113	
Depreciation expense	<u>(210,748)</u>	
Total capital asset activities		(136,635)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds 1,193

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 66,980

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	(414,493)	
Changes in OPEB liabilities and related deferred outflows and inflows	(109,577)	
Changes in accrued interest payable	(2,082)	
Changes in compensated absences	<u>12,443</u>	
		(513,709)

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Change in net position of governmental activities \$ (270,016)

See accompanying notes to financial statements.

City of Williamstown, Kentucky  
Statement of Net Position – Proprietary Fund  
June 30, 2021

	Utility Fund	Sewer Fund	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 993,515	\$ 39,949	\$ 1,033,464
Customer receivables	957,698	264,578	1,222,276
Due from other funds	797,998	590,864	1,388,862
Restricted cash	75,920	230,484	306,404
Capital assets, net of depreciation	23,416,510	14,097,711	37,514,221
<b>Total assets</b>	<b>26,241,641</b>	<b>15,223,586</b>	<b>41,465,227</b>
<b>Deferred outflows</b>			
Related to pensions	575,738	175,085	750,823
Related to OPEB	459,664	139,785	599,449
<b>Total deferred outflows</b>	<b>1,035,402</b>	<b>314,870</b>	<b>1,350,272</b>
<b>Liabilities</b>			
Accounts payable	238,294	0	238,294
Accrued payroll liabilities	88,636	19,213	107,849
Compensated absences	54,849	14,967	69,816
Customer deposits	90,680		90,680
Due to other funds	876,269	427,778	1,304,047
Other liabilities	24,182	446	24,628
Noncurrent liabilities:			
Due within one year:			
Bonds and notes payable	1,001,757	762,802	1,764,559
Accrued interest payable	63,602	4,745	68,347
Due in more than one year:			
Bonds and notes payable	11,200,761	8,730,331	19,931,092
Net pension liability	3,113,691	946,889	4,060,580
Net OPEB liability	979,978	298,016	1,277,994
<b>Total liabilities</b>	<b>17,732,699</b>	<b>11,205,187</b>	<b>28,937,886</b>
<b>Deferred inflows</b>			
Related to pensions	67,442	20,509	87,951
Related to OPEB	200,137	60,863	261,000
<b>Total deferred inflows</b>	<b>267,579</b>	<b>81,372</b>	<b>348,951</b>
<b>Net position</b>			
Net investment in capital assets	11,213,992	4,604,578	15,818,570
Restricted	75,920	230,484	306,404
Unrestricted	(2,013,147)	(583,165)	(2,596,312)
<b>Total net position</b>	<b>\$ 9,276,765</b>	<b>\$ 4,251,897</b>	<b>\$ 13,528,662</b>

See accompanying notes to financial statements.

City of Williamstown, Kentucky  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Fund  
Year Ended June 30, 2021

	Utility Fund				Sewer Fund	
	Electric System	Water System	Cable TV and Internet	Total	Total	Total
<b>Operating revenues</b>						
Charges for services	\$ 3,433,262	\$ 2,397,459	\$ 1,776,430	\$ 7,607,151	\$ 2,003,201	\$ 9,610,352
Other revenue	91,646			91,646		91,646
<b>Total operating revenues</b>	<b>3,524,908</b>	<b>2,397,459</b>	<b>1,776,430</b>	<b>7,698,797</b>	<b>2,003,201</b>	<b>9,701,998</b>
<b>Operating expenses</b>						
<i>Employee costs</i>						0
Salaries and wages	290,680	448,731	314,102	1,053,513	312,993	1,366,506
Employee retirement	69,293	106,478	74,241	250,012	76,030	326,042
Medical insurance	47,067	138,511	75,161	260,739	75,023	335,762
Employers FICA	22,033	34,143	23,616	79,792	23,933	103,725
Workers compensation	4,879	10,709	5,823	21,411	7,284	28,695
Unemployment insurance	72	103	79	254	78	332
<b>Total employee costs</b>	<b>434,024</b>	<b>738,675</b>	<b>493,022</b>	<b>1,665,721</b>	<b>495,341</b>	<b>2,161,062</b>
<i>Purchases</i>	2,540,074			2,540,074		2,540,074
<i>Operating expenses</i>				0		0
Professional fees	3,101	4,193	5,068	12,362	2,400	14,762
Education and training	2,578	2,507	0	5,085	540	5,625
Repairs and maintenance	30,607	25,236	72,739	128,582	44,005	172,587
Utilities	57,359	205,029	57,702	320,090	211,086	531,176
Communications and postage	8,149	7,179	7,375	22,703	8,679	31,382
Lab tests	0	15,216	0	15,216	24,463	39,679
Contractual services	41,113	39,758	29,016	109,887	58,576	168,463
Distribution	0	41,264	0	41,264		41,264
Royalties and internet			777,630	777,630		777,630
Materials and parts	80,056	118,265	95,984	294,305	28,635	322,940
Uniforms and laundry	1,896	0	1,500	3,396	1,596	4,992
Vehicle	15,161	14,917	9,402	39,480	17,061	56,541
Office supplies	6,475	0	9,012	15,487		15,487
Dues and subscriptions	1,283	1,474	1,290	4,047	760	4,807
Insurance	17,567	39,677	15,131	72,375	38,304	110,679
Safety	6,622	0	0	6,622		6,622
Miscellaneous	4,366	8,504	6,522	19,392	12,900	32,292
<b>Total</b>	<b>276,333</b>	<b>523,219</b>	<b>1,088,371</b>	<b>1,887,923</b>	<b>449,005</b>	<b>2,336,928</b>

See accompanying notes to financial statements.

City of Williamstown, Kentucky  
Statement of Revenues, Expenses, and Changes in Fund Net Position - Continued  
Proprietary Fund  
Year Ended June 30, 2021

	Utility Fund			Total	Sewer Fund	
	Electric System	Water System	Cable TV and Internet		Total	Total
Total operating expenses	3,250,431	1,261,894	1,581,393	6,093,718	944,346	7,038,064
Operating profit before depreciati	274,477	1,135,565	195,037	1,605,079	1,058,855	2,663,934
Depreciation	166,804	730,441	208,436	1,105,681	419,391	1,525,072
Operating profit	\$ 107,673	\$ 405,124	\$ (13,399)	499,398	639,464	1,138,862
Non-operating revenues and (expenses):						
Interest Income				8,849	1,182	10,031
Pension and OPEB change				(454,028)	(3,491)	(457,519)
Interest expense				(359,110)	(126,822)	(485,932)
Transfers out				(150,000)		(150,000)
Total non-operating revenues and (expenses):				(954,289)	(129,131)	(1,083,420)
Change in net position				(454,891)	510,333	55,442
Net position - beginning (restated)				9,731,656	3,741,564	13,473,220
Net position - ending				\$9,276,765	\$4,251,897	\$13,528,662

See accompanying notes to financial statements.

City of Williamstown, Kentucky  
Statement of Cash Flows  
Proprietary Fund  
Year Ended June 30, 2021

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Cash flows from operating activities	
Change in net assets	\$ 55,442
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Amortization and depreciation	1,525,072
Increase in current and other assets	(166,368)
Increase in current and other liabilities	40,202
Increase in net pension liability	447,964
Increase in net OPEB liability	414,049
Increase in deferred outflows	(246,635)
Decrease in deferred inflows	(157,859)
<u>Net cash provided by operating activities</u>	<u>1,911,867</u>
Cash flows from capital financing activities	
Acquisition of capital assets	(289,660)
Proceeds from long term obligations	90,352
Change in beginning debt balances	5,387
Principal payments on long term obligations	(1,760,485)
<u>Net cash used by capital financing activities</u>	<u>(1,954,406)</u>
Net increase in cash	(42,539)
<u>Cash - beginning</u>	<u>1,076,003</u>
<u>Cash - ending</u>	<u>\$ 1,033,464</u>
Supplemental disclosures of cash flow information:	
<u>Cash paid during the year for interest expense</u>	<u>\$ 417,585</u>

See accompanying notes to financial statements.

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**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.

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

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the City's proprietary funds are charges for services. Operating expenses for the proprietary funds include personnel and other expenses 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.

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

***Cash and Cash Equivalents***

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

***Capital Assets***

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings	50 Years
Improvements	20 Years
Infrastructure	40 Years
Vehicles	7 Years
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.

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

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

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

***Net Pension Liability***

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

***Net OPEB Liability***

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

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and retirement incentives that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and capital lease obligations are recognized as a liability on the governmental fund financial statements when due.

***Net Position***

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as 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.

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**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.

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**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 December 13, 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	\$ 320,464	\$
LGEA	1,658	
Municipal road aid		162,035
Payroll	14,417	
Cemetery perpetual		120,834
Cemetery		40,003
Disbursing	343	
Shop with a cop	135	
Narcotics forfeiture	6,190	
Festival	9,613	
TIF	7,478	
Eibeck Lane TIF	5,294	
Ark TIF	21,772	
	\$ 387,364	\$ 322,872

**NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)**

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

	Unrestricted	Restricted		Unrestricted	Restricted
Utility operation	\$ 20,370	\$	Sewer operation	\$ 35,706	\$
Utility revenue	(56,552)		Sewer depreciation		23,448
Utility depreciation	119,685		Sewer bond		207,036
Cable operation	153,353		Payroll	4,237	
Cable depreciation	64,241		Sewer revenue	6	
Lake expansion	107,035				
Payroll	10,409				
Electric depreciation	205,981				
Debt service		75,920			
F13-03	40,924				
F11-02	70,784				
Metering system	214,528				
Water improvement	42,757				
Total utility fund	\$ 993,515	\$ 75,920	Total sewer fund	\$ 39,949	\$ 230,484

**Concentrations of Credit Risk**

At June 30, 2021, 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 Statutes (KRS) authorizes municipalities to invest in obligations of the United States of America and its agencies, obligations of the Commonwealth of Kentucky and its agencies, shares in savings and loan associations insured by federal agencies, deposits in national or state chartered banks insured by federal agencies and larger amounts in such institutions providing such banks pledge security obligations of the United States of America government or its agencies.

**NOTE 3: CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2021 is summarized below:

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
<b>Governmental Activities</b>				
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	1,754,176	74,113		1,828,289
<b>Total capital assets</b>	<u>7,012,277</u>	<u>74,113</u>	<u>0</u>	<u>7,086,390</u>
Less accumulated depreciation	<u>3,656,821</u>	<u>210,748</u>	<u>-</u>	<u>3,867,569</u>
<b>Net governmental capital assets</b>	<u>\$ 3,355,456</u>	<u>\$ (136,635)</u>	<u>\$ -</u>	<u>\$ 3,218,821</u>
<b>Business-Type Activities</b>				
Water system	\$ 35,559,989	\$ 71,300	\$ 0	\$ 35,631,289
Electric system	5,409,400	169,550	0	5,578,950
Cable TV system	4,601,894	64,374	0	4,666,268
Sewer system	25,097,874	47,008	0	25,144,882
<b>Total capital assets</b>	<u>70,669,157</u>	<u>352,232</u>	<u>0</u>	<u>71,021,389</u>
Less accumulated depreciation				
Water system	14,369,539	730,441	0	15,099,980
Electric system	3,990,236	166,804	0	4,157,040
Cable TV system	2,931,960	211,274	0	3,143,234
Sewer system	10,627,789	419,391	0	11,047,180
<b>Total accumulated depreciation</b>	<u>31,919,524</u>	<u>1,527,910</u>	<u>0</u>	<u>33,447,434</u>
<b>Net business-type capital assets</b>	<u>\$ 38,749,633</u>	<u>\$ (1,175,678)</u>	<u>\$ 0</u>	<u>\$ 37,573,955</u>

Depreciation was charged to the following funds:

Government	\$ 31,016	Water	\$ 730,441
Police	27,379	Electric	166,804
Fire	18,320	Cable	211,274
Public works	25,674	Sewer	419,391
Recreation	3,335		
Unallocated	105,024		
	<u>\$ 210,748</u>		<u>\$ 1,527,910</u>

**NOTE 4: RECEIVABLES**

As of June 30, 2021, the receivables due the City consist of the following:

	Government	Business-type
Property tax	\$ 18,775	\$
Motor vehicle tax	10,283	
Safety assessment fee	54,847	
Insurance premium tax	77,289	
Total tax receivable	161,194	
Accounts		1,222,276
Intergovernmental	10,124	
Total governmental receivables	\$ 171,318	\$ 1,222,276

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**NOTE 5: LONG-TERM LIABILITIES**

Changes in the City's long-term liabilities for the year ended June 30, 2021 are as follows:

	Balance June 30, 2020	Proceeds	Retirements	Balance June 30, 2021	Amount Due Within One Year
<b>Governmental Activities</b>					
Series 2015 TIF Bond	\$ 725,416	\$	\$ 35,000	\$ 690,416	\$ 37,083
Fire Truck Lease	53,874		31,980	21,894	21,894
Total governmental activities	<u>\$ 779,290</u>	<u>\$ 0</u>	<u>\$ 66,980</u>	<u>\$ 712,310</u>	<u>\$ 58,977</u>
<b>Business-Type Activities</b>					
<b>Sewer Fund</b>					
KIA Loan A08-09	\$ 10,230,930	\$	\$ 740,759	\$ 9,490,171	\$ 748,184
Pumping Station	19,511		16,549	2,962	14,618
Total sewer fund	<u>10,250,441</u>	<u>-</u>	<u>757,308</u>	<u>9,493,133</u>	<u>762,802</u>
Series 2012 Bonds	\$ 463,333	\$	\$ 162,083	\$ 301,250	\$ 165,000
KIA Loan F11-02	1,242,333		84,574	1,157,759	86,273
KIA Loan F13-013	5,351,638		255,341	5,096,297	259,829
KLC Waterline Replacement	132,620		26,056	106,564	27,014
First Security Bank Cable Upgrad	233,082		55,547	177,535	57,324
Forcht Bank	31,787	90,352	43,784	78,355	29,560
Alltec Capital	52,050		29,292	22,758	22,757
BBT Series 2017	845,000		275,000	570,000	280,000
Rural Development	4,763,500		71,500	4,692,000	74,000
Total utility fund	<u>13,115,343</u>	<u>90,352</u>	<u>1,003,177</u>	<u>12,202,518</u>	<u>1,001,757</u>
Total business-type activities	<u>\$ 23,365,784</u>	<u>\$ 90,352</u>	<u>\$ 1,760,485</u>	<u>\$ 21,695,651</u>	<u>\$ 1,764,559</u>

**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
2022	\$ 58,977	\$ 24,545	\$ 1,752,905	\$ 390,669	\$ 1,811,882	\$ 415,214
2023	40,000	23,335	1,705,213	357,381	1,745,213	380,716
2024	40,000	22,152	1,332,771	329,716	1,372,771	351,868
2025	42,083	20,852	1,240,255	307,781	1,282,338	328,633
2026	45,000	19,484	1,234,646	287,914	1,279,646	307,398
2027 - 2031	244,167	74,221	6,439,026	1,143,793	6,683,193	1,218,014
2032 - 2036	242,083	23,128	4,019,027	668,452	4,261,110	691,580
2037 - 2041	0	0	1,318,808	420,424	1,318,808	420,424
2042 - 2046	0	0	748,500	313,137	748,500	313,137
2047 - 2051	0	0	878,000	207,296	878,000	207,296
2052 - 2056	0	0	1,026,500	83,144	1,026,500	83,144
2057 - 2061	0	0	0	0	0	0
	<u>\$ 712,310</u>	<u>\$ 207,717</u>	<u>\$ 21,695,651</u>	<u>\$ 4,509,707</u>	<u>\$ 22,407,961</u>	<u>\$ 4,717,424</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, 2021, accrued compensated absences are \$89,032.

**NOTE 7: RETIREMENT PLANS**

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

**Plan description**

CERS is a cost-sharing multi-employer public employee retirement system which covers substantially all regular full-time employees of each county, city, and school board and any additional eligible local agencies electing to participate in the Plan. The Plan is divided into a Pension Plan and Health Insurance Fund Plan (Other Post-Employment Benefits; OPEB) and each plan is further divided based on 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, 2021 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, 2021 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 \$325,878 for non-hazardous and \$138,508 for hazardous.

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

At June 30, 2021, the City reported a liability for its proportionate share of the net pension liability as follows:

Nonhazardous	\$	5,343,861
Hazardous		<u>2,223,674</u>
<b>Total proportionate share of the net pension liability</b>	<b>\$</b>	<b><u>7,567,535</u></b>

The net pension liability was measured as of June 30, 2020, 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 2020 contributions to the pension plan relative to the 2020 contributions of all participating employers, actuarially determined. The City's proportionate share at June 30, 2020 was:

Nonhazardous	0.0697%
Hazardous	0.0738%

For the year ended June 30, 2021, the City recognized pension expense of \$791,212. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Nonhazardous</b>	<u>Deferred Outflow</u>	<u>Deferred Inflow</u>	<u>Net Deferral</u>
Change in liability experience	\$ 133,259	\$ -	
Change of assumptions	208,669		
Change in investment experience	231,638	97,915	
Change in proportionate share of contributions	<u>88,665</u>	<u>17,832</u>	
Total deferred resources	662,231	<u>\$ 115,747</u>	<u>\$ 546,484</u>
Subsequent contributions	<u>325,878</u>		
Total	<u>\$ 988,109</u>		

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

<b>Hazardous</b>	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 68,965	\$ -	
Change of assumptions	84,334		
Change in investment experience	84,208	34,114	
Change in proportionate share of contributions	177,527		
Total deferred resources	<u>415,034</u>	<u>\$ 34,114</u>	<u>\$ 380,920</u>
Subsequent contributions	<u>138,508</u>		
Total	<u>\$ 553,542</u>		

  

<b>Total nonhazardous and hazardous</b>	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 202,224	\$ -	
Change of assumptions	293,003	-	
Change in investment experience	315,846	132,029	
Change in proportionate share of contributions	266,192	17,832	
Total deferred resources	<u>1,077,265</u>	<u>\$ 149,861</u>	<u>\$ 927,404</u>
Subsequent contributions	<u>464,386</u>		
Total	<u>\$ 1,541,651</u>		

The contributions subsequent to the measurement date of \$464,386 will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. The net deferral of \$927,404 will be recognized as pension expense as follows:

Year Ending June 30	Net Deferral
2021	\$ 397,145
2022	284,301
2023	149,973
2024	95,985
Total net deferral	<u>\$ 927,404</u>

**Actuarial assumptions**

The total pension liability, net pension liability, and sensitivity information as of June 30, 2020 were based on an actuarial valuation date of June 30, 2019. The total pension liability was rolled forward from the valuation date to the plan's fiscal year ending June 30, 2020, 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 2.00% for hazardous
Salary increase	3.30% to 11.05% for non-hazardous 3.05% to 18.55% 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%	4.50%
Non US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
	<u>100.00%</u>	<u>3.96%</u>

**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.

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

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

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

	1% Decrease 5.25%	Current Rate 6.25%	1% Increase 7.25%
Nonhazardous	\$ 6,590,144	\$ 5,343,681	\$ 4,311,892
Hazardous	2,748,144	2,223,674	1,795,567
<b>Total proportionate share of the net pension liability</b>	<b>\$ 9,338,288</b>	<b>\$ 7,567,355</b>	<b>\$ 6,107,459</b>

**Pension plan fiduciary net position**

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

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

**Plan description**

The City’s employees are provided OPEB under provisions of Kentucky Revised Statutes. The Kentucky Retirement Systems (KRS) board administers the CERS Insurance Fund. The CERS Insurance fund is a cost-sharing, multiple-employer defined benefit OPEB plan which provides group health insurance benefits for plan members that are regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. OPEB benefits may be extended to beneficiaries of plan members under certain circumstances. The CERS Insurance Fund is included in a public available financial report that can be viewed at [www.kyret.ky.gov](http://www.kyret.ky.gov).

**Benefits provided**

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

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**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, 2021, 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.

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

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

At June 30, 2021, the City reported a liability for its proportionate share of the net OPEB liability as follows:

Nonhazardous		\$	1,681,884
Hazardous			681,343
<u>Total proportionate share of the net pension liability</u>		<u>\$</u>	<u>2,363,227</u>

The net OPEB liability was measured as of June 30, 2020, 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, 2020 was as follows:

Nonhazardous			0.0697%
Hazardous			0.0738%

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:

<b>Nonhazardous</b>	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 281,008	\$ 281,227	
Change of assumptions	292,548	1,779	
Change in investment experience	90,221	34,319	
Change in proportionate share of contributions	21,914	26,160	
Total deferred resources	685,691	<u>\$ 343,485</u>	<u>\$ 342,206</u>
Subsequent contributions	103,205		
Total	<u>\$ 788,896</u>		

<b>Hazardous</b>	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 23,381	\$ 68,040	
Change of assumptions	111,153	628	
Change in investment experience	50,451	20,207	
Change in proportionate share of contributions	55,443	15	
Total deferred resources	240,428	<u>\$ 88,890</u>	<u>\$ 151,538</u>
Subsequent contributions	43,866		
Total	<u>\$ 284,294</u>		

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

<b>Total nonhazardous and hazardous</b>	Deferred <u>Outflow</u>	Deferred <u>Inflow</u>	Net <u>Deferral</u>
Change in liability experience	\$ 304,389	\$ 349,267	
Change of assumptions	403,701	2,407	
Change in investment experience	140,672	54,526	
Change in proportionate share of contributions	77,357	26,175	
Total deferred resources	926,119	<u>\$ 432,375</u>	<u>\$ 493,744</u>
Subsequent contributions	<u>147,071</u>		
Total	<u>\$ 1,073,190</u>		

The contributions subsequent to the measurement date of \$147,071 will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. The net deferral of \$493,744 will be recognized in OPEB expense as follows:

Year Ending <u>June 30</u>	Net <u>Deferral</u>
2022	\$ 132,530
2023	131,107
2024	110,508
2025	106,114
2026	<u>13,485</u>
Total net deferral	<u>\$ 493,744</u>

**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, 2020. The total OPEB liability was rolled-forward from the valuation date (June 20, 2018) to the plan's fiscal year ending June 30, 2020, 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%

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

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.

Asset Class	Target Allocation	Long-term Expected Nominal Return
US Equity	18.75%	4.50%
Non US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
	<u>100.00%</u>	<u>3.96%</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.

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

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

The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 5.68% 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	\$ 2,160,727	\$ 1,681,884	\$ 1,288,594
	1% Decrease 4.69%	Current Rate 5.69%	1% Increase 6.69%
Hazardous	924,905	681,343	485,081
<b>Total proportionate share of the net pension liability</b>	<b>\$ 3,085,632</b>	<b>\$ 2,363,227</b>	<b>\$ 1,773,675</b>

**Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate**

The following presents the City's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
Nonhazardous	\$ 1,302,199	\$ 1,681,884	\$ 2,142,641
Hazardous	486,908	681,343	920,385
<b>Total proportionate share of the net pension liability</b>	<b>\$ 1,789,107</b>	<b>\$ 2,363,227</b>	<b>\$ 3,063,026</b>

**OPEB plan fiduciary net position**

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

**NOTE 8: CONTINGENCIES**

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

**NOTE 9: RISK MANAGEMENT**

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

Management estimates that the amount of actual or potential claims against the City as of June 30, 2021, 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  
 June 30, 2021

	Original Budget	Final Budget	Actual	Variance
Fund balance - beginning	\$ 234,400	\$ 234,400	\$ 424,717	\$ 190,317
Revenues				
Taxes	1,512,700	1,512,700	2,060,472	547,772
Licenses and permits	308,000	308,000	390,947	82,947
Intergovernmental revenues	114,800	114,800	122,117	7,317
Charges for services	192,000	192,000	324,399	132,399
Other revenue	150,600	150,600	456,387	305,787
Total revenues	<u>2,278,100</u>	<u>2,278,100</u>	<u>3,354,322</u>	<u>1,076,222</u>
Total resources	<u>2,512,500</u>	<u>2,512,500</u>	<u>3,779,039</u>	<u>1,266,539</u>
Expenditures				
General government	671,000	671,000	1,096,323	(425,323)
Police	837,900	837,900	815,240	22,660
Fire	422,100	422,100	326,742	95,358
Streets and cemetery	620,600	620,600	592,940	27,660
Parks and recreation	18,900	18,900	8,084	10,816
Garbage and sanitation	190,000	190,000	203,555	(13,555)
Debt service	0	0	93,348	(93,348)
Capital outlay	190,400	190,400	68,685	121,715
Total expenditures	<u>2,950,900</u>	<u>2,950,900</u>	<u>3,204,917</u>	<u>(254,017)</u>
Deficiency of revenues over expenditures	<u>(438,400)</u>	<u>(438,400)</u>	<u>574,122</u>	
Other financing sources (uses)	<u>525,000</u>	<u>525,000</u>	<u>162,750</u>	
Budgetary fund balance - end of year	<u>\$ 86,600</u>	<u>\$ 86,600</u>	<u>\$ 736,872</u>	

City of Williamstown, Kentucky  
Schedule of City's Share of the Net Pension Liability and Contributions - Nonhazardous  
June 30, 2021

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

As of June 30,	2021	2020	2019	2018	2017	2016	2015
Measurement period as of June 30,	2020	2019	2018	2017	2016	2015	2014
City's proportion of the net pension liabil	0.6970%	0.0678%	0.0684%	0.0697%	0.0691%	0.0666%	0.0830%
City's proportionate share of the net pension liability	\$ 5,343,861	\$ 4,769,319	\$ 4,168,266	\$ 4,080,399	\$ 3,402,527	\$ 2,864,451	\$ 2,703,458
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
City's proportionate share of the net pension liability as a percentage of its covered payroll	312.27%	293.49%	245.67%	249.69%	196.88%	184.59%	167.03%
Plan fiduciary net position as a percentage of the total pension liability	47.81%	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%

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

As of June 30,	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 344,194	\$ 330,277	\$ 263,584	\$ 245,685	\$ 227,967	\$ 214,648	\$ 197,584	\$ 222,391
Actual contribution	344,194	330,277	263,584	245,685	227,967	214,648	197,584	222,391
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 1,783,388	\$ 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	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.73%	13.74%

City of Williamstown, Kentucky  
 Schedule of City's Share of the Net Pension Liability and Contributions - Hazardous  
 June 30, 2021

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

As of June 30,	2021	2020	2019	2018	2017	2016	2015
Measurement period as of June 30,	2020	2019	2018	2017	2016	2015	2014
City's proportion of the net pension liability	0.0738%	0.0657%	0.0635%	0.0614%	0.0609%	0.0686%	0.0836%
City's proportionate share of the net pension liability	\$ 2,223,674	\$ 1,814,524	\$ 1,536,107	\$ 1,373,555	\$ 1,045,084	\$ 1,052,717	\$ 1,004,496
City's covered payroll	\$ 476,068	\$ 413,104	\$ 372,472	\$ 432,588	\$ 387,177	\$ 396,397	\$ 412,280
City's proportionate share of the net pension liability as a percentage of its	467.09%	439.24%	412.41%	317.52%	269.92%	265.57%	243.64%
Plan fiduciary net position as a percentage of the total pension liability	44.11%	46.63%	49.26%	49.78%	53.95%	57.52%	63.46%

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

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

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

As of June 30,	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Measurement period as of June 30,	2020	2019	2018	2017
City's proportion of the net OPEB liability	0.0678%	0.0678%	0.0684%	0.0697%
City's proportionate share of the net OPEB liability	\$ 1,681,884	\$ 1,140,567	\$ 1,215,103	\$ 1,401,430
City's covered payroll	\$ 1,711,282	\$ 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	98.28%	70.19%	71.61%	85.76%
Plan fiduciary net position as a percentage of the total OPEB liability	60.44%	60.44%	57.62%	52.39%

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

As of June 30,	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 84,889	\$ 81,457	\$ 85,477	\$ 79,746	\$ 77,296
Actual contribution	<u>84,889</u>	<u>81,457</u>	<u>85,477</u>	<u>79,746</u>	<u>77,296</u>
Contribution deficiency (excess)	<u>\$ -</u>				
City's covered payroll	\$ 1,783,388	\$ 1,711,282	\$ 1,625,055	\$ 1,696,725	\$ 1,634,175
Contributions as a percentage of covered payroll	4.76%	4.76%	5.26%	4.70%	4.73%

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

As of June 30,	2021	2020	2019	2018
Measurement period as of June 30,	2020	2019	2018	2017
City's proportion of the net OPEB liability	0.0737%	0.0657%	0.0635%	0.0614%
City's proportionate share of the net OPEB liability	\$ 681,343	\$ 485,910	\$ 452,872	\$ 507,527
City's covered payroll	\$ 476,068	\$ 413,104	\$ 372,472	\$ 432,588
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	143.12%	117.62%	121.59%	117.32%
Plan fiduciary net position as a percentage of the total OPEB liability	58.84%	64.44%	64.24%	58.99%

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

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

City of Williamstown, Kentucky  
 Changes of Benefits and Assupmtions - Pensions  
 June 30, 2021

<b>Benefits</b>	<u>2021</u> no change	<u>2020</u> no change
<b>Assumptions</b>	<u>2021</u>	<u>2020</u>
Valuation date	6/30/2019	6/30/2018
Actuarial cost method	Entry age normal	Entry age normal
Asset valuation method	20% of difference	20% of difference
Amotrization method	Level percent of pay	Level percent of pay
Remaining amortization period	25 years, closed	26 years, closed
Payroll growth rate	2.00%	2.00%
Investment return	6.25%	6.25%
Inflation	2.30%	2.30%
Salary increase rate - nonhazardous	3.30% - 11.55%	3.30% - 11.55%
Salary increase rate - hazardous	3.05% - 18.55%	3.05% - 18.55%

City of Williamstown, Kentucky  
 Changes of Benefits and Assumptions - OPEB  
 June 30, 2021

<b>Benefits</b>	<u>2021</u>	<u>2020</u>
	no change	no change
<b>Assumptions</b>	<u>2021</u>	<u>2020</u>
Valuation date	6/30/2018	6/30/2017
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percent of pay	Level percent of pay
Remaining amortization period	25 years, closed	26 years, closed
Payroll growth rate	2.00%	2.00%
Investment rate of return	6.25%	6.25%
Inflation	2.30%	2.30%
Salary increase rate - nonhazardous	3.30% - 11.55%	3.30% - 11.55%
Salary increase rate - hazardous	3.05% - 18.55%	3.05% - 18.55%
Health care cost trends:		
Pre-65	7.00% decreasing to an ultimate rate of 4.05% in 12 years	7.00% decreasing to an ultimate rate of 4.05% in 12 years
Post-65	5.00% decreasing to an ultimate rate of 4.05% in 12 years	5.00% decreasing to an ultimate rate of 4.05% in 12 years

**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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 13, 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.

1407 Alexandria Pike  
Fort Thomas, KY 41075

3863 Glenmore Ave  
Cincinnati, OH 45211

**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

December 13, 2021

